

February 15, 2021

To All Concerned Parties

Name of REIT Issuer:

Nippon Building Fund, Inc.

Koichi Nishiyama , Executive Director

(TSE Code : 8951)

Contact:

Asset Management Company

Nippon Building Fund Management, Ltd.

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NIPPON BUILDING FUND INC.
ANNOUNCES 39th PERIOD (SECOND-HALF 2020) RESULTS

1. Financial Results for the Fiscal Period Ended December 31, 2020
(from July 1, 2020 to December 31, 2020)

(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, 2020	41,747	8.2	18,712	11.6	17,274	11.3	17,273	11.4
June 30, 2020	38,591	(1.4)	16,760	(0.9)	15,513	(0.2)	15,512	(0.2)

Period ended	Net income per unit	Return on	Ratio of ordinary	Ratio of ordinary
	yen	unitholders' equity	income to total	income
		%	assets	to operating revenues
			%	%
December 31, 2020	11,524	2.9	1.5	41.4
June 30, 2020	10,986	2.9	1.5	40.2

(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 (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, 2020	11,000	18,177	-	-	105.2	3.0
June 30, 2020	10,986	15,512	-	-	99.9	2.9

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

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

(Note 2) Distribution per unit for the fiscal period ended December 31, 2020, is arrived at by dividing the sum (¥18,177 million) of undistributed earnings (¥17,274 million) and reversal of reserve for reduction entry (¥903 million) by the total number of investment units issued and outstanding. The difference between distribution per unit and net income per unit is due to this calculation.

(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, 2020	1,197,435	666,620	55.7	403,401
June 30, 2020	1,044,475	541,940	51.9	383,810

(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, 2020	30,549	(45,400)	131,100	133,731
June 30, 2020	23,059	(7,440)	(13,544)	17,482

2. Forecasts for the 40th Fiscal Period (from January 1, 2021 to June 30, 2021) and the 41st Fiscal Period (from July 1, 2021 to December 31, 2021)

(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, 2021	46,396	11.1	21,753	16.3	20,354	17.8	20,354	17.8	11,350	0
December 31, 2021	44,632	(3.8)	19,669	(9.6)	18,261	(10.3)	18,261	(10.3)	11,050	0

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

• The 40th Fiscal Period (from January 1, 2021 to June 30, 2021) : ¥12,317

• The 41st Fiscal Period (from July 1, 2021 to December 31, 2021): ¥11,050

(Note1) Expected distribution per unit for the fiscal period ending June 30, 2021, is arrived at by subtracting the provision of reserve for reduction entry (¥1,597 million) from expected net income and then dividing it by the total number of investment units issued and outstanding.

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, 2020	1,652,500 units
As of June 30, 2020	1,412,000 units

(ii) Number of treasury units at end of period:

As of December 31, 2020	None
As of June 30, 2020	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, 2020, NBF owned or had beneficiary interests in 74 office properties acquired for a total of ¥1.1721 trillion and containing approximately 1,106,692 rentable square meters of office space. As of December 31, 2020, NBF leased office space to 1,551 tenants (after taking sub leases into account) engaged in a variety of businesses, compared with 1,464 tenants at the close of the preceding fiscal period. The occupancy rate as of the end of the period was 97.7% (after taking sub leases into account), compared with 99.4% at the close of the preceding fiscal period.

Performance Results:

NBF has conducted asset management in accordance with its basic policy of “aim to achieve steady growth of assets under management and secure stable profits on a mid- to long-term basis.”

During the fiscal period under review, NBF acquired “Osaki Bright Tower” (real estate, acquisition price: ¥13.97 billion), “Nagoya Mitsui Main Building” (real estate, acquisition price: ¥13.05 billion) and “Nagoya Mitsui New Building” (real estate, acquisition price: ¥13.2 billion) in October 2020, and additionally acquired “NBF Ogawamachi Bldg.” (real estate, acquisition price: ¥0.48 billion), a property it already owns, in November 2020 by utilizing its sponsor pipeline under an environment in which acquisition of prime properties is difficult. In addition, it disposed 50% ownership interest in the East Building and Residential Tower of “NBF Shinkawa Building” (real estate, disposition price: ¥5.95 billion) in December 2020.

NBF has endeavored to expand stable revenues from its rental business with respect to its existing portfolio through appropriate and flexible leasing activities with a good understanding of market trends, maintenance of favorable relationships with tenants and measures for continuous rent increase upon renewal of contracts. 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 investment.

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 for six consecutive years since the start of participation, and “5-Star,” the top rating in the GRESB Score ranking conducted in 2020. In addition, it also received “A,” the top rating in the GRESB Public Disclosure Level evaluation scheme.

