



February 15, 2018

To All Concerned Parties

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**NIPPON BUILDING FUND INC.
ANNOUNCES 33rd PERIOD (SECOND-HALF 2017) RESULTS**

**1. Financial Results for the Fiscal Period Ended December 31, 2017
(from July 1, 2017 to December 31, 2017)**

(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 31,2017	42,125	15.7	16,552	9.5	14,682	12.0	14,682	12.0
June 30,2017	36,409	1.6	15,113	3.5	13,110	4.7	13,109	4.7

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 31,2017	10,398	2.7	1.4	34.9
June 30,2017	9,284	2.4	1.3	36.0

(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 31,2017	9,370	13,230	0	0	90.1	2.5
June 30,2017	9,129	12,890	0	0	98.3	2.4

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

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

(Note 2) Distribution per unit for the fiscal period ended June 30, 2017 is arrived by subtracting the provision of reserve for reduction entry (¥219 million) from undistributed earnings and then dividing it by the total number of investment units issued and outstanding.

(Note 3) Distribution per unit for the fiscal period ended December 31, 2017 is arrived by subtracting the provision of reserve for reduction entry (¥1,452 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 31,2017	1,013,860	538,794	53.1	381,582
June 30,2017	1,023,900	537,002	52.4	380,313

(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 31,2017	49,685	(4,691)	(24,262)	32,108
June 30,2017	21,408	(3,142)	(18,927)	11,376



2. Forecasts for the 34th Fiscal Period (from January 1, 2018 to June 30, 2018)

(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, 2018	36,559	(13.2)	15,744	(4.9)	13,962	(4.9)	13,962	(4.9)	9,620	0

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥9,620

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, 2017	1,412,000 units
As of June 30, 2017	1,412,000 units
- (ii) Number of treasury units at end of period:

As of December 31, 2017	None
As of June 30, 2017	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, 2017, NBF owned or had beneficiary interests in 72 office properties containing approximately 1,051,588 rentable square meters of office space. As of December 31, 2017, NBF leased office space to 1,554 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,590 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 98.9% (after taking sub-leases into account), compared to 98.8% 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.”

In the fiscal period under review NBF intended to improve the underlying earnings capability of the portfolio in the mid-to long-term through asset replacement and determined the disposition of NBF Hibiya Bldg. (trust beneficiary interests; disposition price: ¥64.0 billion), GSK Bldg. (trust beneficiary interests; disposition price: ¥17.0 billion) and NBF Shin-Urayasu Tower (trust beneficiary interests; disposition price: ¥11.7 billion), the acquisition of Roppongi T-CUBE (trust beneficiary interests; acquisition price: ¥62.8 billion) and the additional acquisition of Celestine Shiba Mitsui Bldg. (real property, acquisition price: ¥19.5 billion) on December 18, 2017. Of these, NBF Shin-Urayasu Tower was delivered on December 20, 2017 and GSK Bldg. was delivered on December 26, 2017. NBF Hibiya Bldg., Roppongi T-CUBE and Celestine Shiba Mitsui Bldg. are scheduled to be delivered on March 30, 2018.

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.

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, ¥20.0 billion was procured through long-term borrowings for the repayment of a total of ¥20.0 billion consisting of ¥19.0 billion of long-term borrowings and ¥1.0 billion of short-term borrowings due for repayment. Besides this, repayment of short-term borrowings and such were made through cash on hand including funds from disposition of



properties.

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 95.2%.

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 debt	12,000	0	(12,000)
Long-term debt (Floating interest rate)	20,000	20,000	0
Long-term debt (Fixed interest rate)	363,250	363,875	625
Investment Corporation Bonds	30,000	30,000	0
Total interest-bearing debt	425,250	413,875	(11,375)

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 ¥42,125 million (an increase of ¥5,715 million, or 15.7%, compared to the previous period), operating income from leasing activities of ¥16,465 million (an increase of ¥22 million, or 0.1%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥16,552 million (an increase of ¥1,438 million, or 9.5% compared to the previous period), ordinary income of ¥14,682 million (an increase of



¥1,572 million, or 12.0%, compared to the previous period), and net income of ¥14,682 million (an increase of ¥1,572 million, or 12.0%, compared to the previous period). Moreover, part of the gain on sale of GSK Bldg. will be internally retained as reserve for reduction entry.

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥13,230 million, the entire amount arrived by subtracting the provision of reserve for reduction entry (¥1,452 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 ¥9,370 (an increase of ¥241, or 2.6% 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 and financial policies of the Bank of Japan while an improvement trend in employment and income environment continues. On the other hand, we have to pay attention to US economic policy and its effects on the global financial market, as well as the economic trends of emerging countries including China, geopolitical risks, etc.

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 2018 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 proper 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 34th and the 35th Periods

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 34th fiscal period commencing January 1, 2018 and ending June 30, 2018 and for the 35th fiscal period commencing July 1, 2018 and ending December 31, 2018 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, 2018. An outline of the forecasts for the 34th and the 35th periods is as follows:

Performance Forecasts:

The forecast for the 34th period is as follows:

Operating revenues:	¥36,559 million
Net income:	¥13,962 million
Cash distribution per unit:	¥9,620

The forecast for the 35th period is as follows:

Operating revenues:	¥36,635 million
Net income:	¥13,978 million
Cash distribution per unit:	¥9,900

(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.

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.