



August 15, 2019

To All Concerned Parties

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**NIPPON BUILDING FUND INC.  
ANNOUNCES 36th PERIOD (FIRST-HALF 2019) RESULTS**

**1. Financial Results for the Fiscal Period Ended June 30, 2019  
(from January 1, 2019 to June 30, 2019)**

(Values are rounded down to the nearest million yen)

(1) Operating Results (Percentages indicate a rate of increase/decrease from the previous period)

Period ended	Operating revenues		Operating income		Ordinary income		Net income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
June 30,2019	38,529	2.8	16,731	4.4	15,391	6.0	15,390	6.0
December 31,2018	37,468	2.3	16,031	1.6	14,519	3.6	14,518	3.6

Period ended	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	yen	%	%	%
June 30,2019	10,899	2.8	1.5	39.9
December 31,2018	10,282	2.7	1.4	38.8

(Note) Net income per unit = Net income ÷ Weighted average number of units issued and outstanding during the period.



(2) Distributions

Period ended	Distribution per unit (excluding distributions in excess of earnings) Yen	Total Amount of Distributions (excluding distributions in excess of earnings) Yen in millions	Distributions in excess of earnings per unit Yen	Total of distributions in excess of earnings Yen in millions	Payout ratio %	Ratio of distributions to net assets %
June 30,2019	10,560	14,910	—	—	96.8	2.8
December 31,2018	10,283	14,519	—	—	100.0	2.7

(Note1) The payout ratio is calculated by using the following formula. Value after one (1) decimal place is rounded down.

$$\text{Payout ratio} = \frac{\text{Total amount of distributions}}{\text{Net income}} \times 100$$

(Note2) Distribution per unit for the fiscal period ended June 30, 2019 is arrived at by subtracting the provision of reserve for reduction entry (¥478 million) from undistributed earnings and then dividing it by the total number of investment units issued and outstanding.

(3) Financial Position

Period ended	Total assets Yen in millions	Net assets Yen in millions	Ratio of unitholders' equity to total assets %	Net assets per unit Yen
June 30,2019	1,043,765	541,338	51.9	383,384
December 31,2018	1,024,893	540,467	52.7	382,767

(4) Cash Flow

Period ended	Cash flow from operating activities Yen in millions	Cash flow from investing activities Yen in millions	Cash flow from financing activities Yen in millions	Cash and cash equivalents at the end of period Yen in millions
June 30,2019	29,626	(35,587)	3,099	17,344
December 31,2018	24,884	(4,121)	(13,031)	20,206



## 2. Forecasts for the 37th Fiscal Period (from July 1, 2019 to December 31, 2019) and the 38th Fiscal Period (from January 1, 2020 to June 30, 2020)

(Percentages indicates rate of increase/decrease from the previous period)

Period ending	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (excluding distribution in excess of earnings)	Distributions in excess of earnings
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen	Yen
December 31, 2019	39,201	1.7	16,835	0.6	15,462	0.5	15,462	0.5	10,950	—
June 30, 2020	38,389	(2.1)	16,426	(2.4)	15,109	(2.3)	15,109	(2.3)	10,700	—

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period)

- The 37th Fiscal Period (from July 1, 2019 to December 31, 2019) : ¥10,950
- The 38th Fiscal Period (from January 1, 2020 to June 30, 2020) : ¥10,700

## 3. Others

### (1) Changes in Accounting Policies, Accounting Estimates or Restatements

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to reasons other than (i) above: None
- (iii) Changes in accounting estimates: None
- (iv) Restatements: None

### (2) Number of Investment Units Issued and Outstanding

- (i) Number of investment units issued and outstanding at the end of the fiscal period including treasury units:
  - As of June 30, 2019 1,412,000 units
  - As of December 31, 2018 1,412,000 units
- (ii) Number of treasury units at end of period:
  - As of June 30, 2019 None
  - As of December 31, 2018 None

※ This financial report has not undergone any audit performed by a certified public accountant or auditing firm.

※ Special Consideration

The forward-looking statements concerning performance results in these materials are based on information currently available to us and certain assumptions which we believe are reasonable. Actual operating performance may differ substantially due to various factors. Furthermore, these forecasts are not intended to guarantee the amount of cash distribution.

***NBF Portfolio Profile:***

As of June 30, 2019, NBF owned or had beneficiary interests in 71 office properties containing approximately 1,091,311 rentable square meters of office space. As of June 30, 2019, NBF leased office space to 1,483 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,525 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 99.5% (after taking sub-leases into account), compared to 99.5% at the close of the preceding fiscal period.

