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To All Concerned Parties

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**NIPPON BUILDING FUND INC.
ANNOUNCES 35th PERIOD (SECOND-HALF 2018) RESULTS**

**1. Financial Results for the Fiscal Period Ended December 31, 2018
(from July 1, 2018 to December 31, 2018)**

(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	%
December 31,2018	37,468	2.3	16,031	1.6	14,519	3.6	14,518	3.6
June 30,2018	36,635	(13.0)	15,774	(4.7)	14,011	(4.6)	14,010	(4.6)

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	%	%	%
December 31,2018	10,282	2.7	1.4	38.8
June 30,2018	9,922	2.6	1.4	38.2

(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 %
December 31,2018	10,283	14,519	0	0	100.0	2.7
June 30,2018	9,650	13,625	0	0	97.2	2.5

(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, 2018 is arrived at by subtracting the provision of reserve for reduction entry (¥383 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
December 31,2018	1,024,893	540,467	52.7	382,767
June 30,2018	1,020,237	539,574	52.9	382,135

(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
December 31,2018	24,884	(4,121)	(13,031)	20,206
June 30,2018	83,193	(93,164)	(9,662)	12,475



2. Forecasts for the 36th Fiscal Period (from January 1, 2019 to June 30, 2019)

(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
June 30, 2019	38,223	2.0	16,609	3.6	15,206	4.7	15,206	4.7	10,440	0

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥10,769

(Note) Expected Distribution per unit for the fiscal period ending June 30, 2019 is arrived at by subtracting the provision of reserve for reduction entry (¥464 million) 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 December 31, 2018	1,412,000 units
As of June 30, 2018	1,412,000 units
- (ii) Number of treasury units at end of period:

As of December 31, 2018	None
As of June 30, 2018	None

※ The Implementation Status of Statutory Audit

At the time of disclosure of this financial report, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act had yet to be completed.

※ Explanation of the Appropriate Use of the Forecast of Results and Other Matters of 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 December 31, 2018, NBF owned or had beneficiary interests in 72 office properties containing approximately 1,084,895 rentable square meters of office space. As of December 31, 2018, NBF leased office space to 1,525 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,532 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 99.4% 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.”

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 ¥9.0 billion became due for repayment. NBF procured a total of ¥14.0 billion through long-term borrowings as well as issuance of No.18 Unsecured Investment Corporation Bonds (total amount, ¥7.0 billion, period of approximately 5 years) as funds for repayment of the above long-term borrowings and short-term borrowings.

It has also established long-term commitment lines of credit in the maximum amount of ¥60.0 billion 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 40.8% 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 92.6%.

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	4,000	-	(4,000)
Long-term borrowings (Floating interest rate)	24,000	31,000	7,000
Long-term borrowings (Fixed interest rate)	359,500	350,125	(9,375)
Investment Corporation Bonds	30,000	37,000	7,000
Total interest-bearing debt	417,500	418,125	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 ¥37,468 million (an increase of ¥832 million, or 2.3%, compared to the previous period), operating income from leasing activities of ¥17,634 million (an increase of ¥600 million, or 3.5%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥16,031 million (an increase of ¥256 million, or 1.6% compared to the previous period), ordinary income of ¥14,519 million (an increase of ¥507 million, or 3.6%, compared to the previous period), and net income of ¥14,518 million (an increase of ¥508 million, or 3.6%, compared to the previous period).

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥14,519 million, the full amount arrived at by excluding from undistributed earnings fractions of distribution per unit of less than ¥1, so as to deduct the maximum amount of cash distribution of profit from 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 ¥10,283 (an increase of ¥633, or 6.6% 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 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, uncertainly in overseas economies including the future of the Chinese economy and the impact of fluctuations in financial and capital markets.

Concerning the office building rental market, although an increase of new large-scale properties is expected in Tokyo's CBDs in the medium term, many of the buildings scheduled to be completed during 2019 and 2020 are steadily drawing in tenants and also it is expected that firm demand backed by strong corporate earnings will continue and so the tight 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 the market environment where sales under favorable conditions are expected as well as in reviewing the composition of its entire portfolio based on the growth potential, stability, scale, location, etc. of each property.

