

Performance Report (Oct.-Dec. 2015)

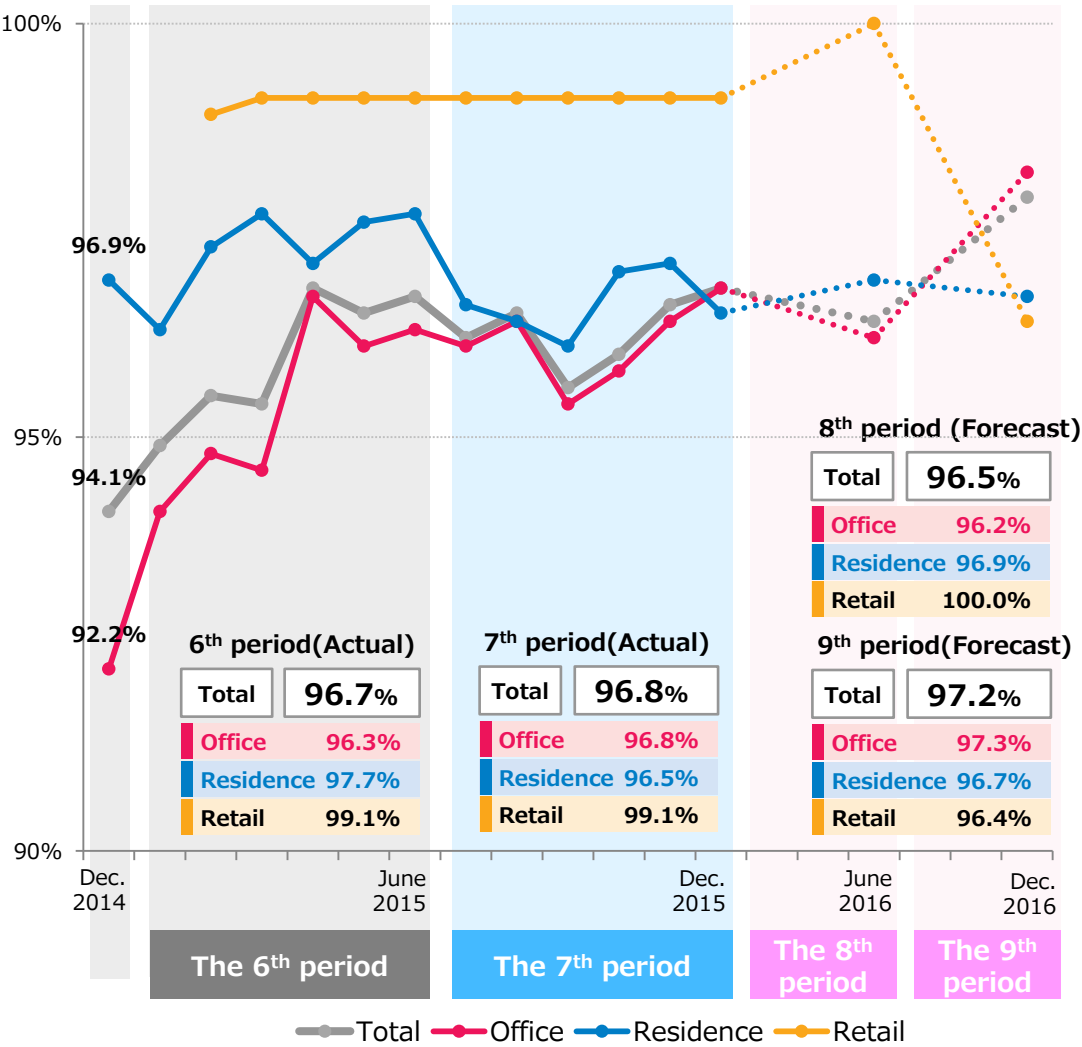
February 19, 2016



NIPPON REIT
Investment Corporation

<http://www.nippon-reit.com/en/>

Occupancy Rate Trend and Forecast



Major Factors Affecting Occupancy Rate

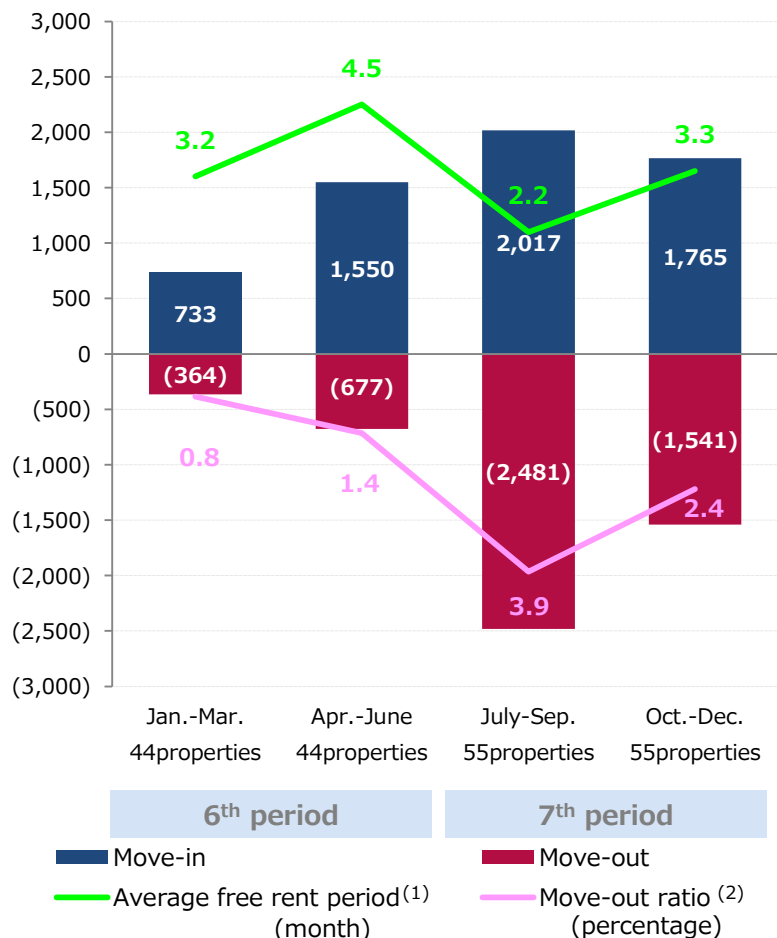
Property name	Occupancy rete		Leased area changes
	As of end of 6 th period	As of end of 7 th period	
FORECAST Sakurabashi EM	85.4%	100%	956.23㎡
Higashiikebukuro Center Building EM	87.9%	100%	510.50㎡
(Tentative) FORECAST Shinagawa EM	83.3%	100%	416.49㎡
Towa Higashigotanda Building	82.2%	100%	523.19㎡
Itabashi Honcho Building EM	86.3%	100%	871.33㎡
Itohpia Iwamotocho ANNEX Building	100%	87.2%	(390.73㎡)
(Tentative) FORECAST Shintokiwabashi	100%	85.3%	(264.52㎡)
ANTEX24 Building	100%	73.5%	(601.18㎡)
my atria Meieki	100%	88.9%	(321.68㎡)

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

Tenant Move-in and Move-out

※Total leasable area as of the 7th period(Office) : 63,119 tsubo

(area: tsubo)



Notes

1. Calculated for end 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. Properties 90% or below in occupancy rate as of the end of the 7th period are stated.
4. Though occupancy rate as of the end of the 7th period was above 90%, categorized as properties under leasing initiative as received termination notice from tenants.

