

August 15, 2022

To All Concerned Parties

Name of REIT Issuer:

Nippon Building Fund Inc.

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(TSE Code : 8951)

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**NIPPON BUILDING FUND INC.
ANNOUNCES 42nd PERIOD (FIRST-HALF 2022) RESULTS**

**1. Financial Results for the Fiscal Period Ended June 30, 2022
(from January 1, 2022 to June 30, 2022)**

(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, 2022	52,215	3.7	26,806	16.5	25,440	17.1	25,439	17.1
December 31, 2021	50,334	8.9	23,004	1.0	21,728	1.4	21,727	1.4

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, 2022	14,998		3.7		1.9		48.7	
December 31, 2021	13,148		3.2		1.7		43.2	

(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, 2022	13,476	22,922	-	-	90.1	3.3
December 31, 2021	11,848	19,578	-	-	90.1	2.9

(Note 1) The payout ratio is rounded down to the first decimal place.

(Note 2) Distribution per unit for the fiscal period ended December 31, 2021, is calculated by dividing the amount (¥19,578 million) arrived at by deducting provision of reserve for advanced depreciation (¥4,170 million) from the sum of retained earnings (¥21,727 million) and reversal of reserve for advanced depreciation (¥2,021 million) by the total number of investment units issued and outstanding. The difference between distribution per unit and net income per unit is due to this calculation.

(Note 3) Distribution per unit for the fiscal period ended June 30, 2022, is calculated by dividing the amount (¥22,922 million), which is arrived at by deducting provision of reserve for advanced depreciation (¥2,517 million) from retained earnings (¥25,439 million), by the total number of investment units issued and outstanding. The difference between distribution per unit and net income per unit is due to this calculation.

(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, 2022	1,367,719	709,154	51.8	416,906
December 31, 2021	1,306,855	672,290	51.4	406,832

(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, 2022	38,814	(88,739)	35,374	11,430
December 31, 2021	87,756	(86,541)	(19,308)	25,981

2. Forecasts for the 43rd Fiscal Period (from July 1, 2022 to December 31, 2022) and the 44th Fiscal Period (from January 1, 2023 to June 30, 2023)

(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, 2022	47,326	(9.4)	21,442	(20.0)	20,071	(21.1)	20,071	(21.1)	11,500	-
June 30, 2023	44,532	(5.9)	18,439	(14.0)	17,057	(15.0)	17,057	(15.0)	11,500	-

(Reference) Expected net income per unit (expected net income ÷ expected weighted average number of units issued and outstanding during the period)

• The 43rd Fiscal Period (from July 1, 2022 to December 31, 2022): ¥11,799

• The 44th Fiscal Period (from January 1, 2023 to June 30, 2023): ¥10,028

(Note1) Expected distribution per unit for the fiscal period ending December 31, 2022, is derived at by subtracting ¥509 million(the difference between reversal of reserve for advanced depreciation [¥265 million] and provision of reserve for advanced depreciation [¥774 million]) from expected net income and then dividing it by the total number of investment units issued and outstanding.

(Note2) Expected distribution per unit for the fiscal period ending June 30, 2023, is derived at by adding reversal of reserve for advanced depreciation ¥2,504million from expected net income and then dividing it by the total number of investment units issued and outstanding.

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, 2022	1,700,991 units
As of December 31, 2021	1,652,500 units

(ii) Number of treasury units at end of period:

As of June 30, 2022	None
As of December 31, 2021	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, 2022, NBF owned or had beneficiary interests in 73 office properties with an aggregated acquisition value ¥1.4516 trillion and 1,237,167 rentable square meters of office space respectively. Within this period, NBF leased office space to 1,601 tenants (including sub leases). The occupancy rate as of the end of the period was 96.6% (including sub leases), an increase of 0.2% compared with the previous period.

Performance Results:

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

Even under this challenging environment, NBF enhanced its portfolio by acquiring "Nakanoshima Mitsui Bldg" (real property; acquisition price: 44.0 billion yen) and "IIDABASHI GRAND BLOOM" (real property; acquisition price: 36.1 billion yen (additional acquisition)), in March 2022, and disposed "Sun Mullion NBF Tower" (trust beneficiary interest, disposition price: 14.4 billion yen), in January 2022.