***Performance Results:***

NBF is conducting asset management in accordance with its basic policy of “aim to achieve steady growth of its assets under management and to secure stable profits on a mid-to long-term basis.”

During the fiscal period under review, NBF acquired “G-BASE TAMACHI” (trust beneficiary right, total acquisition price: ¥28.2 billion) in March and April 2019. In addition, NBF additionally acquired ownership interest in “Osaki Bright Core - Bright Plaza” (real estate, acquisition price: ¥4.2 billion) and Nakanosakaue Sunbright Twin (real estate, acquisition price: ¥480 million) in its existing portfolio in April 2019 and June 2019, respectively. On the other hand, NBF disposed 2 properties namely “NBF Shibakouen Daimon Street Bldg.” (trust beneficiary right, disposition price: ¥6.2 billion) and “NBF Utsunomiya Bldg.” (real estate, disposition price: ¥3.05 billion) in February 2019.

NBF has endeavored to expand stable revenues from its rental business with respect to its existing portfolio by reinforcing measures for maintaining occupancy rates and increasing rents upon renewal of contracts through appropriate and flexible leasing activities with a good understanding of market trends and strengthened relationship with tenants. In addition, NBF has also put forth efforts to reduce costs by properly allocating timing and cost for renovation/construction while making strategic and rightly-focused additional investments.

NBF also promotes ESG (environment, social and governance) initiatives and received “Green Star,” the highest rating in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment, and “5-Star,” the top rating in the GRESB Score ranking conducted in 2018. In addition, it also received “A,” the top rating in the GRESB Public Disclosure Level evaluation scheme.

***Debt Financing:***

NBF has conducted its financial management in a conservative manner with the targeted interest-bearing debt to value ratio (ratio of interest-bearing debt to total value, hereinafter the LTV) being between 36% and 46%, with 56% at the maximum.

During the fiscal period under review, long-term borrowings of ¥31.8 billion became due for repayment. NBF procured a total of ¥49.5 billion through long-term borrowings as part of funds for



repayment of the above long-term borrowings as well as acquisition of properties.

It has also established long-term commitment lines in order to provide stable sources of funding thereby flexibly procuring necessary funds and reducing risks of refinancing etc.

As the result of these activities, as of the end of the current period NBF's LTV was 41.7% and its long-term fixed interest-bearing debt ratio (ratio of "long-term fixed interest-bearing debt" procured at fixed rates with over-one-year repayment/redemption periods as of the time of loan agreements/issuances of bonds each such time representing the actual procurement of funds to "total interest-bearing debt."; hereinafter the same) was 92.9%.

The status of interest-bearing debt as of the end of the previous and current periods is as follows.

(Values are million yen)

	Balance as of the end of the previous period	Balance as of the end of the current period	Increase/decrease
Short-term borrowings	—	—	—
Long-term borrowings (Floating interest rate)	31,000	31,000	—
Long-term borrowings (Fixed interest rate)	350,125	367,750	17,625
Investment Corporation Bonds	37,000	37,000	—
Total interest-bearing debt	418,125	435,750	17,625

**Credit Ratings:**

NBF was awarded the following issuer credit ratings as a J-REIT (opinions of the respective credit rating agencies on NBF's creditability).

Credit Rating Agency	Rating Summary
JCR	Issuer Rating: AA+, Outlook: stable
R&I	Issuer Rating: AA, Outlook: stable
Standard & Poor's	Long-term: A+, Short-term: A-1, Outlook: stable

**Overview of Performance and Distribution:**

As the result of above-explained operations, NBF's performance results during the current period consisted of operating revenues of ¥38,529 million (an increase of ¥1,061 million, or 2.8%, compared to the previous period), operating income from leasing activities of ¥17,926 million (an increase of ¥292 million, or 1.7%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥16,731 million (an increase of ¥699 million, or 4.4% compared to the previous period), ordinary income of ¥15,391 million (an increase of ¥871 million, or 6.0%, compared to the previous period), and net income of ¥15,390 million (an increase of ¥871 million, or 6.0%, compared to the previous period). Moreover, the gain on sale of “NBF Shibakouen Daimon Street Bldg.” and “NBF Utsunomiya Bldg.” will be all internally retained as reserve for reduction entry.