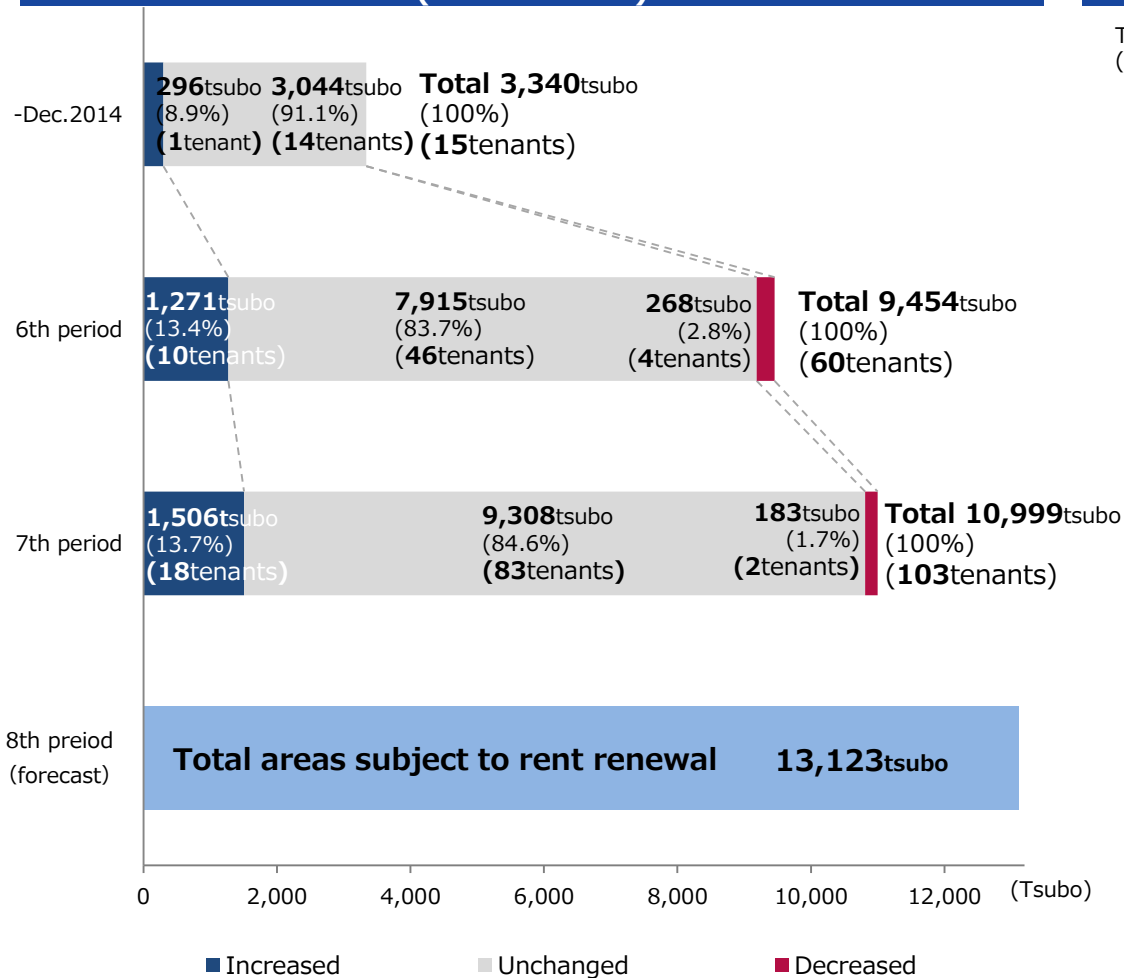
Properties Under Leasing Initiative⁽³⁾

Property name	Occupancy rate (7 th period)	Leasing initiative and status
FORECAST Ichigaya	86.3%	Received tenancy application for all vacant area. *occupancy rate as of July 2016 : 100%(forecast)
JS Progres Building	90.2% ⁽⁴⁾	Concluded lease contract takes effect from March for 1 floor. Promoting leasing activities for remaining 3 floors. *occupancy rate as of Feb. 2016 : 60.7%(forecast), as of Mar. 2016 : 70.4%(forecast)
Itohpia Iwamotocho ANNEX Building	87.2%	Received tenancy application for a vacant area. ※occupancy rate as of Apr. 2016 : 100%(forecast)
(Tentative) FORECAST Shin-Tokiwabashi	85.3%	Under negotiation with multiple candidates. Planning to promote leasing activities (tenant viewing, etc.).
Mitsui Woody Building	79.2%	Concluded lease contract takes effect from March *occupancy rate as of Jan. 2016:64.3%, as of Mar. 2016 : 85.1%(forecast)
ANTEX24 Building	73.5%	Under negotiation with multiple candidates. Completed air conditioning system renewal and installment of LED lights. Planning to promote leasing activities (toilet renewal and tenant viewing, etc.).
Toranomon Sakura Building	48.5%	Concluded lease contract for 1 vacant space. *occupancy rate as of Mar. 2016 : 56.8%(forecast)
La Verite Akasaka	73.7%	Under negotiation with multiple candidates. Planning to promote leasing activities (toilet renewal and tenant viewing, etc.).
New River Building	100% ⁽⁴⁾	Lease contract takes effect from February has been concluded for 1 floor. Promoting leasing activities for remaining 3 floors. ※occupancy rate as of Feb. 2016 : 83.3%(forecast), as of Mar. 2016:69.5%(forecast)
my atria Meieki	88.9%	With the aim of an early recovery in occupancy rate, carry out a campaign that increase incentive fees for prompt and favorable leasing.