Regarding the existing portfolio, NBF executes market-appropriate, flexible, and timely leasing activities carefully factoring in market trends in order to maximize the level of occupancy rates, which is still in an adjustment phase. With existing tenants, NBF strives to retain and improve rent levels, prevent cancellations based on the fundamental policy of maintaining favorable relationships and enhancing tenant satisfaction. As a result of these activities, occupancy rates and rental revenues remain stable. In addition, NBF's pursuit to enhance competitiveness of its properties by implementing continuous cost reduction measures through timely renovations will continue.

Furthermore, in order to promote ESG initiatives, a dedicated department has been newly established at the asset management company. Therein, new numerical targets have been set to reduce environmental footprint and promoting initiatives to achieve these goals.

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% set as the maximum.

During the fiscal period under review, NBF issued 48,491 new investment units (47,500 units through public offering (January 2022) and 991 units through third-party allotment (January 2022)) and procured ¥31.00 billion (¥30.36 billion through public offering (January 2022) and ¥0.63 billion through third-party allotment (January 2022)). NBF used the funds procured through the issuance of the new investment units as part of the funds for the acquisition of "Nakanoshima Mitsui Bldg" and "IIDABASHI GRAND BLOOM" (additional acquisition) acquired in this period. The number of investment units issued and outstanding at the end of the period under review was 1,700,991, and the total investment amount was ¥673.04 billion.

As of the end of the period under review, NBF's LTV was 42.0% and its long-term fixed interest-bearing debt ratio (ratio of “long-term fixed interest-bearing debt” procured at fixed rates with repayment/redemption periods of over one year as of the time of loan agreement/issuance of bonds each such time representing the actual procurement of funds to “total interest-bearing debt”; hereinafter the same) was 91.3%.

The status of interest-bearing debt as of the end of the previous period and period under review is as follows.

(Values are million yen)

	Balance as of the end of the previous period	Balance as of the end of the period under review	Increase/decrease
Short-term borrowings	-	14,000	14,000
Long-term borrowings (Floating interest rate)	27,000	36,000	9,000
Long-term borrowings (Fixed interest rate)	466,500	467,500	1,000
Investment Corporation Bonds	57,000	57,000	-
Total interest-bearing debt	550,500	574,500	24,000

NBF also established long-term commitment credit lines with financial institutions in order to stabilize its fund-raising capacity reducing refinancing risks.

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 operations, NBF's performance results during the period under review consisted of operating revenues of ¥52,215 million (an increase of ¥1,880 million, or 3.7%, compared with the previous period), operating income from leasing activities of ¥22,027 million (an decrease of ¥410 million, or 1.8%, compared with the previous period), operating income after asset management, custody and agent fees, etc. of ¥26,806 million (an increase of ¥3,802 million, or 16.5% compared with the previous period), ordinary income of ¥25,440 million (an increase of ¥3,712 million, or 17.1%, compared with the previous period), and net income of ¥25,439million (an increase of ¥3,712million, or 17.1%, compared with the previous period). In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥22,922million, the entire amount arrived at by deducting provision of reserve for advanced depreciation (¥2,517 million) from the sum of retained earnings (¥25,439 million), so that it will be able 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 ¥13,476 (an increase of ¥1,628, or 13.7% compared with the previous period).

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

The Japanese economy is expected to maintain a recovery trend and resume socioeconomic activities, based on increase of personal consumption, due to policies such as support for regional tourism, gradual easing of the acceptance of inbound tourism, carefully taking precautionary measures against COVID-19.

However, the impact of the increase in the number of people infected with the COVID-19 will require further careful monitoring. In addition, unstable conditions are expected to persist, such as soaring natural resource and energy prices coupled with stagnation of supply chains due to the prolonged situation in Ukraine and the suppression of economic activities in China. Additional rise of interest rates due to monetary tightening and increasing prices due to the weak Yen will become downside risks to the economy.

In the office building rental market, despite positive trends such as relocations and expansion plans due to changes in work styles, the adjustment phase of occupancy rates and asking rents is expected to continue due to the anticipation of a large supply of new office buildings in 2023, therefore NBF will conduct asset management, paying close attention to the trend of vacancy rates.

In the office building trading market, the demand to acquire properties by foreign and domestic investors, remains high. Information on sales of prime properties is limited, making acquisition opportunities challenging.

NBF, in recognition of the importance of ESG for carrying out real estate investment and management activities, strives to achieve asset management activities giving consideration to reduction of environmental footprint, improving security, safety, comfort, diversified collaboration and cooperation with various stakeholders, in line with "The Group Environmental Policy" and "Policy for Social Contribution Initiatives" established by the Mitsui Fudosan Group.