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, NBF issued 240,500 new investment units (229,000 units through public offering (October 2020) and 11,500 units through third-party allotment (November 2020)) and procured ¥122.91 billion (¥117.04 billion through public offering (October 2020) and ¥5.87 billion through third-party allotment (November 2020)). NBF used the funds procured through the issuance of the new investment units as part of the funds for the acquisition of Shinjuku Mitsui Building and GranTokyo South Tower acquired in the next period. The number of investment units issued and outstanding at the end of the period under review was 1,652,500, and the total investment amount was ¥642.04 billion.

Total long-term borrowings of ¥23.0 billion became due for repayment, and NBF newly procured ¥22.0 billion through long-term borrowings. Furthermore, it procured ¥15.0 billion through the issuance of No.19 Unsecured Investment Corporation Bonds.

As the result of these activities, as of the end of the period under review, NBF's LTV was 38.4% and its long-term fixed interest-bearing debt ratio (ratio of "long-term fixed interest-bearing debt" procured at fixed rates with repayment/redemption periods of over one year as of the time of loan agreement/issuance of bonds each such time representing the actual procurement of funds to "total interest-bearing debt"; hereinafter the same) was 91.7%.

The status of interest-bearing debt as of the end of the previous period and period under review is as follows.

(Values are million yen)

	Balance as of the end of the previous period	Balance as of the end of the period under review	Increase/decrease
Short-term borrowings	-	10,000	10,000
Long-term borrowings (Floating interest rate)	28,000	28,000	-
Long-term borrowings (Fixed interest rate)	370,500	369,500	(1,000)
Investment Corporation Bonds	37,000	52,000	15,000
Total interest-bearing debt	435,500	459,500	24,000

(Note) NBF procured ¥102 billion through long-term borrowings on January 7, 2021, as part of the funds for the acquisition of Shinjuku Mitsui Building and GranTokyo South Tower acquired in the next period.

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.

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 period under review consisted of operating revenues of ¥41,747 million (an increase of ¥3,156 million, or 8.2%, compared with the previous period), operating income from leasing activities of ¥19,138 million (an increase of ¥713 million, or 3.9%, compared with the previous period), operating income after asset management, custody and agent fees, etc. of ¥18,712 million (an increase of ¥1,951 million, or 11.6% compared with the previous period), ordinary income of ¥17,274 million (an increase of ¥1,760 million, or 11.3%, compared with the previous period), and net income of ¥17,273 million (an increase of ¥1,761 million, or 11.4%, compared with the previous period).

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥18,177 million as cash distribution of profit, the full amount arrived at by adding undistributed earnings to reversal of reserve for reduction entry, 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 ¥11,000 (an increase of ¥14, or 0.1% compared with the previous period).

NBF's Management Policy and Issues to Be Dealt With for the Future:

With the spread of the COVID-19 pandemic, the Japanese government reissued a state of emergency for some prefectures from January 2021. The Japanese economy is expected to see repeated stagnation and recovery going forward. As the impact of the COVID-19 pandemic will surely continue to be felt abroad, attention must be paid to the impacts on markets in Japan and abroad. Furthermore, the global outlook continues to be unpredictable with the trend in the U.S.-China trade conflict under the new U.S. administration, trends in the Chinese economy, which is growing continuously even under the impact of COVID-19, and more.

In the office building rental market, delays in decision-making by prospective tenant companies are expected to continue while completion of office buildings, which were concentrated in 2020, will settle down and new supply will decrease. As such, NBF is required to conduct asset management while paying close attention to the trend of vacancy rates.

In the office building trading market, severe competition for acquisition of properties is expected to continue as the appetite for property acquisition of domestic and international investors remains high and information on sales of prime properties is limited.

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 environment 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 economic circumstances and trends in the real estate markets, in addition to the impact of the COVID-19 pandemic on the financial market.

In addition, NBF will implement asset replacement as needed by taking into consideration growth potential, stability, scale, location of each property, composition of entire portfolio, etc. 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 continuously 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 and improve the level of tenant satisfaction as a basic policy, whereby it intends to maintain and improve the level of current rents, as well as 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 that contribute to the maintenance and enhancement of their competitiveness as rental buildings and upgrading and new construction of equipment.

(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 from the viewpoint of maintaining diverse channels for fund procurement while keeping an eye on the market environment.

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:

(a) NBF concluded a sale and purchase agreement regarding acquisition of the following asset on October 9, 2020, and completed the acquisition on January 8, 2021. An overview of the property as of the date of the acquisition is as follows.