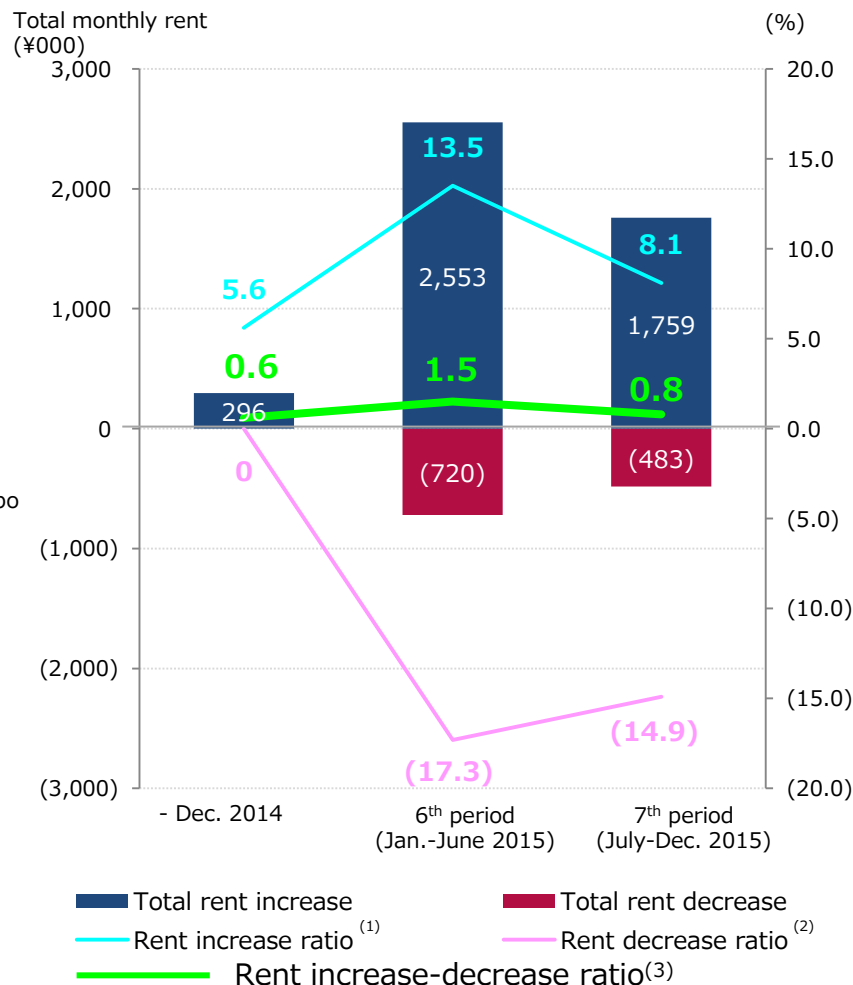
Track Record of Rent Renewals

During the 7th period, achieved rent increase of 8.1% with 18 tenants (1,506 tsubo) with respect to 103 tenants (10,999 tsubo) subject to rent renewal.

Rent Renewals in Office Properties (Leased area)



Rent Renewals in Office Properties (Rent)



Note

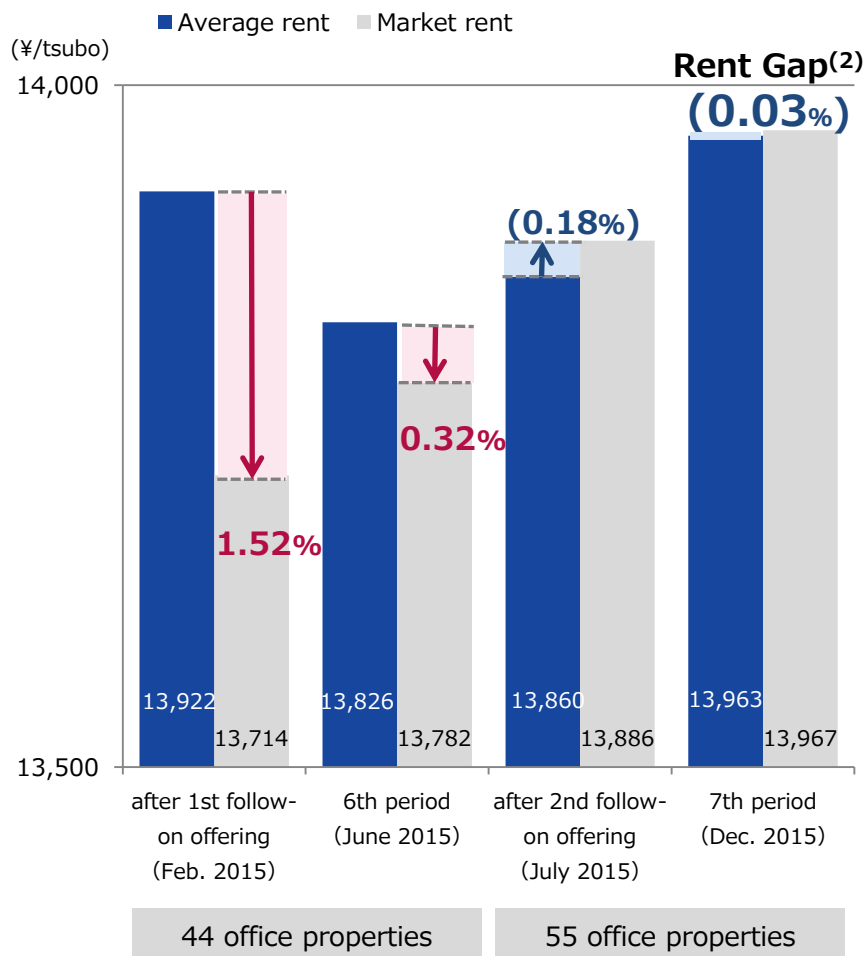
1. Rent increase ratio refers to the increase ratio of total rent for end tenants accepted rent increase after renewal against total rent before renewal.
2. Rent decrease ratio refers to the decrease ratio of total rent for end tenants reduced rent after renewal against total rent before renewal.
3. Rent increase-decrease ratio refers to the increase (decrease) ratio of total rent for all end tenants after rent renewal against total rent before renewal.