(a) Investment Policies for Acquisition

Fierce competition to acquire quality assets remain yet increasing interest rates both domestic and international casts concern over the economy. With this in mind, NBF will focus its attention to acquire properties that contribute to the entire portfolio in the mid-to-long term, which will to further enhance its portfolio.

NBF will also make prudent investment decisions, taking into full consideration the status of its financial management as well as keeping an eye on changes in economic circumstances and trends in the real estate markets, in addition to the impact of COVID-19 on the financial market.

In addition, NBF will implement asset replacement as needed by taking into consideration growth potential, stability, scale, location and environmental performance of each property, while contrasting new acquisitions/dispositions with the composition of the entire portfolio.

(b) Management Policies for Existing Properties

NBF intends to continuously increase rental revenues by carefully monitoring trends in the office building rental market and responding flexibly to the changes in the environment. NBF will maintain close relationships with its existing tenants for customer satisfaction, in order to maintain and increase rent levels while mitigating lease cancellations. As for capital investments in existing buildings, NBF will undertake appropriate and effective engineering work by upgrading and adding new equipment and improvements on environmental compatibility that contributes to overall building competitiveness in the marketplace

(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 from the viewpoint of maintaining diverse channels for fund procurement while keeping an eye on the financial market. The targeted LTV, being between 36% and 46%, will be maintained for the time being, with 56% as 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 conduct accurate, fair and timely disclosure from the viewpoint of appropriately disclosing information and securing transparency.

Significant Subsequent Events:

- (a) NBF concluded a sale and purchase agreement regarding the disposition of the following asset as of January 6, 2022, and the disposition was completed as of July 1, 2022. An overview of the property as of the date of disposition is as follows:

Name of Property		Toyo-cho Center Bldg.
Type of Specified Asset		Real Property
Location (Street Address)		3-2, Toyo 2-chome, Koto-ku, Tokyo
Land	Area	5,700.14 m ²
	Zoning	Commercial district, semi-industrial district
	Type of Ownership	Ownership 100%
Building	Structure	Steel-framed reinforced concrete, steel-framed structure, flat roof, 5 floors above ground and 1 floor below ground
	Total Floor Space	19,033.93 m ²
	Type of Ownership	Ownership 100%
	Completion of Construction	March 18, 1994
	Use	Office
Date of disposition		July 1, 2022
Disposition price		¥9,600,000,000
Trustee		-
Building Management Company		Mitsui Fudosan Facilities Co., Ltd.
Special Notations		In disposing the asset, a trust will be set up as of the date of delivery, thereby disposing the concerned beneficiary interest in the trust.

Name of Property		NBF Niigata Telecom Bldg.
Type of Specified Asset		Trust beneficiary interest
Location (Street Address)		4-27, Bandai 4-chome, Chuo-ku, Niigata-shi, Niigata
Land	Area	2,385.83 m ²
	Zoning	Commercial district
	Type of Ownership	Ownership 100%
Building	Structure	Steel-framed reinforced concrete structure, flat roof, 10 floors
	Total Floor Space	14,146.71 m ²
	Type of Ownership	Ownership 100%
	Completion of Construction	May 11, 1989
	Use	Retail, office
Date of disposition		July 1, 2022
Disposition price		¥3,900,000,000
Trustee		Sumitomo Mitsui Trust Bank, Ltd.
Building Management Company		BSN Wave Co., Ltd.
Special Notations		Surface rights are established (registered) for part of the site (lot number: 2449-6) for the pedestrian bridge staircase facilities.

Name of Property		NBF Hiroshima Tatemachi Bldg.
Type of Specified Asset		Real Property
Location (Street Address)		2-27, Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima
Land	Area	1,013.35 m ²
	Zoning	Commercial district
	Type of Ownership	Ownership 100%
Building	Structure	Steel-frame, steel-framed reinforced concrete structure, flat roof, 12 floors above ground and 1 floor below ground
	Total Floor Space	8,656.97 m ²
	Type of Ownership	Ownership 100%
	Completion of Construction	November 12, 1991
	Use	Office, retail, parking
Date of disposition		July 1, 2022
Disposition price		¥3,520,000,000
Trustee		-
Building Management Company		Asahi Facilities Inc.
Special Notations		In disposing the asset, a trust will be set up as of the date of delivery, thereby disposing the concerned beneficiary interest in the trust.

