



January 31, 2024

To All Concerned Parties

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(TSE Code: 8951)

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## Notice Concerning Revision of Forecasts of Operating Results and Distributions Per Unit for the Period ending June 30, 2024

Nippon Building Fund Inc. ("NBF") announced today its revised forecasts of operating results and distributions per unit for the periods ending June 30, 2024 (January 1, 2024 – June 30, 2024) which were originally announced on August 15, 2023 ("Previous forecast"). Details as follows. ("Revised forecast")

Please note that there are no revisions to the forecasts of operating results and distributions per unit for the period ended December 31, 2023 (July 1, 2023 – December 31, 2023).

### Description

#### 1. Outline of the revision

	Operating revenues (Yen in millions)	Operating income (Yen in millions)	Ordinary Income (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)	46,826	20,517	19,165	19,165	11,500	0
Revised forecast (B)	50,113	23,751	22,377	22,377	12,500	0
Increase/decrease (B-A)	+3,286	+3,234	+3,212	+3,212	+1,000	—
Percentage of increase/decrease	+7.0%	+15.8%	+16.8%	+16.8%	+8.7%	—

(Note 1) Assumes 1,700,991 issued and outstanding investment units as of June 30, 2024.

(Note 2) Assumes net income per unit of 13,155 yen\* (Previous announcement assumed 11,267 yen).

\* 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) In Revised forecast, it is assumed that distribution per unit is calculated by deducting provision of reserve for reduction entry ¥1,114 million from the expected net income ¥22,377 million (In Previous forecast, it is assumed that distribution per unit is calculated by adding reversal of reserve for reduction entry ¥397 million to the expected net income ¥19,165 million).

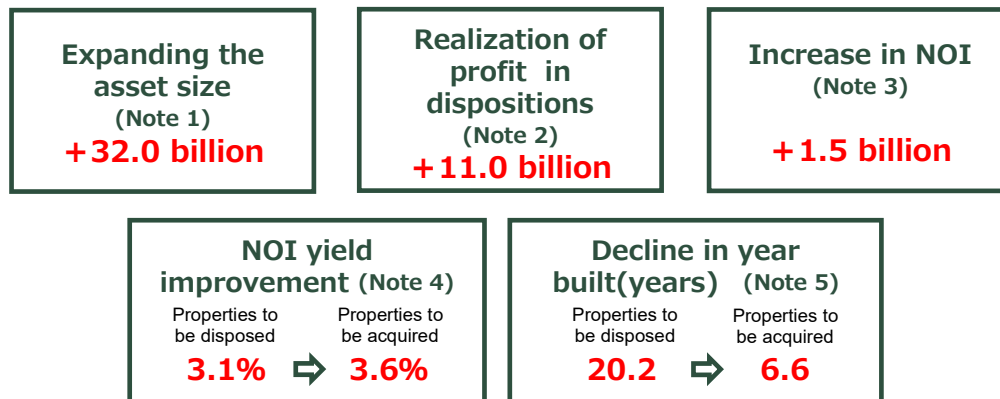
(Note 4) Yen amounts shown above are rounded down to the nearest million yen. Percentages are rounded off to one decimal place.



## 2. Replacement effects in property purchases and sales announced from 2023 onwards

NBF intends to build strong portfolio by utilizing the collective strengths of its main sponsor, the Mitsui Fudosan Group, together with transactions with third parties to achieve effective property replacements.

From March 2023 onwards, NBF will simultaneously increase the profitability of the portfolio and lower the average age of the portfolio, in addition to expanding the asset size, by the replacement of a total of approximately ¥177.9 billion (total value of acquired and disposed properties), also NBF will maintain and improve the distribution per unit while recording approximately ¥11.0 billion in the profit in dispositions.



(Note 1) Difference (¥32.0 billion) between the total acquisition price of the properties to be acquired (¥100.7 billion) and the total acquisition price of the properties to be disposed (¥68.7 billion).

