



February 17,2020

To All Concerned Parties

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NIPPON BUILDING FUND INC.
ANNOUNCES 37th PERIOD (SECOND-HALF 2019) RESULTS

1. Financial Results for the Fiscal Period Ended December 31, 2019
(from July 1, 2019 to December 31, 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	%
December 31,2019	39,134	1.6	16,916	1.1	15,548	1.0	15,547	1.0
June 30,2019	38,529	2.8	16,731	4.4	15,391	6.0	15,390	6.0

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	%	%	%
December 31,2019	11,010	2.9	1.5	39.7
June 30,2019	10,899	2.8	1.5	39.9

(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 %
December 31,2019	11,011	15,547	-	-	100.0	2.9
June 30,2019	10,560	14,910	-	-	96.8	2.8

(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
December 31,2019	1,042,753	541,975	52.0	383,835
June 30,2019	1,043,765	541,338	51.9	383,384

(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 31,2019	22,931	(7,707)	(17,160)	15,407
June 30,2019	29,626	(35,587)	3,099	17,344



2. Forecasts for the 38th Fiscal Period (from January 1, 2020 to June 30, 2020) and the 39th Fiscal Period (from July 1, 2020 to December 31, 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
June 30,2020	38,732	(1.0)	16,402	(3.0)	15,136	(2.7)	15,136	(2.6)	10,720	-
Dcember 31,2020	40,005	3.3	16,406	0.0	15,180	0.3	15,180	0.3	10,750	-

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

- The 38th Fiscal Period (from January 1, 2020 to June 30, 2020) : ¥10,720
- The 39th Fiscal Period (from July 1, 2020 to December 31, 2020) : ¥10,750

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, 2019 1,412,000 units
 - As of June 30, 2019 1,412,000 units
- (ii) Number of treasury units at end of period:
 - As of December 31, 2019 None
 - As of June 30, 2019 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 December 31, 2019, NBF owned or had beneficiary interests in 71 office properties containing approximately 1,080,595 rentable square meters of office space. As of December 31, 2019, NBF leased office space to 1,472 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,483 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 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 additionally acquired ownership interest in three properties it already owns (total acquisition price: ¥3.3 billion). It acquired ownership interest in “Nishi-Shinjuku Mitsui Bldg.” (real estate, acquisition price: ¥57 million) in July 2019, “Kowa Nishi-Shinbashi Bldg. B” (trust beneficiary right, acquisition price: ¥0.17 billion) in August 2019, and “Osaki Bright Core - Bright Plaza” (real estate, acquisition price: ¥3.1 billion) in October 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 the timing and cost of renovation/construction while striving to enhance competitiveness of properties by carrying out 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 2019. 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, total long-term borrowings of ¥29.2 billion became due for repayment. NBF procured a total of ¥27.0 billion through long-term borrowings as funds for repayment of the above.

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 41.6% 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 93.5%.

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	28,000	(3,000)
Long-term borrowings (Fixed interest rate)	367,750	368,500	750
Investment Corporation Bonds	37,000	37,000	-
Total interest-bearing debt	435,750	433,500	(2,250)

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 ¥39,134 million (an increase of ¥604 million, or 1.6%, compared to the previous period), operating income from leasing activities of ¥18,593 million (an increase of ¥667 million, or 3.7%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥16,916 million (an increase of ¥185 million, or 1.1% compared to the previous period), ordinary income of ¥15,548 million (an increase of ¥156 million, or 1.0%, compared to the previous period), and net income of ¥15,547 million (an increase of ¥157 million, or 1.0%, compared to the previous period).

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥15,547 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 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 ¥11,011 (an increase of ¥451, or 4.3% compared to the previous period).

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

The Japanese economy is expected to see a continued modest recovery in the future due partly to the effects of various policies implemented by the government while the employment and income environments continue improving. On the other hand, it is necessary to pay attention to trends in consumer sentiment after the consumption tax hike in addition to trends in the U.S.-China trade conflict, the future of the Chinese economy, concerns over stagnation of economic activities due to a novel coronavirus, trends in overseas economies such as the situation surrounding the Middle East, and the impact of fluctuations in financial and capital markets.