Outline of Forecasts for the 43rd and the 44th Periods

In view of rent trends of the office building rental market, NBF announced its forecasts for the 43rd fiscal period commencing July 1, 2022, and ending December 31, 2022, and for the 44th fiscal period commencing January 1, 2023, and ending June 30, 2023, as part of “Kessan-Tanshin (earnings summary)”. Regarding the conditions of the forecasts, please refer to the original “Kessan-Tanshin (earnings summary)” released on August 15, 2022. An outline of the forecasts for the 43rd and the 44th fiscal periods is as follows:

Performance Forecasts:

The forecast for the 43rd fiscal period is as follows:

Operating revenues:	¥47,326 million
Net income:	¥20,071 million
Cash distribution per unit:	¥11,500

The forecast for the 44th fiscal period is as follows:

Operating revenues:	¥44,532 million
Net income:	¥17,057 million
Cash distribution per unit:	¥11,500

(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, 2022 and December 31, 2021

	As of June 30, 2022	As of December 31, 2021
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥11,430	¥25,981
Tenant receivables	323	309
Prepaid expenses	524	549
Other current assets	542	131
Total current assets	12,821	26,972
Investment Properties:		
Land including trust accounts	1,008,351	950,063
Buildings and improvements including trust accounts	478,907	460,780
Other tangible assets	16,526	15,850
Less: accumulated depreciation	(190,754)	(188,383)
Leasehold rights in trust accounts and other intangible assets	35,747	35,767
Total investment properties, net	1,348,778	1,274,078
Long-term Prepaid Expenses	5	6
Other Assets	6,114	5,797
Total Assets	¥1,367,719	¥1,306,855
Liabilities		
Current Liabilities:		
Short-term loans	¥14,000	¥ —
Long-term debt due within one year	63,000	41,000
Accounts payable	8,286	8,483
Rents received in advance	4,325	4,561
Accrued expenses and other liabilities	873	1,700
Total current liabilities	90,484	55,745
Long-term Debt	497,500	509,500
Tenant Security Deposits Including Trust Accounts	70,417	69,150
Other Liabilities	162	167
Total Liabilities	658,565	634,564
Net Assets		
Unitholders' Equity		
Unitholders' capital	673,047	642,044
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,700,991 units		
Retained earnings	36,107	30,246
Total Net Assets	709,154	672,290
Total Liabilities and Net Assets	¥1,367,719	¥1,306,855

NIPPON BUILDING FUND INC.

Statements of Income

For the six months ended June 30, 2022 and December 31, 2021

	For the six months ended June 30, 2022	For the six months ended December 31, 2021
	(Yen in millions)	
Operating Revenues and Expenses		
Operating Revenues:		
Rental	¥41,113	¥40,880
Other revenues related to property leasing	4,114	3,453
Gains on sales of investment properties	6,988	6,000
Total Operating Revenues	52,215	50,334
Operating Expenses:		
Property management fees	5,971	6,385
Real estate taxes	4,285	3,443
Repairs and maintenance	1,693	1,184
Insurance	38	39
Other rental expenses	3,481	3,418
Depreciation and amortization	7,728	7,424
Loss on sale of investment property	—	3,273
Asset management fees	1,917	1,780
Other operating expenses	291	381
Total Operating Expenses	25,408	27,330
Operating Income	26,806	23,004
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	0	0
Property tax refund and interest on tax refund	0	0
Other non-operating revenues	5	63
Non-Operating Expenses:		
Interest expense	(1,264)	(1,294)
Amortization of bond issuance costs	(20)	(20)
New investment shares issuance costs	(50)	—
Other non-operating expenses	(37)	(25)
Ordinary Income	25,440	21,728
Income before Income Taxes	25,440	21,728
Current and deferred income taxes	0	0
Net Income	¥ 25,439	¥ 21,727

NIPPON BUILDING FUND INC.
Distribution for the Period Under Review

	For the six months ended June 30, 2022	For the six months ended December 31, 2021
	(Yen)	
Retained earnings	¥25,439,937,575	¥21,727,769,685
Undistributed earnings	—	—
Reserve for advanced depreciation	2,517,382,859	4,170,541,688
Reversal of reserve for advanced depreciation	—	2,021,592,003
Total cash distribution	22,922,554,716	19,578,820,000
(Cash distribution per unit)	13,476	11,848
Distribution of accumulated earnings	22,922,554,716	19,578,820,000
(Distribution of accumulated earnings per unit)	13,476	11,848
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(earnings summary)”). “Kessan-Tanshin(earnings summary)” 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.