

August 14, 2015

To All Concerned Parties

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**NIPPON BUILDING FUND INC.  
 ANNOUNCES 28th PERIOD (FIRST-HALF 2015) RESULTS**

**1. Financial Results for the Fiscal Period ended June 30, 2015  
 (from January 1, 2015 to June 30, 2015)**

(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, 2015	34,593	(0.6)	13,573	(0.4)	10,996	1.4	10,995	1.4
December 31, 2014	34,806	(4.8)	13,624	(13.8)	10,847	(15.1)	10,846	(15.1)

Period ended	Net income per unit	Return on unit holders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	yen	%	%	%
June 30, 2015	7,787	2.1	1.1	31.8
December 31, 2014	7,681	2.0	1.1	31.2

(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	Total Amount of Distributions	Distributions in excess of earnings per unit	Total of distributions in excess of earnings	Payout ratio	Ratio of distributions to net assets
	(excluding distributions in excess of earnings)	(excluding distributions in excess of earnings)				
	Yen	Yen in millions	Yen	Yen in millions	%	%
June 30, 2015	7,787	10,995	0	0	99.9	2.1
December 31, 2014	7,681	10,845	0	0	99.9	2.0

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

Payout ratio = Total amount of distributions ÷ Net income x 100



(3) Financial Position

	Total assets	Net assets	Ratio of unit holders' equity to total assets	Net assets per unit
Period ended	Yen in millions	Yen in millions	%	Yen
June 30, 2015	1,022,385	534,306	52.3	378,403
December 31, 2014	1,022,951	534,156	52.2	378,297

(Reference) Amount of unit holders' equity  
as of the end of June 30, 2015 ¥534,306 million  
as of the end of December 31, 2014: ¥534,156 million

(4) Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of period
Period ended	Yen in millions	Yen in millions	Yen in millions	Yen in millions
June 30, 2015	16,182	(7,900)	(10,222)	19,499
December 31, 2014	21,250	(2,261)	(31,883)	21,439

**2. Forecasts for the 29th Fiscal Period (from July 1, 2015 to December 31, 2015)**

(Percentages indicates rate of increase/decrease from the previous period)

	Operating revenues		Operating income		Ordinary income		Net income		Distributions per unit (excluding distribution in excess of earnings)	Distributions in excess of earnings
Period ending	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen	Yen
December 31, 2015	34,630	0.1	13,138	(3.2)	10,621	(3.4)	10,621	(3.4)	7,840	0

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥7,521

(Note) The amount of distributions per unit is calculated on the premise that distributions will be made with net income plus a partial withdrawal from reserves for advanced depreciation (¥450 million).



### 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, 2015	1,412,000 units
As of December 31, 2014	1,412,000 units
- (ii) Number of treasury units at end of period:

As of June 30, 2015	None
As of December 31, 2014	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, 2015, NBF owned or had beneficiary interests in 74 office properties containing approximately 1,079,185 rentable square meters of office space. As of June 30, 2015, NBF leased office space to 1,200 tenants engaged in a variety of businesses, compared to 1,189 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 99.2%, compared to 99.0% at the close of the preceding fiscal period.

***Performance Results:***

NBF conducted its investment activities in accordance with its basic policy of "investing in excellent office buildings which are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have stable cash flow from rents". During the current period, NBF acquired the "NBF Kandasudacho Bldg." (real property, the acquisition price of ¥5.96 billion) in June 2015.

NBF endeavored to secure stable revenues from its rental business with respect to its existing portfolio through measures such as the systematic implementation of operations and management, renovation work and new construction and so forth thereby striving to further improve the level of tenant satisfaction as well as correctly capturing market trends and setting rent amounts, increasing rents upon renewal of contracts with existing tenants and so forth.

***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 same) being between 36% and 46%, with 56% at the maximum.

Regarding funding through interest-bearing obligations such as loans etc., NBF took care to act in a financially prudent manner by utilizing highly flexible, unsecured, non-guaranteed corporate financing. With respect to such funding, on the one hand NBF utilized long-term, fixed interest loans in order to reduce risks of rising interest rates in the future with a view toward the long-term management of its assets while simultaneously utilizing short-term loans to provide agility in funding etc. for property acquisitions. In addition, NBF managed to avoid all such loans becoming due at one time by setting diversified repayment dates.