Scheduled Rent Renewals and Rent Gap

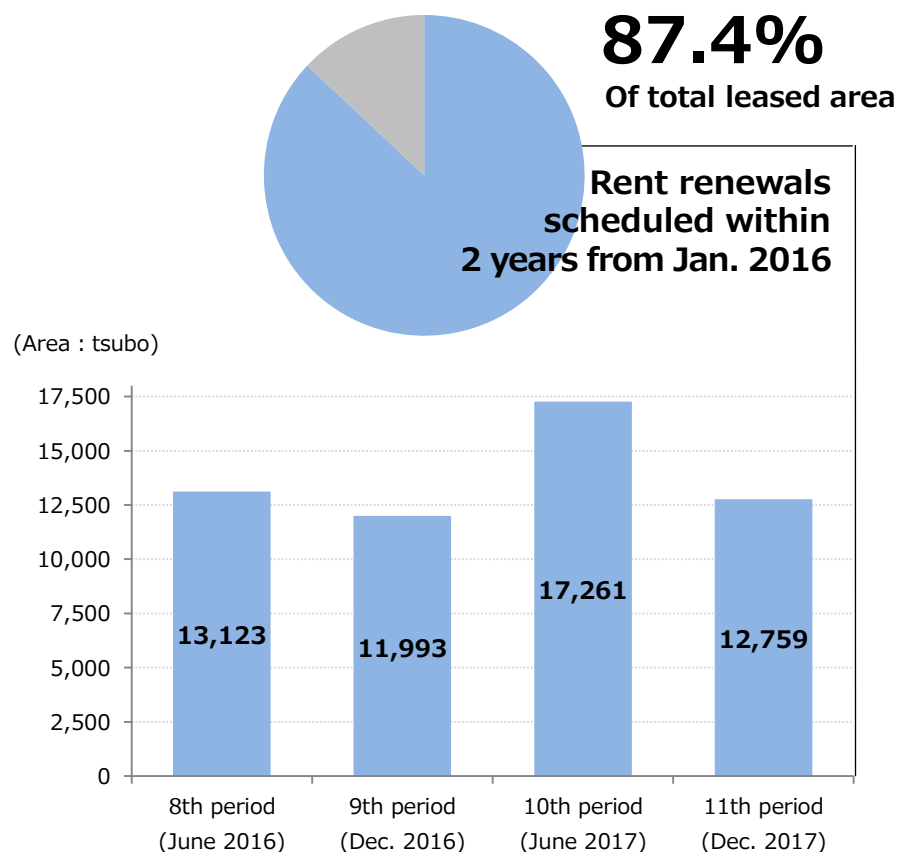
Rent gap as of the end of the 7th period is minus 0.03%.

We will continue to actively negotiate for rent increase at the timing of rent renewals.

Average Office rent and Market rent ⁽¹⁾



Scheduled Rent Renewals (Office Properties)



