



January 6, 2022

To All Concerned Parties

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Notice Concerning Revision of Forecasts of Operating Results and Distributions Per Unit for the Period ending June 30, 2022 and the Forecasts of Operating Results and Distributions Per Unit for the Period ending December 31, 2022

Nippon Building Fund Inc. (“NBF”) announced today its revised forecasts of operating results and distributions per unit for the periods ending June 30, 2022 (January 1, 2022 – June 30, 2022) which were originally announced on August 16, 2021, in addition to forecasts of operating results and distributions for the period ending December 31, 2022 (July 1, 2022 – December 31, 2022). Details are both set forth below.

Please note that there are no revisions to the forecasts of operating results and distributions per unit for the period ending December 31, 2021 (July 1, 2021 – December 31, 2021).

Description

1. Revised Forecasts of Operating Results and Distributions Per Unit for the Period Ending June 30, 2022 (January 1, 2022 – June 30, 2022)

	Operating revenues (Yen in millions)	Operating income (Yen in millions)	Income before income taxes (Yen in millions)	Net income (Yen in millions)	Distribution per unit (Yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (Yen)
Previous forecast (A)	50,777	24,277	22,926	22,926	12,500	0
Revised forecast (B)	52,022	25,987	24,566	24,566	13,000	0
Increase/decrease (B-A)	+1,245	+1,709	+1,639	+1,639	+500	—
Percentage of increase/decrease	+2.5%	+7.0%	+7.2%	+7.2%	+4.0%	—

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Note: This press release constitutes a general announcement concerning NBF’s revision of forecasts of operating results and distributions per unit for the periods ending June 30, 2022 and December 31, 2022. This press release has not been prepared for the purpose of soliciting investments from investors. Investors bear full responsibility for their investment decisions and should review the prospectus, including any amendments thereto, prepared by NBF in relation to the issuance of any new investment units for primary offering.

In addition, this press release does not constitute or form a part of any offer of securities in the United States. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “Securities Act”). The securities may not be offered or sold in the United States without registration or an exemption from registration of securities under the Securities Act. The securities referred to herein will not be offered, publicly or otherwise, in the United States.



- (Note 1) Assumes 1,702,500 issued and outstanding investment units as of June 30, 2022. (Previous announcement assumed 1,652,500 investment units as of such date).
- (Note 2) Assumes net income per unit of 14,472 yen *1 (Previous announcement assumed 13,873 yen).
*1 Net income per unit is calculated by dividing net income by weighted average number of investment units issued and outstanding during the period.
- (Note 3) Distribution for the period ending June 30, 2022 assumes a total distribution of 22,132 million yen, out of the amount calculated by subtracting a transfer to reserves of 2,432 million yen from the net income of 24,566 million yen (Previous announcement assumed a total distribution of 20,656 million yen, out of the amounts calculated by subtracting transfer to reserves of 2,269 million yen from the net income of 22,926 million yen).
- (Note 4) Yen amounts shown above are rounded down to the nearest million yen. Percentages are rounded off to one decimal place.

2. Forecasts of Operating Results and Distributions Per Unit for the Period Ending December 31, 2022 (July 1, 2022 – December 31, 2022)

	Operating revenues (Yen in millions)	Operating income (Yen in millions)	Income before income taxes (Yen in millions)	Net income (Yen in millions)	Distribution per unit (Yen) (excluding distributions in excess of earnings)	Distribution in excess of earnings per unit (Yen)
Forecast	47,309	22,021	20,679	20,679	11,500	0

- (Note 1) Assumes 1,702,500 issued and outstanding investment units as of December 31, 2022.
- (Note 2) Assumes a net income per unit of 12,146 yen.
- (Note 3) Distribution per unit for the period ending December 31, 2022 assumes a total distribution of 19,578 million yen out of the amounts calculated by subtracting 1,100 million yen (the difference between the transfer from reserves of 265 million yen and the transfer to reserves of 1,365 million yen) from the net income of 20,679 million yen.
- (Note 4) Yen amounts shown above are rounded down to the nearest million yen.

3. Background to the Revision

NBF made a determination to acquire “IIDABASHI GRAND BLOOM (Additional Acquisition)” (anticipated acquisition price: 36,200 million yen) and “Nakanoshima Mitsui Building” (anticipated acquisition price: 44,000 million yen) on January 6, 2022 with the date of transfer of March 31, 2022. At a board of directors’ meeting held on the same date, we made a determination to issue new investment units and conduct a secondary offering of investment units for the purpose of funding the acquisition of certain specified assets.

We have decided to revise our forecasts of the period ending June 30, 2022 (January 1, 2022 – June 30, 2022) which were originally announced on August 16, 2021. In addition, we decided to announce our forecasts for the period ending December 31, 2022 (July 1, 2022 – December 31, 2022) due to changes in certain assumptions for the forecasts of operating results and distributions per unit.