(Note 2) Total amount of profit in dispositions (assumption)

(Note 3) Difference (¥1.5 billion) between total appraisal NOI of the properties to be acquired at the time of acquisition (¥3.5 billion) and actual NOI of the properties to be disposed (¥2.0 billion), which is twice the actual NOI for the periods ended June 30, 2023.

(Note 4) Properties to be acquired: NOI divided by acquisition price

Properties to be disposed: NOI divided by book value at the end of the periods ended June 30, 2023

(Note 5) Properties to be acquired: weighted average of acquisition price as of December 31, 2023

Properties to be disposed: weighted average of acquisition price as of December 31, 2023 for GranTokyo South Tower (part of sectional ownership), Panasonic Tokyo Shiodome Bldg. and Tsukuba Mitsui Bldg., as of November 30, 2023 for NBF Ueno Bldg. and NBF Shibakouen Bldg.

### (a) Expanding the asset size (Cumulative acquisition price)

By the replacement of a total of approximately ¥177.9 billion, NBF intends to increase the asset size (cumulative acquisition price) by approximately ¥32.0 billion while building a strong portfolio, and to record approximately ¥11.0 billion in the profit in dispositions.

Acquisitions	Date (scheduled)	Acquisition Price
IIDABASHI GRAND BLOOM (Additional acquisition)	March 31, 2023	25,400 million yen
Toyosu Bayside Cross Tower (Additional Acquisition)		21,600 million yen
Nishi-Shinjuku Mitsui Bldg. (Additional Acquisition)	September 7, 2023	121 million yen
Yodoyabashi Flex Tower	November 30, 2023	9,833 million yen
Toyosu Bayside Cross Tower (Additional Acquisition)	March 29, 2024	43,800 million yen
Total	—	100,754 million yen



Dispositions	Date (scheduled)	Disposition Price
NBF Ueno Bldg.	November 30, 2023	9,900 million yen
NBF Shibakouen Bldg.		8,500 million yen
GranTokyo South Tower (part of sectional ownership)	March 28, 2024	41,200 million yen
Panasonic Tokyo Shiodome Bldg.	March 29, 2024	6,700 million yen
Tsukuba Mitsui Bldg.	September 30, 2024	10,900 million yen
Total	—	77,200 million yen

(b) Increase the profitability of the portfolio

NBF intends to improve the quality of portfolio by acquiring highly competitive, high-quality assets, while improving portfolio yields by disposing of relatively unprofitable properties. As shown in the table below, comparison on NOI shows an expected improvement of around ¥1.5 billion per year, contributing significantly to the increase in distribution.

	NOI	NOI yield
Acquired properties	3.5 billion yen	3.6%
Disposed properties	2.0 billion yen	3.1%
Effect	+1.5 billion yen	+0.5pt

