



August 15, 2018

To All Concerned Parties

Name of REIT Issuer:
Nippon Building Fund, Inc.
Yoshiki Kageyama, Executive Director
(TSE Code : 8951)
Contact:
Asset Management Company
Nippon Building Fund Management, Ltd.
Yoshiyuki Tanabe, President and CEO
Person to Contact:
Yasushi Yamashita, General Manager
(TEL. +81-3-6259-8681)

**NIPPON BUILDING FUND INC.
ANNOUNCES 34th PERIOD (FIRST-HALF 2018) RESULTS**

**1. Financial Results for the Fiscal Period Ended June 30, 2018
(from January 1, 2018 to June 30, 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	%
June 30,2018	36,635	(13.0)	15,774	(4.7)	14,011	(4.6)	14,010	(4.6)
December 31,2017	42,125	15.7	16,552	9.5	14,682	12.0	14,682	12.0

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 30,2018	9,922	2.6	1.4	38.2
December 31,2017	10,398	2.7	1.4	34.9

(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 30,2018	9,650	13,625	0	0	97.2	2.5
December 31,2017	9,370	13,230	0	0	90.1	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 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.

(Note3) Distribution per unit for the fiscal period ended June 30, 2018 is arrived 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
June 30,2018	1,020,237	539,574	52.9	382,135
December 31,2017	1,013,860	538,794	53.1	381,582

(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 30,2018	83,193	(93,164)	(9,662)	12,475
December 31,2017	49,685	(4,691)	(24,262)	32,108



2. Forecasts for the 35th Fiscal Period (from July 1, 2018 to December 31, 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
December 31, 2018	37,258	1.7	15,806	0.2	14,262	1.8	14,262	1.8	10,100	0

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥10,100

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, 2018 1,412,000 units
 - As of December 31, 2017 1,412,000 units
- (ii) Number of treasury units at end of period:
 - As of June 30, 2018 None
 - As of December 31, 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 June 30, 2018, NBF owned or had beneficiary interests in 72 office properties containing approximately 1,084,931 rentable square meters of office space. As of June 30, 2018, NBF leased office space to 1,532 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,554 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 99.4% (after taking sub-leases into account), compared to 98.9% 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 completed delivery in the disposition of NBF Hibiya Bldg. (trust beneficiary interests; disposition price: ¥64.0 billion) whose sale and purchase contract was concluded in the previous fiscal period, acquisition of Roppongi T-CUBE (trust beneficiary interests; acquisition price: ¥62.8 billion) and the additional acquisition of interests in an already held property, Celestine Shiba Mitsui Bldg. (real property, acquisition price: ¥19.5 billion), on March 30, 2018. As a result, NBF now owns Celestine Shiba Mitsui Bldg. in its entirety. In addition, NBF concluded the sale and purchase contract regarding the additional acquisition of interests in an already held property, Osaki Bright Core-Bright Plaza (real property, acquisition price: ¥9.7 billion), on March 8, 2018, and the property was 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.

NBF believes that management taking into consideration environment, social and governance (ESG) will lead to the maintenance and improvement of asset value in the mid- to long-term. Based on this idea, the Asset Management Company strives to achieve management with consideration to reduction of environmental load, improving security, safety and comfort and diversified collaboration and cooperation with various stakeholders, and received “Green Star,” the highest title in the GRESB (Global Real Estate Sustainability Benchmark) Real Estate Assessment conducted in 2017.



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 current period, a total of ¥39 billion consisting of ¥29 billion of long-term borrowings and ¥10 billion of investment corporation bonds became due for repayment and redemption. NBF procured a total of ¥43 billion through long-term borrowings and short-term borrowings as well as issuance of No.16 Unsecured Investment Corporation Bonds (total amount of issuance: ¥5 billion, period: 7 years) and No.17 Unsecured Investment Corporation Bonds (total amount of issuance: ¥5 billion, period: 20 years) as part of funds for repayment and redemption as well as acquisition of properties.

It has also established long-term commitment lines of credit in the maximum amount of ¥60 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 40.9% 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 93.3%.