Name of Property		Shinjuku Mitsui Building
Type of Specified Asset		Real Property
Location (Street Address)		1-1 Nishishinjuku 2-chome, Shinjuku-ku, Tokyo
Land	Area	14,449.38 m ²
	Zoning	Commercial district
	Type of Ownership	Ownership 100%
Building	Structure	Steel-framed reinforced concrete structure, flat roof, 56 floors above ground and 3 floors below ground
	Total Floor Space	179,696.87 m ²
	Type of Ownership	Ownership 100%
	Completion of Construction	September 30, 1974
	Use	Offices
Date of Acquisition		January 8, 2021
Acquisition Price		¥170,000,000,000
Trustee		-
Building Management Company		Mitsui Fudosan Co., Ltd.
Special Notations		(i) NBF has leased the property to Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Co., Ltd. has subleased it to sublessees.
		(ii) The property uses spraying materials containing asbestos that should be checked and recorded. The spraying materials, however, are in a stable state and do not currently pose a health hazard. NBF will remove or control them depending on the situation.

(b) NBF concluded a sale and purchase agreement regarding acquisition of the following asset on October 9, 2020, and completed the acquisition on January 8, 2021. An overview of the property as of the date of the acquisition is as follows.

Name of Property		Gran Tokyo South Tower
Type of Specified Asset		Real Property
Location (Street Address)		9-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Land	Area	20,778.92 m ² (entire site)
	Zoning	Commercial district
	Type of Ownership	Co-ownership interest : approximately 51.17% of ownership(1,800.85 m ²), Quasi-co-ownership interest: approximately 5.22% of leasehold right (20,778.92 m ²)
Building	Structure	Steel frame and steel framed reinforced concrete structure, flat roof, 42 floors above ground and 4 floors below ground
	Total Floor Space	137,662.87 m ² (entire building)
	Type of Ownership	Ownership (compartmentalized ownership)
	Completion of Construction	October 10, 2007
	Owned Floors, Floor Area, Use, Etc.	Owned floors: offices and storage, 5th to 9th floors, 10,853.40 m ² (100% ownership) Ownership ratio: (the proportion of the total exclusively owned area) approximately 13.33%
Date of Acquisition		January 8, 2021
Acquisition Price		¥47,000,000,000
Trustee		-
Building Management Company		JR East Building Co., Ltd.
Special Notations		(i) The property has been developed integrally with the adjacent Gran Tokyo North Tower, and the sites of the property and Gran Tokyo North Tower are certified as one estate under Building Standards Act as a complex ("Gran Tokyo Complex"). Certain regulations will be applied by regarding the complex as the site of this property (e.g., floor area ratio and building coverage) under Building Standards Act.
		(ii) As the leasehold of the Gran Tokyo Complex is jointly held by each unit owner and land owner, they are allowed to use the entire grounds for free.
		(iii) An agreement regarding the Gran Tokyo Complex was entered into among the unit owners of this property and Gran Tokyo North Tower. Other unit owners have a preferential negotiation rights in case of a transfer of compartmentalized ownership under such agreement. The property is held by unit owners, and the owners are subject to management rules applicable for their compartmentalized ownership and the agreements concluded among owners. The management rules stipulate prohibition of separation and disposition of individual ownership space and land, while the agreements specify other unit owners' preferential negotiation rights when transferring compartmentalized ownership.

Reference Information:

NBF concluded a sale and purchase agreement regarding disposition of the following asset on August 17, 2020, and delivery is scheduled for March 31, 2021. The concerned sale and purchase agreements constitute forward commitments, etc. stipulated in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, Etc." established by the Financial Services Agency. NBF shall pay to the buyer a penalty equivalent to 20% of the acquisition price in the event of the termination of the agreement for reasons attributable to NBF, the seller. An overview of the property as of the date of the conclusion of the agreements is as follows.

Name of Property		NBF Shinkawa Bldg. (East Building and Residential Tower)
Type of Specified Asset		Real Property
Location (Street Address)		31-1, 31-7, Shinkawa 2-chome, Chuo-ku, Tokyo
Land	Area	2,775.23 m ²
	Zoning	Commercial district
	Type of Ownership	Ownership (50% co-ownership)
Building	Structure	Steel-frame and steel-framed reinforced concrete structure, flat roof, 15 floors above ground and 2 floors below ground
	Total Floor Space	17,586.10 m ²
	Type of Ownership	Ownership (50% co-ownership)
	Completion of Construction	November 30, 1989
Use		Offices, apartments and garages
Scheduled Date of Disposition		March 31, 2021
Scheduled Disposition Price		¥5,950,000,000
Trustee		-
Building Management Company		Kowa Real Estate Facilities Co., Ltd.
Special Notations		(i) Upon the disposition, the trust of the 50% of the co-ownership interest in the property will be established on the same date as the scheduled disposition date, and the trust beneficiary right will be disposed.
		(ii) The disposition covers East Building and Residential Tower, while the West Building (the name is scheduled to be changed to NBF Hatchobori Terrace on March 1, 2021) will continue to be owned by NBF.