The assumptions and conditions for the previous forecasts of operating results and distribution per unit for the period ending June 30, 2022 (January 1, 2022 – June 30, 2022) announced on August 16, 2021 include the January 31, 2022 disposition of “Sun Mullion NBF Tower” (anticipated disposition price: 14,400 million yen).

The assumptions and conditions for the forecasts of operating results and distribution per unit for the period ending December 31, 2022 (July 1, 2022 – December 31, 2022) announced today include the July 1, 2022 disposition of

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“Toyo-cho Center Bldg.” (anticipated disposition price: 9,600 million yen), “NBF Niigata Telecom Bldg.” (anticipated disposition price: 3,900 million yen), and “NBF Hiroshima Tatemachi Bldg.” (anticipated disposition price: 3,520 million yen).

The revised forecasts of operating results and distributions per unit for the period ending June 30, 2022 (January 1, 2022 – June 30, 2022) and the forecasts of operating results and distributions per unit for the period ending December 31, 2022 (July 1, 2022 – December 31, 2022) are calculated by taking into account factors such as market trends for office building rent, based on the assumptions described in the following chart of “【Reference】 Assumptions Underlying the Forecast of Operating Results and Distributions Per Unit for the Periods Ending June 30, 2022 (January 1, 2022 – June 30, 2022) and December 31, 2022 (July 1, 2022 – December 31, 2022).” The forecasted figures above represent current calculations based on assumptions and conditions as of the date hereof. Our actual operating revenues, operating income, income before income taxes, net income or distribution per unit may fluctuate significantly due to changes in circumstances, including future acquisitions or sales of properties or changes in the investment environment. These forecasts do not guarantee any future amounts of distributions.

End

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[Reference]

Assumptions Underlying the Forecast of Operating Results and Distributions Per Unit for the Periods Ending June 30, 2022 (January 1, 2022 – June 30, 2022) and December 31, 2022 (July 1, 2022 – December 31, 2022)

Item	Assumptions								
Assets owned	<ul style="list-style-type: none"> NBF's portfolio of 73 properties as of December 31, 2021, adjusted for the following acquisitions and dispositions, resulting in 73 properties for the period ending June 30, 2022 and 70 properties for the period ending December 31, 2022 								
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 60%;">Acquisitions</th> <th style="width: 40%;">Date (anticipated)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">IIDABASHI GRAND BLOOM (Additional Acquisition)</td> <td rowspan="2" style="text-align: center;">March 31, 2022</td> </tr> <tr> <td style="text-align: center;">Nakanoshima Mitsui Building</td> </tr> </tbody> </table>	Acquisitions	Date (anticipated)	IIDABASHI GRAND BLOOM (Additional Acquisition)	March 31, 2022	Nakanoshima Mitsui Building			
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	Dispositions	Date (anticipated)							
	Sun Mullion NBF Tower	January 31, 2022							
	Toyo-cho Center Bldg.	July 1, 2022							
	NBF Niigata Telecom Bldg.								
NBF Hiroshima Tatemachi Bldg.									
<ul style="list-style-type: none"> The forecasted total interim average occupancy rate*1 of the total portfolio is 96.0% for the period ending June 30, 2022 and 96.7% for the period ending December 31, 2022. *1 The weighted average (by floor area) of the occupancy rates at the end of each month. The figures in this table may change due to changes in portfolio assets or other factors. 									
Number of issued and outstanding investment units	<ul style="list-style-type: none"> We have assumed 1,702,500 units, to the total number of the 1,652,500 investment units issued and outstanding as of the date of this press release and the 50,000 new investment units to be fully issued consisting of 47,500 investment units which are being issued through a public offering and 2,500 investment units being issued through third party allocation (in connection with the secondary offering through over-allotment), each of which was determined at the board of directors meeting held on January 6, 2022. 								
	<ul style="list-style-type: none"> We have assumed that the upper limit on the third party allocation of 2,500 units will be issued. 								

