



August 15, 2017

To All Concerned Parties

Name of REIT Issuer:
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(TSE Code : 8951)

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**NIPPON BUILDING FUND INC.
ANNOUNCES 32nd PERIOD (FIRST-HALF 2017) RESULTS**

**1. Financial Results for the Fiscal Period Ended June 30, 2017
(from January 1, 2017 to June 30, 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 | % |
| June 30,2017 | 36,409 | 1.6 | 15,113 | 3.5 | 13,110 | 4.7 | 13,109 | 4.7 |
| December 31,2016 | 35,849 | 0.5 | 14,604 | (2.7) | 12,521 | (2.2) | 12,520 | (2.2) |

| 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 30,2017 | 9,284 | 2.4 | 1.3 | 36.0 |
| December 31,2016 | 8,867 | 2.3 | 1.2 | 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 30,2017 | 9,129 | 12,890 | 0 | 0 | 98.3 | 2.4 |
| December 31,2016 | 8,867 | 12,520 | 0 | 0 | 99.9 | 2.3 |

(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.

(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 30,2017 | 1,023,900 | 537,002 | 52.4 | 380,313 |
| December 31,2016 | 1,030,434 | 536,413 | 52.1 | 379,896 |

(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 30,2017 | 21,408 | (3,142) | (18,927) | 11,376 |
| December 31,2016 | 20,867 | (14,204) | (13,230) | 12,038 |



2. Forecasts for the 33rd Fiscal Period (from July 1, 2017 to December 31, 2017)

(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, 2017 | 36,604 | 0.5 | 14,896 | (1.4) | 13,005 | (0.8) | 13,005 | (0.8) | 9,210 | 0 |

(Reference) Expected net income per unit (expected net income ÷ expected number of units at the end of the period) = ¥9,210

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, 2017 1,412,000 units
 - As of December 31, 2016 1,412,000 units
- (ii) Number of treasury units at end of period:
 - As of June 30, 2017 None
 - As of December 31, 2016 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, 2017, NBF owned or had beneficiary interests in 74 office properties containing approximately 1,094,812 rentable square meters of office space. As of June 30, 2017, NBF leased office space to 1,590 tenants (after taking sub-leases into account) engaged in a variety of businesses, compared to 1,614 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 98.8% (after taking sub-leases into account), compared to 98.5% 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 current period, NBF disposed Aqua Dojima East (beneficiary interests in trust assets, disposition price of ¥1,910 million), of which NBF owned co-ownership interest, in March 2017. Furthermore, NBF additionally acquired co-ownership interest of Kowa Nishi-Shinbashi Bldg. B (beneficiary interests in trust assets, acquisition price of ¥38 million), which NBF had already owned, in April 2017.

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 current period, a total of ¥31 billion consisting of ¥21 billion of long-term borrowings and ¥10 billion of investment corporation bonds became due for repayment and redemption. NBF procured a total of ¥27 billion through long-term borrowings of ¥15 billion and short-term borrowings of ¥7 billion as well as issuance of 20-year period No.15 Unsecured Investment Corporation Bonds worth ¥5 billion as part of funds for repayment and redemption. In addition, NBF is also refinancing short-term borrowings, etc.

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 41.5% 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 92.5%.

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 debt | 7,000 | 12,000 | 5,000 |
| Long-term debt (Floating interest rate) | 19,000 | 20,000 | 1,000 |
| Long-term debt (Fixed interest rate) | 370,625 | 363,250 | (7,375) |
| Investment Corporation Bonds | 35,000 | 30,000 | (5,000) |
| Total interest-bearing debt | 431,625 | 425,250 | (6,375) |

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 reported period consisted of operating revenues of ¥36,409 million (an increase of ¥560 million, or 1.6%, compared to the previous period), operating income from leasing activities of ¥16,442 million (an increase of ¥336 million, or 2.1%, compared to the previous period), operating income after asset management, custody and agent fees etc. of ¥15,113 million (an increase of ¥509 million, or 3.5% compared to the previous period), ordinary income of ¥13,110 million (an increase of ¥589 million, or 4.7%, compared to the previous period), and net income of ¥13,109 million (an increase of ¥589 million, or 4.7%, compared to the previous period). Moreover, gain on disposition of Aqua Dojima East will be internally retained as reserve for reduction entry in the entire amount.



In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute the entire amount arrived by subtracting the provision of reserve for reduction entry (¥219 million) from undistributed earnings, excluding fractions of the distribution per unit that are less than ¥1 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 ¥9,129.

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, it is necessary to pay attention to the impact of economic and financial policies in the U.S., the impact of financial policies of the European Central Bank and economic trends of emerging countries including China.

In the office rental market, a tight demand and supply balance in offices is forecasted to continue, as new supply is limited in 2017 and steady demand is expected to continue against the backdrop of strong corporate performance although an increase in the number of large new properties is expected mainly in central Tokyo in the medium term.

In the office transaction 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 a declining trend 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 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.

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 33rd and the 34th Periods

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, NBF announced its forecasts for the 33rd fiscal period commencing July 1, 2017 and ending December 31, 2017 and for the 34th fiscal period commencing January 1, 2018 and ending June 30, 2018 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, 2017. An outline of the forecasts for the 33rd and the 34th periods is as follows:

Performance Forecasts:

The forecast for the 33rd period is as follows:

| | |
|-----------------------------|-----------------|
| Operating revenues: | ¥36,604 million |
| Net income: | ¥13,005 million |
| Cash distribution per unit: | ¥9,210 |

The forecast for the 34th period is as follows:

| | |
|-----------------------------|-----------------|
| Operating revenues: | ¥36,120 million |
| Net income: | ¥13,103 million |
| Cash distribution per unit: | ¥9,280 |

(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.