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥14,910 million, the entire amount arrived by subtracting the provision of reserve for reduction entry (¥478 million) from undistributed earnings, so that it will be enabled to deduct the maximum amount of cash distribution of profit from its taxable income through the application of preferential tax measures to investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, the distribution per unit was ¥10,560 (an increase of ¥277, or 2.7% compared to the previous period).

**NBF's Management Policy and Issues to be Dealt with for the Future:**

The Japanese economy is expected to recover gradually due to the effect of various economic policies of the government while an improvement trend in the employment and income environment continues. On the other hand, attention must be paid to the impact of trends in trade issues on the global economy, uncertainty in overseas economies including the future of the Chinese economy, the impact of fluctuations in financial and capital markets and the impact of consumption tax rate hike scheduled for October 2019. Concerning the office building rental market, an increase of new large-scale properties is expected in Tokyo's CBDs until 2020. However, since many of the new buildings are steadily drawing in tenants and firm demand is expected to continue backed by strong corporate earnings, the supply and demand balance of offices is expected to continue to be tight.

In the office building trading market, severe competition for acquiring properties is expected to continue and the transaction price is forecasted to remain at a high level as information on sales of prime properties is on restrictive while the appetite of domestic and international investors for property acquisition remains high against the backdrop of favorable financing environment.

Under such environment, NBF conducts asset management with the aim of achieving sustainable growth in portfolio value and stable profits on a mid-term and long-term basis in



accordance with the following management policies:

### **(a) Investment Policies for Acquisition**

NBF will strive to acquire properties that contribute to the entire portfolio in the medium to long term and aim to further enhance its portfolio based on the favorable condition of the financing environment in the financial market, while severe competition for property acquisition continues.

NBF will also continue to make prudent investment decisions taking into full consideration the status of its financial management as well as keeping an eye on changes in financial and economic circumstances and trends in the real estate markets.

In addition, NBF will implement asset replacement as needed by taking into consideration growth potential, stability, scale, location, composition of entire portfolio, etc. of each property based on the market environment while also reviewing the progress of acquisition of new properties and impact on gain and loss of its entire portfolio.

### **(b) Management Policies for Existing Properties**

NBF intends to increase rental revenues by keeping an eye on trends in the office building rental market and responding flexibly to the market environment. For existing tenants, it continues to maintain good relations with them through its basic policy of improving the level of tenant satisfaction whereby it intends to maintain and improve the level of current rents, as well as to avoid contract cancellations.

As for capital investments in existing buildings, NBF will undertake appropriate and effective engineering work such as renovating facilities, improving their environmental compatibility (including compliance with environmental restrictions related to cutting CO2 emissions) or constructing new improvements, all of which will contribute to the maintenance and enhancement of their competitiveness as rental buildings.

### **(c) Financial Strategies etc.**

With respect to fund procurement through debt financing, NBF will continue to focus on traditional long-term, fixed-interest financing with a view toward long-term asset management and the stability of fund procurement. At the same time, it plans to continue to issue NBF bonds with a view toward strengthening its financial base while keeping an eye on the market environment.

For the following period, the targeted LTV, being between 36% and 46%, will be maintained for the time being, with 56% at the maximum. NBF will continue to conduct its financial management with the targeted long-term interest-bearing debt ratio for the time being of over 90%.

In addition, NBF will conduct IR activities based on its policy to proactively and globally conduct accurate, fair and timely disclosure from the viewpoint of appropriately disclosing information and securing transparency.

**Significant Subsequent Events:**

Not applicable

**Outline of Forecasts for the 37th and the 38th Periods**

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 37th fiscal period commencing July 1, 2019 and ending December 31, 2019 and for the 38th fiscal period commencing January 1, 2020 and ending June 30, 2020 as a part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on August 15, 2019. An outline of the forecasts for the 37th and the 38th periods is as follows:

**Performance Forecasts:**

The forecast for the 37th period is as follows:

Operating revenues:	¥39,201 million
Net income:	¥15,462 million
Cash distribution per unit:	¥10,950

The forecast for the 38th period is as follows:

Operating revenues:	¥38,389 million
Net income:	¥15,109 million
Cash distribution per unit:	¥10,700

(Note) The above-forecasted figures are calculated based on certain conditions as of the date of such calculation, and the actual amount of net income or cash distribution may change subject to changes of circumstances. Furthermore, these forecasts are not intended to guarantee the amount of cash distribution.