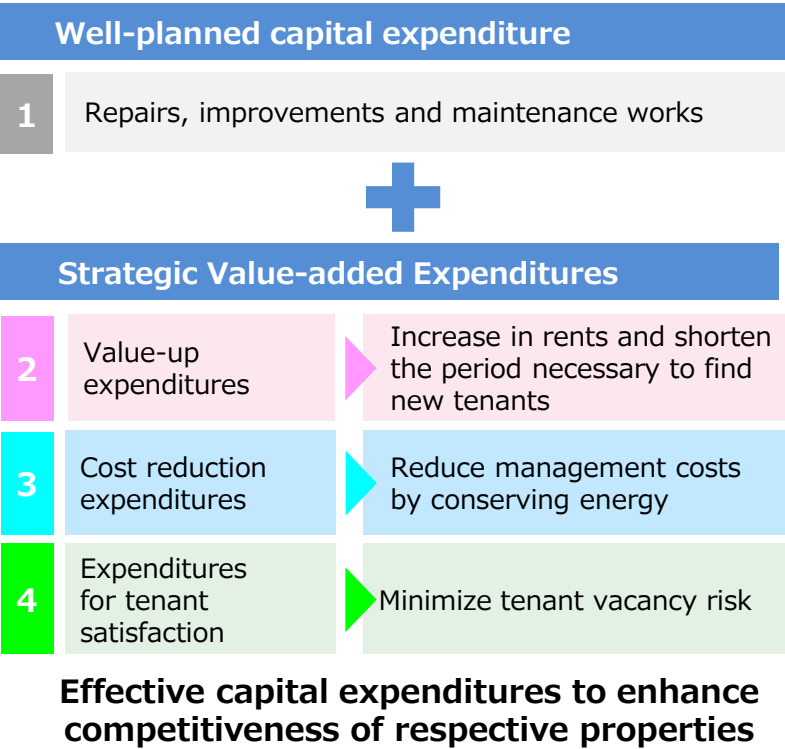
Note

1. Average rent is represented by the contract-based rent, which is a weighted-average of each office property based on the occupied floor area. Each weighted average excludes tenants which have submitted a notice of cancelation and which occupy the retail section between the second floor to the basement floor of buildings. Market rent is represented by an average of the maximum and minimum of the rent of respective properties, as described in the market reports prepared by Sanko Estate and CBRE K.K. Such average is a weighted-average of each office properties based on the occupied floor area.
2. Rent gap is calculated using following formula : Average rent / Market rent - 1.

Summary of Engineering Management

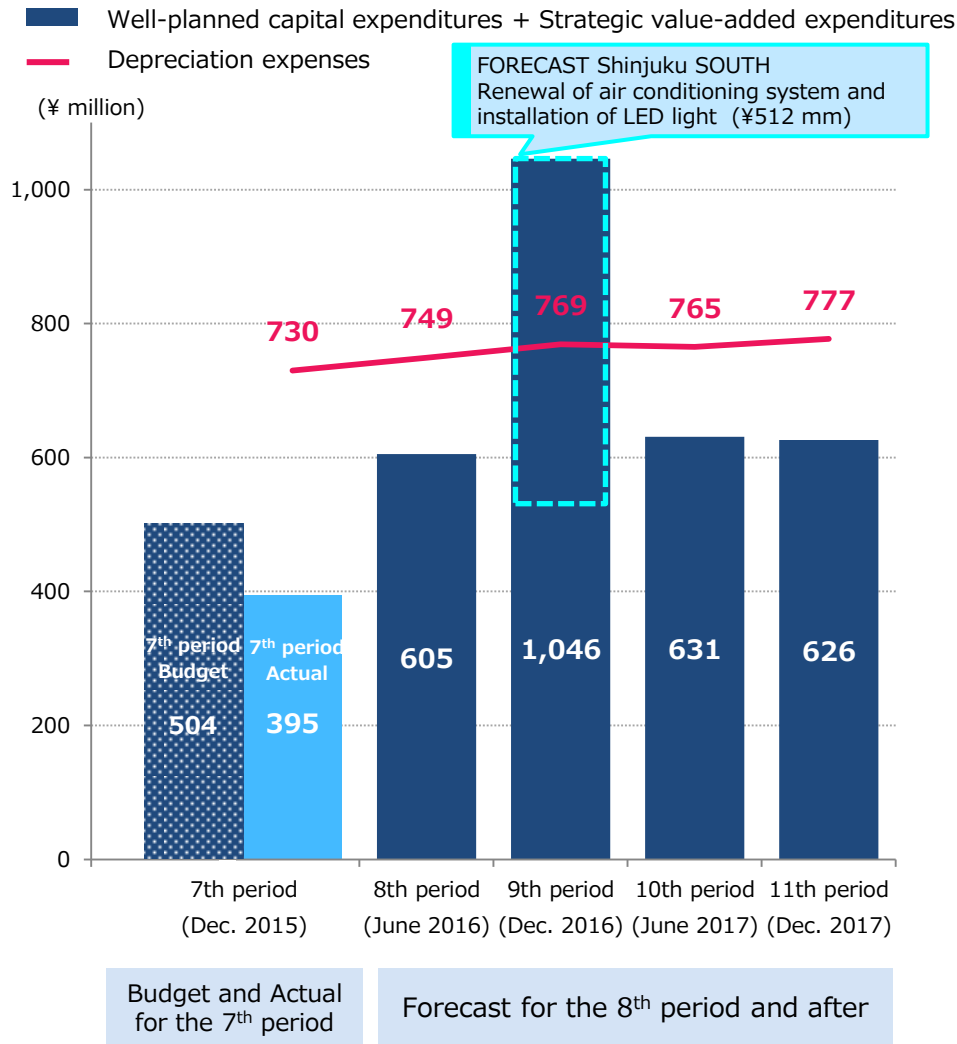
Implement effective and appropriate capital expenditures within depreciation expenses in principal.