Outline of Forecasts for the 40th and the 41st Periods

In view of rent trends of the office building rental market, NBF announced its forecasts for the 40th fiscal period commencing January 1, 2021, and ending June 30, 2021, and for the 41st fiscal period commencing July 1, 2021, and ending December 31, 2021, as part of “Kessan-Tanshin”. With regard to the conditions of the forecasts, please refer to the original “Kessan-Tanshin” released on February 15, 2021. An outline of the forecasts for the 40th and the 41st fiscal periods is as follows:

Performance Forecasts:

The forecast for the 40th fiscal period is as follows:

Operating revenues: ¥46,396 million

Net income: ¥20,354 million

Cash distribution per unit: ¥11,350

The forecast for the 41st fiscal period is as follows:

Operating revenues: ¥44,632 million

Net income: ¥18,261 million

Cash distribution per unit: ¥11,050

(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, 2020 and June 30, 2020

	As of December 31, 2020	As of June 30, 2020
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥133,731	¥17,482
Tenant receivables	292	311
Prepaid expenses	747	794
Other current assets	133	130
Total current assets	134,904	18,718
Investment Properties:		
Land including trust accounts	737,485	704,921
Buildings and improvements including trust accounts	455,600	446,742
Other tangible assets	15,383	14,949
Less: accumulated depreciation	(190,092)	(184,629)
Leasehold rights in trust accounts and other intangible assets	35,806	35,825
Total investment properties, net	1,054,184	1,017,809
Long-term Prepaid Expenses	8	10
Other Assets	8,338	7,935
Total Assets	¥1,197,435	¥1,044,475
Liabilities		
Current Liabilities:		
Short-term loans	¥10,000	¥ -
Long-term debt due within one year	35,000	50,000
Accounts payable	9,486	6,525
Rents received in advance	4,826	4,843
Accrued expenses and other liabilities	792	1,673
Total current liabilities	60,106	63,041
Long-term Debt	414,500	385,500
Tenant Security Deposits Including Trust Accounts	56,067	53,861
Other Liabilities	141	131
Total Liabilities	530,814	502,535
Net Assets		
Unitholders' Equity		
Unitholders' capital	642,044	519,124
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,652,500 units		
Retained earnings	24,576	22,815
Total Net Assets	666,620	541,940
Total Liabilities and Net Assets	¥1,197,435	¥1,044,475

NIPPON BUILDING FUND INC.

Statements of Income

For the six months ended December 31, 2020 and June 30, 2020

For the six months ended For the six months ended
December 31, 2020 June 30, 2020

(Yen in millions)

Operating Revenues and Expenses

Operating Revenues:

Rental	¥36,622	¥35,890
Other revenues related to property leasing	3,736	2,700
Gain on sale of investment property	1,388	-
Total Operating Revenues	41,747	38,591

Operating Expenses:

Property management fees	5,816	5,406
Real estate taxes	3,554	3,579
Repairs and maintenance	1,798	1,184
Insurance	34	33
Other rental expenses	2,835	2,795
Depreciation and amortization	7,181	7,167
Asset management fees	1,543	1,444
Other operating expenses	271	219
Total Operating Expenses	23,035	21,830
Operating Income	18,712	16,760

Non-Operating Revenues and Expenses

Non-Operating Revenues:

Interest income	0	0
Property tax refund and interest on tax refund	0	6
Other non-operating revenues	2	6

Non-Operating Expenses:

Interest expense	(1,160)	(1,217)
Amortization of bond issuance costs	(16)	(10)
New investment shares issuance costs	(238)	-
Other non-operating expenses	(26)	(32)

Ordinary Income	17,274	15,513
Income before Income Taxes	17,274	15,513
Current and deferred income taxes	0	(1)
Net Income	¥17,273	¥15,512

NIPPON BUILDING FUND INC.
Distribution for the Period Under Review

	For the six months ended December 31, 2020	For the six months ended June 30, 2020
	(Yen)	
Retained earnings	¥17,274,285,831	¥15,513,000,318
Undistributed earnings	—	768,318
Reversal of reserve for advanced depreciation	903,214,169	—
Total cash distribution	18,177,500,000	15,512,232,000
(Cash distribution per unit)	11,000	10,986
Distribution of accumulated earnings	18,177,500,000	15,512,232,000
(Distribution of accumulated earnings per unit)	11,000	10,986
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.