**NIPPON BUILDING FUND INC.**  
**Balance Sheets**

As of June 30, 2019 and December 31, 2018

	As of June 30, 2019	As of December 31, 2018
	(Yen in millions)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	¥ 17,344	¥ 20,206
Tenant receivables	868	331
Prepaid expenses	775	781
Other current assets	99	88
Total current assets	19,088	21,408
Investment Properties:		
Land including trust accounts	700,463	681,864
Buildings and improvements including trust accounts	436,388	428,837
Other tangible assets	14,523	13,917
Less: accumulated depreciation	(170,310)	(164,514)
Leasehold rights in trust accounts and other intangible assets	35,865	35,885
Total investment properties, net	1,016,929	995,989
Long-term Prepaid Expenses	16	19
Other Assets	7,729	7,475
<b>Total Assets</b>	<b>¥1,043,765</b>	<b>¥1,024,893</b>
<b>Liabilities</b>		
Current Liabilities:		
Long-term debt due within one year	¥ 62,250	¥ 61,125
Accounts payable	7,382	7,373
Rents received in advance	4,564	4,647
Accrued expenses and other liabilities	1,131	2,230
Total current liabilities	75,328	75,377
Long-term Debt	373,500	357,000
Tenant Security Deposits Including Trust Accounts	53,479	51,939
Other Liabilities	119	108
<b>Total Liabilities</b>	<b>502,426</b>	<b>484,425</b>
<b>Net Assets</b>		
Unitholders' Equity		
Unitholders' capital	519,124	519,124
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,412,000 units		
Retained earnings	22,213	21,343
<b>Total Net Assets</b>	<b>541,338</b>	<b>540,467</b>
<b>Total Liabilities and Net Assets</b>	<b>¥1,043,765</b>	<b>¥1,024,893</b>



**NIPPON BUILDING FUND INC.**  
**Statements of Income**

For the six months ended June 30, 2019 and December 31, 2018

	For the six months ended June 30, 2019	For the six months ended December 31, 2018
(Yen in millions)		
<b>Operating Revenues and Expenses</b>		
<b>Operating Revenues:</b>		
Rental	¥34,476	¥34,081
Other revenues related to property leasing	3,573	3,386
Gains on sales of investment properties	478	—
<b>Total Operating Revenues</b>	<b>38,529</b>	<b>37,468</b>
<b>Operating Expenses:</b>		
Property management fees	5,319	5,313
Real estate taxes	3,461	3,100
Repairs and maintenance	913	964
Insurance	32	33
Other rental expenses	3,174	3,326
Depreciation and amortization	7,221	7,095
Asset management fees	1,427	1,385
Other operating expenses	246	217
<b>Total Operating Expenses</b>	<b>21,797</b>	<b>21,436</b>
<b>Operating Income</b>	<b>16,731</b>	<b>16,031</b>
<b>Non-Operating Revenues and Expenses</b>		
<b>Non-Operating Revenues:</b>		
Interest income	0	0
Property tax refund and interest on tax refund	—	3
Other non-operating revenues	58	12
<b>Non-Operating Expenses:</b>		
Interest expense	(1,359)	(1,486)
Amortization of bond issuance costs	(10)	(7)
Other non-operating expenses	(28)	(33)
<b>Ordinary Income</b>	<b>15,391</b>	<b>14,519</b>
<b>Income before Income Taxes</b>	<b>15,391</b>	<b>14,519</b>
Current and deferred income taxes	(1)	0
<b>Net Income</b>	<b>¥ 15,390</b>	<b>¥ 14,518</b>



**NIPPON BUILDING FUND INC.**  
**Distribution for the Current Period**

	For the six months ended June 30, 2019	For the six months ended December 31, 2018
	(Yen in thousands, except per unit amounts)	
Retained earnings	¥15,390,427	¥14,519,796
Undistributed earnings	—	—
Reserve for advanced depreciation	478,962	—
Total cash distribution	14,910,720	14,519,596
(Cash distribution per unit)	10,560	10,283
Distribution of accumulated earnings	14,910,720	14,519,596
(Distribution of accumulated earnings per unit)	10,560	10,283
Cash distribution in excess of accumulated earnings	—	—
(Per unit)	—	—

**Disclaimer**

This news release contains translations of selected information described in the Japanese original document (“Kessan-Tanshin”) . “Kessan-Tanshin” has been prepared in accordance with Japanese accounting standards and Japanese laws.

Figures have been rounded down to eliminate amounts of less than one million yen.

Please note that this English translation of the Japanese original document is provided solely for informational purposes. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.