Summary of Engineering Management



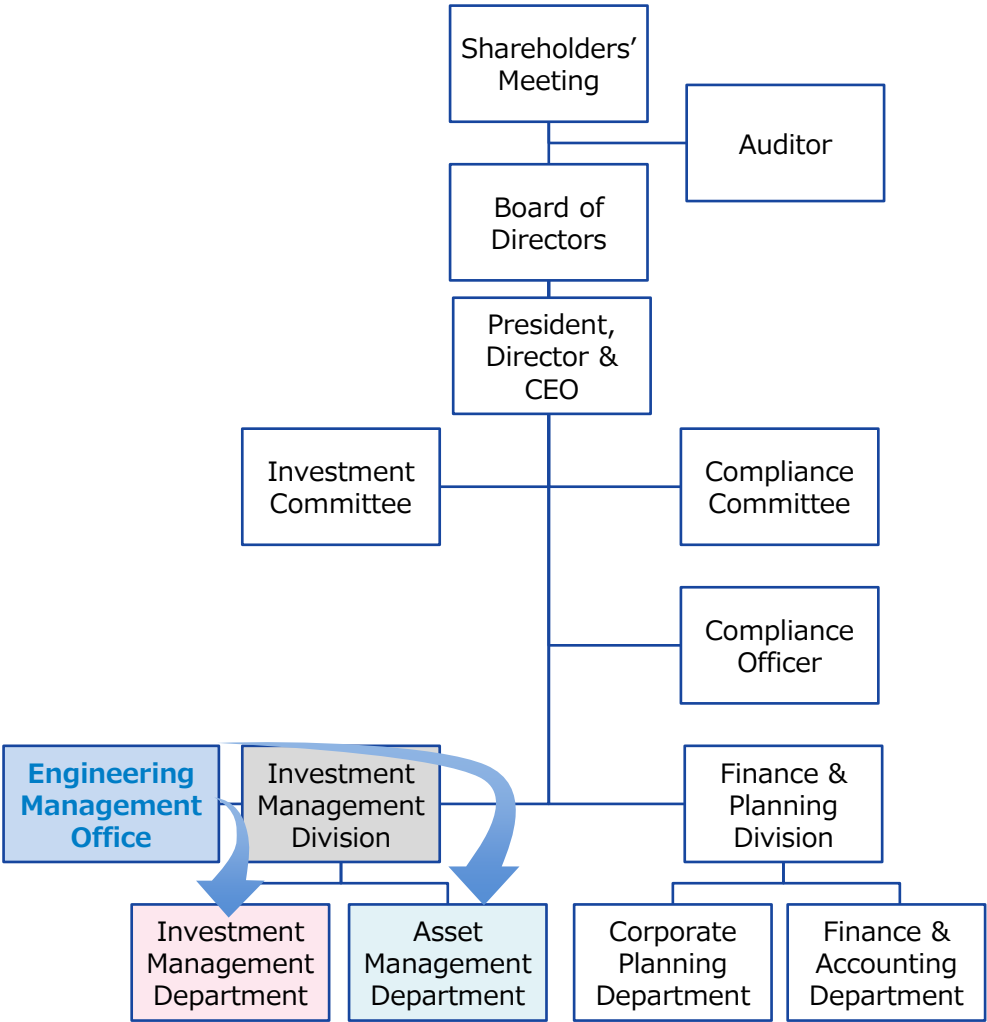
Maintain and improve
quality of the entire portfolio

Engineering Management Plan and Budget



Established **Engineering Management Office (EM Office)** on Dec.1 2015, that initiates maintenance and improvement of portfolio quality by supporting other departments' activities through analysis and verification of respective properties from the Engineering Management perspective in each phase including acquisition, operation and disposition.

Establishment of Engineering Management Office



Member of Investment Management Division

Directors

Investment Management Dept.

EM Office



Fumihiko Mizuno
Senior Managing Director & CIO
Experience: 25years



Masataka Nogi
Director & Deputy Senior GM
Experience: 19years



Toshiya Hirasawa
Deputy Senior GM& EM office GM
Experience: 28years
First-class Architect



Shinji Yamaguchi
Senior Manager
Experience: 23years
First-class Architect



Shigeki Otsuka
General Manager
Experience: 13years



Katsuaki Shinohara
Senior Manager
Experience: 14years
Licensed Real-estate Appraiser

Asset Management Dept.



Toru Sugiura
General Manager
Experience: 13years



Daiji Arai
Senior Manager
Experience: 12years



Masaaki Watanabe
Senior Manager
Experience: 20years



Satoshi Okada
Senior Manager
Experience: 9years



Hidejiro Suzuki
Manager
Experience: 9years



Masahiro Matsuwaki
Manager
Experience: 13years



Keita Masuda
Manager
Experience: 7years

Value-up expenditures

Hiroo Reeplex B's / GreenOak Okachimachi

Installation of signboard

approx. ¥4.4mm revenue increase/year

Newly installed signboard in the extra space and leased to tenants who wish to rent.