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. Furthermore, NBF filed in January 2015 a shelf registration creating the possibility of issuing up to a maximum of ¥200 billion in NBF bonds through public offerings, with the unused balance being ¥200 billion as of June 30, 2015.



As the result of these activities, as of the end of the current period NBF's interest-bearing debt to value ratio was 41.9% 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 96.5%.

**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
Standard & Poor's	Long-term: A+, Short-term: A-1, Outlook: stable
R&I	Issuer Rating: AA, Outlook: stable
JCR	Issuer Rating: AA+, Outlook: stable

**Overview of Performance and Distribution:**

As the result of above-explained operations, NBF's performance results during the reported period consisted of operating revenues of ¥34,593 million (a decrease of ¥213 million, or 0.6%, compared to the previous period), operating income from leasing activities of ¥15,022 million (a decrease of ¥34 million, or 0.2%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥13,573 million (a decrease of ¥51 million, or 0.4% compared to the previous period), ordinary income of ¥10,996 million (a increase of ¥148 million, or 1.4%, compared to the previous period), and net income of ¥10,995 million (a increase of ¥149 million, or 1.4%, compared to the previous period). These increases reflect as primary factors a decrease of interest expense whereas operating income was roughly flat.

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF has decided to distribute nearly the entire amount of its earnings to our unit holders. The distribution per unit was ¥7,787.

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

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) Management Policies for Existing Properties**

NBF intends to maintain the level of rental revenues by keeping a close watch on trends in the office 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. For the coming period, since termination by large tenants is expected to occur, NBF intends to attract successor tenants as early as possible, shorten the periods of vacancy between leases, and strive to recover revenues through leasing activities accurately reflecting trends in the market.

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.

### **(b) Investment Policies for Acquisition**

Due to the facts that it has potent channels of information including Mitsui Fudosan Co., Ltd., that it has accumulated know-how through its experience with diversified acquisition methods, and that it has the largest combined assets among all listed investment corporations, NBF will maximize such advantages, properly manage risks, and invest in excellent properties based on vigorous screening which can contribute to the enhancement of the quality of the entire portfolio in the medium and long terms.

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.

Furthermore, reviewing the structure of its entire portfolio based on the growth potential, stability, scale and location etc. of each property, NBF will implement replacement of assets from time to time.

### **(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 interest-bearing debt-to-dvalue ratio, 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%.

Furthermore, in addition to timely disclosure at the Tokyo Stock Exchange, NBF intends to actively provide information deemed useful to those making investment decisions with respect to NBF such



as various disclosure materials as well as information concerning properties, management situations and distributions etc. through enrichment of its on-line website.

#### **(d) Compliance and Risk Management**

In addition to compliance with all relevant laws and regulations including the Financial Instruments and Exchange Act, NBF will, in response to its ever increasing assets as well as changes in social demands or external environments, further enhance its systems for compliance and risk management in order to ensure sound and proper business management.

#### **Significant Subsequent Events:**

Not applicable

#### **Outline of Forecasts for the 29th and the 30th Periods**

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 29th fiscal period commencing July 1, 2015 and ending December 31, 2015 and for the 30th fiscal period commencing January 1, 2016 and ending June 30, 2016 as a part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on August 14, 2015. An outline of the forecasts for the 29th and the 30th periods is as follows:

#### **Performance Forecasts:**

The forecast for the 29th period is as follows:

Operating revenues:	¥34,630 million
Net income:	¥10,621 million
Cash distribution per unit:	¥7,840 ※

※The amount of distributions per unit for the period ending December 31, 2015 is calculated assuming that a partial withdrawal will be made from reserves for advanced depreciation (¥450 million).

The forecast for the 30th period is as follows:

Operating revenues:	¥34,590 million
Net income:	¥11,183 million
Cash distribution per unit:	¥7,920

(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.