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	0	4,000	4,000
Long-term borrowings (Floating interest rate)	20,000	24,000	4,000
Long-term borrowings (Fixed interest rate)	363,875	359,500	(4,375)
Investment Corporation Bonds	30,000	30,000	0
Total interest-bearing debt	413,875	417,500	3,625



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 ¥36,635 million (a decrease of ¥5,490 million, or 13.0%, compared to the previous period), operating income from leasing activities of ¥17,033 million (an increase of ¥567 million, or 3.4%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥15,774 million (a decrease of ¥777 million, or 4.7% compared to the previous period), ordinary income of ¥14,011 million (a decrease of ¥670 million, or 4.6%, compared to the previous period), and net income of ¥14,010 million (a decrease of ¥671 million, or 4.6%, compared to the previous period). Moreover, the gain on sale of NBF Hibiya 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 ¥13,625 million, the entire amount arrived by subtracting the provision of reserve for reduction entry (¥383 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 ¥9,650 (an increase of ¥280, or 3.0% 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, it is necessary to pay attention to the impact on the global economy of the tightening of U.S financial policy and the country's protectionist trade policy, as well as the rise in the price of crude oil, and geopolitical risks.

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 and 2019 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 35th and the 36th Periods

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 35th fiscal period commencing July 1, 2018 and ending December 31, 2018 and for the 36th fiscal period commencing January 1, 2019 and ending June 30, 2019 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, 2018. An outline of the forecasts for the 35th and the 36th periods is as follows:

Performance Forecasts:

The forecast for the 35th period is as follows:

Operating revenues:	¥37,258 million
Net income:	¥14,262 million
Cash distribution per unit:	¥10,100

The forecast for the 36th period is as follows:

Operating revenues:	¥36,895 million
Net income:	¥14,121 million
Cash distribution per unit:	¥10,000

(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, 2018 and December 31, 2017

	As of June 30, 2018	As of December 31, 2017
(Yen in millions)		
Assets		
Current Assets:		
Cash and cash equivalents	¥ 12,475	¥ 32,108
Tenant receivables	356	330
Prepaid expenses	780	613
Other current assets	856	265
Total current assets	14,468	33,318
Investment Properties:		
Land including trust accounts	681,809	666,223
Buildings and improvements including trust accounts	424,537	411,282
Other tangible assets	13,705	13,611
Less: accumulated depreciation	(157,449)	(153,559)
Leasehold rights in trust accounts and other intangible assets	35,904	35,924
Total investment properties, net	998,508	973,483
Long-term Prepaid Expenses	23	25
Other Assets	7,236	7,032
Total Assets	¥1,020,237	¥1,013,860
Liabilities		
Current Liabilities:		
Short-term loans	¥ 4,000	¥ —
Long-term debt due within one year	41,250	48,750
Accounts payable	6,197	5,776
Rents received in advance	4,541	4,898
Accrued expenses and other liabilities	1,062	1,695
Total current liabilities	57,052	61,120
Long-term Debt	372,250	365,125
Tenant Security Deposits Including Trust Accounts	51,268	48,737
Other Liabilities	92	82
Total Liabilities	480,662	475,065
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	20,449	19,669
Total Net Assets	539,574	538,794
Total Liabilities and Net Assets	¥1,020,237	¥1,013,860



NIPPON BUILDING FUND INC.
Statements of Income

For the six months ended June 30, 2018 and December 31, 2017

	For the six months ended June 30, 2018	For the six months ended December 31, 2017
(Yen in millions)		
Operating Revenues and Expenses		
Operating Revenues:		
Rental	¥33,007	¥33,221
Other revenues related to property leasing	3,244	3,338
Gains on sales of investment properties	383	5,564
Total Operating Revenues	36,635	42,125
Operating Expenses:		
Property management fees	5,048	5,229
Real estate taxes	3,280	3,422
Repairs and maintenance	875	939
Insurance	33	36
Other rental expenses	2,911	3,276
Depreciation and amortization	7,068	7,190
Losses on sales of investment properties	—	3,842
Asset management fees	1,339	1,368
Other operating expenses	302	267
Total Operating Expenses	20,860	25,573
Operating Income	15,774	16,552
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	0	0
Other non-operating revenues	3	2
Non-Operating Expenses:		
Interest expense	(1,725)	(1,831)
Amortization of bond issuance costs	(5)	(4)
Other non-operating expenses	(35)	(36)
Ordinary Income	14,011	14,682
Income before Income Taxes	14,011	14,682
Current and deferred income taxes	(1)	(0)
Net Income	¥ 14,010	¥ 14,682



NIPPON BUILDING FUND INC.
Distribution for the Current Period

	For the six months ended June 30, 2018	For the six months ended December 31, 2017
	(Yen in thousands, except per unit amounts)	
Retained earnings	¥14,010,450	¥14,682,708
Undistributed earnings	—	—
Reserve for advanced depreciation	383,717	1,452,268
Total cash distribution	13,625,800	13,230,440
(Cash distribution per unit)	9,650	9,370
Distribution of accumulated earnings	13,625,800	13,230,440
(Distribution of accumulated earnings per unit)	9,650	9,370
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.