FORECAST Nishishinjuku

Setting up new leasable area

approx. ¥2.0mm revenue increase/year

Secured an additional leasable area for warehouse on the B1F under the favor of the legal revision on July 1, 2014 and leased to an existing tenant.

Mejiro NT Building

Setting up new parking lots

approx. ¥2.5mm revenue increase/year

Set up 6 parking lots anew on an extra space and leased to a sublessee parking operator.

Cost reduction expenditures

Higashi Ikebukuro Center Building/ANTEX24

Renewal of equipment utilizing subsidies

Implemented energy saving renewal of air conditioning system and lighting equipment. A part of construction costs (¥36mm for Higashi Ikebukuro Center Building and ¥17mm for ANTEX 24 Building) are scheduled to be subsidized.

Expenditures for tenant satisfaction

FORECAST Shinjuku SOUTH

Installation of smoking room



As one of the activities to improve tenant satisfaction, installed smoking room at an extra space in the building. At the same time, improved the appearance of the building by removing outside smoking area.

New River Building

Renewal of main entrance

Through renewal of main entrance including signboard and ceiling lights, completely wiped out the degraded impression while saving cost.

Itabashi Honcho Building

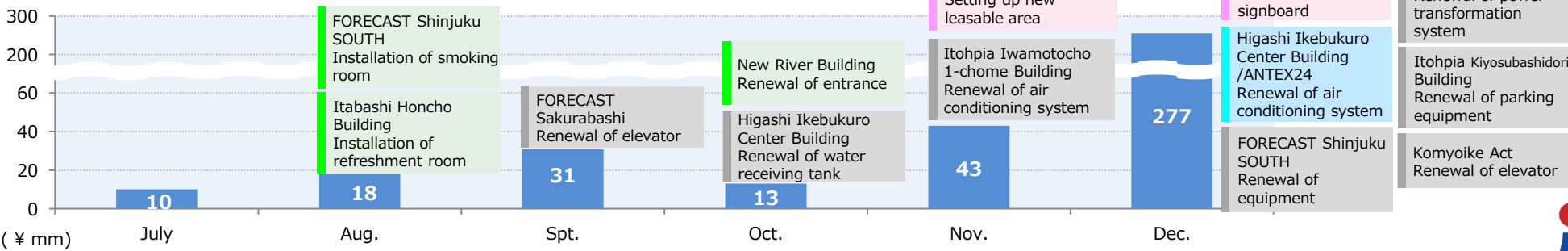
Installation of refreshment room



As one of activities to improve tenant satisfaction, installed refreshment room and smoking room.

At the same time, improved the appearance of the building by removing smoking area next to parking lot.

《Major Track Record in the 7th Period》



Value-up expenditures

Office 23 properties
Measures aiming to increase revenues from parking lots

- **Replacement of sublessee operator**
With an aim to improve the contract terms, replace sublessee parking operators which have been separately contracted property by property before the acquisition of NIPPON REIT on entire portfolio basis.
- **Setting up new parking lots utilizing extra space**
Planning to set up extra parking lots by utilizing extra space or changing layout for some of the properties.

Omiya Center Building
Installation an area to set up catering wagons

With an aim to increase revenues from commission and to improve tenant satisfaction, make contracts with catering service providers utilizing spaces on the premise.

Cost reduction expenditures

Office 38 properties and retail 2 properties
Energy cost reduction

- **Replacing energy provider**
With an aim to reduce energy costs, planning to replace energy provider with a PPS (Power Producer and Supplier) for 40 properties. About 10.94% p.a.(approx. ¥60mm excluding consumption taxes) cost reduction is estimated on a trial basis. Contract is scheduled to be executed in February 2016.
- **Installation water saving system**
The installation of water saving system with auto-flushing function enables not only water charges reduction but value-up effect. The system has been installed in 8 properties already and approximately ¥3.7 mm p.a. water charges reduction is estimated.



Expenditures for tenant satisfaction

Toranomon Sakura Building
Renewal of elevator hall

Planning renewal of elevator hall. Aiming to enhance property image while saving cost, with unified design from already renewed entrance to the leased area.



Mitsui Woody Building
Renewal of common areas

Planning renewal of toilet including expansion of women's toilet booth with the concept of improving women's work environment. In addition, renewal of interior materials and installation of warm-colored lights at the common areas including elevator hall are scheduled.



La Verite Akasaka
Renewal of common areas

Planning renewal of toilet including expansion of women's toilet booth with the concept of improving women's work environment.



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