(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 36th and the 37th Periods

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 36th fiscal period commencing January 1, 2019 and ending June 30, 2019 and for the 37th fiscal period commencing July 1, 2019 and ending December 31, 2019 as a part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on February 15, 2019. An outline of the forecasts for the 36th and the 37th periods is as follows:

Performance Forecasts:

The forecast for the 36th period is as follows:

Operating revenues:	¥38,223 million
Net income:	¥15,206 million
Cash distribution per unit:	¥10,440

The forecast for the 37th period is as follows:

Operating revenues:	¥38,917 million
Net income:	¥15,010 million
Cash distribution per unit:	¥10,630

(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 December 31, 2018 and June 30, 2018

	<u>As of</u> <u>December 31, 2018</u>	<u>As of</u> <u>June 30, 2018</u>
<u>(Yen in millions)</u>		
Assets		
Current Assets:		
Cash and cash equivalents	¥ 20,206	¥ 12,475
Tenant receivables	331	356
Prepaid expenses	781	780
Other current assets	88	856
Total current assets	21,408	14,468
Investment Properties:		
Land including trust accounts	681,864	681,809
Buildings and improvements including trust accounts	428,837	424,537
Other tangible assets	13,917	13,705
Less: accumulated depreciation	(164,514)	(157,449)
Leasehold rights in trust accounts and other intangible assets	35,885	35,904
Total investment properties, net	995,989	998,508
Long-term Prepaid Expenses	19	23
Other Assets	7,475	7,236
Total Assets	¥1,024,893	¥1,020,237
Liabilities		
Current Liabilities:		
Short-term loans	¥ —	¥ 4,000
Long-term debt due within one year	61,125	41,250
Accounts payable	7,373	6,197
Rents received in advance	4,647	4,541
Accrued expenses and other liabilities	2,230	1,062
Total current liabilities	75,377	57,052
Long-term Debt	357,000	372,250
Tenant Security Deposits Including Trust Accounts	51,939	51,268
Other Liabilities	108	92
Total Liabilities	484,425	480,662
Net Assets		
Unitholders' Equity		
Unitholders' capital	519,124	519,124
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,412,000 units		
Retained earnings	21,343	20,449
Total Net Assets	540,467	539,574
Total Liabilities and Net Assets	¥1,024,893	¥1,020,237



NIPPON BUILDING FUND INC.
Statements of Income

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

	For the six months ended December 31, 2018	For the six months ended June 30, 2018
(Yen in millions)		
Operating Revenues and Expenses		
Operating Revenues:		
Rental	¥34,081	¥33,007
Other revenues related to property leasing	3,386	3,244
Gains on sales of investment properties	—	383
Total Operating Revenues	37,468	36,635
Operating Expenses:		
Property management fees	5,313	5,048
Real estate taxes	3,100	3,280
Repairs and maintenance	964	875
Insurance	33	33
Other rental expenses	3,326	2,911
Depreciation and amortization	7,095	7,068
Asset management fees	1,385	1,339
Other operating expenses	217	302
Total Operating Expenses	21,436	20,860
Operating Income	16,031	15,774
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	0	0
Property tax refund and interest on tax refund	3	—
Other non-operating revenues	12	3
Non-Operating Expenses:		
Interest expense	(1,486)	(1,725)
Amortization of bond issuance costs	(7)	(5)
Other non-operating expenses	(33)	(35)
Ordinary Income	14,519	14,011
Income before Income Taxes	14,519	14,011
Current and deferred income taxes	0	(1)
Net Income	¥ 14,518	¥ 14,010



NIPPON BUILDING FUND INC.
Distribution for the Current Period

	For the six months ended December 31, 2018	For the six months ended June 30, 2018
	(Yen in thousands, except per unit amounts)	
Retained earnings	¥14,519,796	¥14,010,450
Undistributed earnings	—	—
Reserve for advanced depreciation	—	383,717
Total cash distribution	14,519,596	13,625,800
(Cash distribution per unit)	10,283	9,650
Distribution of accumulated earnings	14,519,596	13,625,800
(Distribution of accumulated earnings per unit)	10,283	9,650
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.