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Interest-bearing liabilities	<ul style="list-style-type: none"> • “Sun Mullion NBF Tower” is expected to be disposed of in the period ending June 30, 2022 (anticipated disposition price: 14,400 million yen on January 31, 2022). The proceeds from the disposition are expected to be used to fund as part of “IIDABASHI GRAND BLOOM (Additional Acquisition)” (anticipated acquisition price: 36,200 million yen) and “Nakanoshima Mitsui Building” (anticipated acquisition price: 44,000 million yen) and net proceeds obtained by issue of new investment units, borrowings, and cash on-hand will be appropriated for the remaining amount of acquisition funds. • “Toyo-cho Center Bldg.” (anticipated disposition price: 9,600 million yen), “NBF Niigata Telecom Bldg.” (anticipated disposition price: 3,900 million yen) and “NBF Hiroshima Tatemachi Bldg.” (anticipated disposition price: 3,520 million yen) are expected to be disposed of on July 1, 2022 in the period ending December 31, 2022 and the proceeds from the disposition are expected to be used to repay the above borrowings. • In addition, 41,000 million yen in long-term borrowings will become due in the period ending June 30, 2022 and December 31, 2022. All of such long-term borrowings will be refinanced through additional borrowings.
Loan to Value Ratio	<ul style="list-style-type: none"> • The loan to value ratio*2 is assumed to be approximately 42.0% by June 30, 2022 due to an increase in unitholders’ equity as a result of issuance of new investment units and borrowings for the acquisition of properties, but is also assumed to decrease to around 41.4% by December 31, 2022 due to the repayment of the foregoing borrowings with proceeds from the disposition of “Toyo-cho Center Bldg.”, “NBF Niigata Telecom Bldg.” and “NBF Hiroshima Tatemachi Bldg.” in the period ending December 31, 2022. *2 Loan to value ratio = interest-bearing liabilities / total assets x 100 • The actual loan to value ratio may differ depending on the issuance price of new investment units of this offering and the number of investment units to be additionally issued by the third party allocation.
Operating Revenues	<ul style="list-style-type: none"> • NBF is assumed to record 7,013 million yen in gain on sale of “Sun Mullion NBF Tower” in the period ending June 30, 2022 and 2,417 million yen in gains on sale of “Toyo-cho Center Bldg.”, “NBF Niigata Telecom Bldg.” and “NBF Hiroshima Tatemachi Bldg.” in the period ending December 31, 2022, each included in operating revenues (see “Distribution per Unit” below as well).
Operating Expenses	<ul style="list-style-type: none"> • In the event that fixed assets taxes and city planning taxes with respect to the properties acquired are prorated and settled between NBF and the former property owner based on the number of days owned until the closing date, such settlement amounts will not be included in expenses as they are included in the relevant acquisition price. Accordingly, the settlement amounts consisting of fixed assets taxes and city planning taxes with respect to “IIDABASHI GRAND BLOOM (Additional Acquisition)” and “Nakanoshima Mitsui Building” to be acquired after January 1, 2022 will not be included in expenses for the periods ending June 30, 2022 and December 31, 2022, but will be included in expenses for the period ending June 30, 2023 and thereafter. The amount of real estate taxes with respect to the above properties for the period ending June 30, 2023 is expected to be 175 million yen (for the six-month period). • Real estate taxes are expected to be 4,321 million yen for the period ending June 30, 2022 and 4,244 million yen for the period ending December 31, 2022. • Depreciation and amortization are expected to be 7,747 million yen for the period ending June 30, 2022 and 7,858 million yen for the period ending December 31, 2022. • Repairs and maintenance are expected to be 1,863 million yen for the period ending June 30, 2022 and 809 million yen for the period ending December 31, 2022. • Assumptions regarding outsourcing costs are made by taking past results into consideration.

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Non-operating Expenses	<ul style="list-style-type: none"> • Non-operating expenses (interest expenses, interest payments on investment corporation bonds, etc.) are assumed to be 1,424 million yen for the period ending June 30, 2022 and 1,344 million yen for the period ending December 31, 2022. • Within the non-operating expenses during the period ending June 30, 2022, expenses for issuance of new investment units are assumed to be 70 million yen.
Distribution per Unit	<ul style="list-style-type: none"> • Out of the anticipated gain of 7,013 million yen from the sale of “Sun Mullion NBF Tower” in the period ending June 30, 2022, 2,432 million yen is assumed to be held as retained earnings. • Out of the anticipated gain of 2,417 million yen from the sale of “Toyo-cho Center Bldg.” and “NBF Niigata Telecom Bldg.” and “NBF Hiroshima Tatemachi Bldg.” in the period ending December 31, 2022, 1,365 million yen is assumed to be held as retained earnings, while 265 million yen will be transferred out of retained earnings in connection with the sale of “Toyo-cho Center Bldg.”, resulting in a net transfer of 1,100 million yen to retained earnings. • The actual amount of distribution per unit may vary due to changes in rental revenue as a result of tenant changes, changes in properties, interest rates, or issuance of new investment units. • Actual amounts transferred from and to as reserves (reserves for reduction entry) may change.
Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> • NBF currently has no plans to make distributions in excess of earnings (distributions in excess of earnings per unit).
Others	<ul style="list-style-type: none"> • The above estimates are based on the premise that there will be no amendments of laws or regulations, taxation systems, accounting standards, rules of Tokyo Stock Exchange, rules of The Investment Trusts Association, Japan or otherwise which would impact such estimates. • The above estimates are also premised on the absence of unexpected substantial changes in general economic trends or real estate market conditions.

This English language notice is a translation of the Japanese language notice dated January 6, 2022 and has been prepared solely for reference purposes. The Japanese language release should be referred to as the original. Neither NBF nor Nippon Building Fund Management Ltd. makes any warranties as to the accuracy or completeness of this English language notice.

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