As for the office building rental market, the tight supply-demand balance of offices is expected to continue with steady demand expected against the backdrop of solid corporate performance. Although an increase in new large-scale properties is anticipated mainly in central Tokyo until 2020, tenant attraction is progressing steadily at many newly constructed buildings, and secondary vacancies arising at existing buildings are also generally expected to be filled smoothly.

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 38th and the 39th Periods

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 38th fiscal period commencing January 1, 2020 and ending June 30, 2020 and for the 39th fiscal period commencing July 1, 2020 and ending December 31, 2020 as a part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on February 17, 2020. An outline of the forecasts for the 38th and the 39th periods is as follows:

Performance Forecasts:

The forecast for the 38th period is as follows:

Operating revenues:	¥38,732 million
Net income:	¥15,136 million
Cash distribution per unit:	¥10,720

The forecast for the 39th period is as follows:

Operating revenues:	¥40,005 million
Net income:	¥15,180 million
Cash distribution per unit:	¥10,750

(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, 2019 and June 30, 2019

	As of December 31, 2019	As of June 30, 2019
(Yen in millions)		
Assets		
Current Assets:		
Cash and cash equivalents	¥ 15,407	¥ 17,344
Tenant receivables	736	868
Prepaid expenses	796	775
Other current assets	117	99
Total current assets	17,058	19,088
Investment Properties:		
Land including trust accounts	702,886	700,463
Buildings and improvements including trust accounts	441,312	436,388
Other tangible assets	15,130	14,523
Less: accumulated depreciation	(177,490)	(170,310)
Leasehold rights in trust accounts and other intangible assets	35,845	35,865
Total investment properties, net	1,017,684	1,016,929
Long-term Prepaid Expenses	13	16
Other Assets	7,996	7,729
Total Assets	¥1,042,753	¥1,043,765
Liabilities		
Current Liabilities:		
Long-term debt due within one year	¥ 56,000	¥ 62,250
Accounts payable	6,387	7,382
Rents received in advance	4,915	4,564
Accrued expenses and other liabilities	1,815	1,131
Total current liabilities	69,118	75,328
Long-term Debt	377,500	373,500
Tenant Security Deposits Including Trust Accounts	54,049	53,479
Other Liabilities	110	119
Total Liabilities	500,778	502,426
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	22,850	22,213
Total Net Assets	541,975	541,338
Total Liabilities and Net Assets	¥1,042,753	¥1,043,765



NIPPON BUILDING FUND INC. Statements of Income

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

	For the six months ended December 31, 2019	For the six months ended June 30, 2019
(Yen in millions)		
Operating Revenues and Expenses		
Operating Revenues:		
Rental	¥35,272	¥34,476
Other revenues related to property leasing	3,861	3,573
Gains on sales of investment properties	—	478
Total Operating Revenues	39,134	38,529
Operating Expenses:		
Property management fees	5,592	5,319
Real estate taxes	3,446	3,461
Repairs and maintenance	1,032	913
Insurance	33	32
Other rental expenses	3,213	3,174
Depreciation and amortization	7,221	7,221
Asset management fees	1,459	1,427
Other operating expenses	218	246
Total Operating Expenses	22,217	21,797
Operating Income	16,916	16,731
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	0	0
Property tax refund and interest on tax refund	0	—
Other non-operating revenues	1	58
Non-Operating Expenses:		
Interest expense	(1,312)	(1,359)
Amortization of bond issuance costs	(10)	(10)
Other non-operating expenses	(46)	(28)
Ordinary Income	15,548	15,391
Income before Income Taxes	15,548	15,391
Current and deferred income taxes	(0)	(1)
Net Income	¥ 15,547	¥ 15,390



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

	For the six months ended December 31, 2019	For the six months ended June 30, 2019
	(Yen in thousands, except per unit amounts)	
Retained earnings	¥15,548,031	¥15,390,427
Undistributed earnings	—	—
Reserve for advanced depreciation	—	478,962
Total cash distribution	15,547,532	14,910,720
(Cash distribution per unit)	11,011	10,560
Distribution of accumulated earnings	15,547,532	14,910,720
(Distribution of accumulated earnings per unit)	11,011	10,560
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.