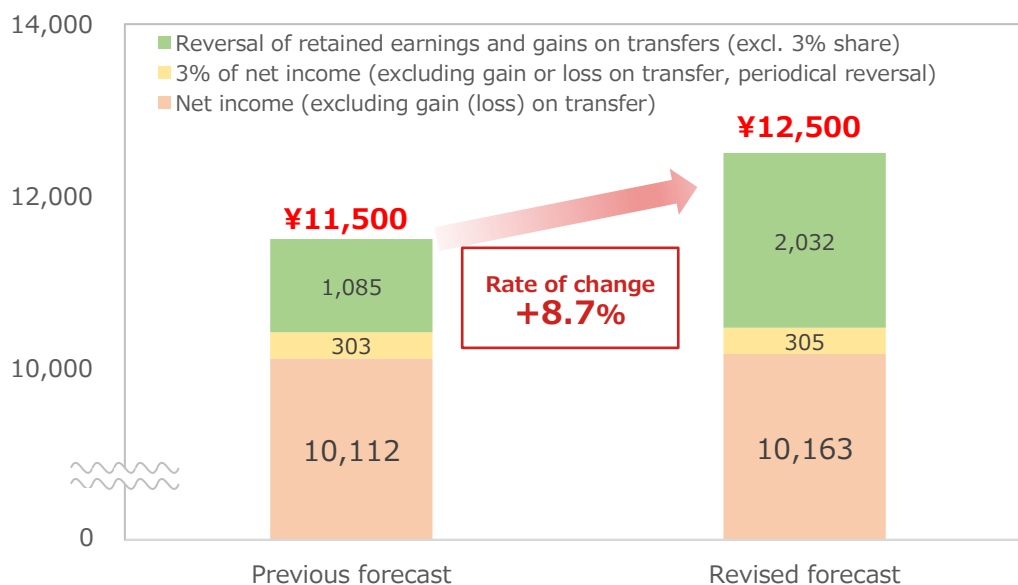
(c) Decline in average year built

The average year built of the disposed properties is around 20 years, while the acquired properties is 6.6 years, well below the average year built of 22.9 years in 1H/23.

The average year built of the acquired properties	The average year built of the disposed properties
6.6 years	20.2 years

(d) Upward revision of Distribution per unit

As a result, distributions per unit for the periods ending June 30, 2024, has been revised as follows.



**3. Background to the Revision**

NBF has decided to dispose of the asset on March 28, 2024, as announced today in the "Notice of Disposition of Asset (GranTokyo South Tower (part of sectional ownership))". Accordingly, the previous forecast has been revised.



Previous forecast includes the disposition of "Panasonic Tokyo Shiodome Bldg." announced on March 15, 2023 as an assumption, while Revised forecast includes the acquisition of "Nishi-Shinjuku Mitsui Bldg. (additional acquisition)" announced on September 7, 2023, the acquisition of "Yodoyabashi Flex Tower", the disposition of "NBF Ueno Bldg;" of Assets by exchange and the disposition of "NBF Shibakoen Bldg." announced on September 29, 2023, the acquisition of "Toyosu Bayside Cross Tower (additional acquisition)" announced on January 5, 2024, and the disposition of "GranTokyo South Tower (part of sectional ownership)" announced today have been added as preconditions.

Revised forecast is calculated based on the assumptions stated in the [Reference] "Assumptions Underlying the Forecast of Operating Results and Distributions Per Unit for the Periods Ending June 30, 2024 (January 1, 2024 – June 30, 2024)". The forecasted figures above represent current calculations based on assumptions and conditions as of the date hereof. Our actual operating revenues, operating income, ordinary income, 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



**【Reference】**

**Assumptions Underlying the Forecast of Operating Results and Distributions Per Unit for the Periods Ending June 30, 2024 (January 1, 2024 – June 30, 2024)**

Item	Assumptions														
Assets owned	<ul style="list-style-type: none"> <li>NBF's portfolio of 70 properties as of June 30, 2023, adjusted for the following acquisitions and dispositions, resulting in 68 properties for the period ending June 30, 2024.</li> </ul>														
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<ul style="list-style-type: none"> <li>The forecasted total interim average occupancy rate* of the total portfolio is 97.7% for the period ending June 30, 2024</li> <li>* The weighted average (by floor area) of the occupancy rates at the end of each month.</li> <li>The figures in this table may change due to changes in portfolio assets or other factors.</li> </ul>															
Number of issued and outstanding investment units	<ul style="list-style-type: none"> <li>It is assumed that the number of investment units currently issued and outstanding (1,700,991 units) will not change until June 30, 2024.</li> </ul>														
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>In the fiscal period ending June 30, 2024, short-term borrowings of 5 billion yen and long-term borrowings of 37 billion yen will become due for repayment in the future, and it is assumed that funds for the repayment of such interest-bearing liabilities will be procured through borrowings, etc.</li> </ul>														
Operating Revenues	<ul style="list-style-type: none"> <li>NBF is assumed to record 5,089 million yen, profit in dispositions of "Panasonic Tokyo Shiodome Bldg." and "GranTokyo South Tower (part of sectional ownership)" in the period ending June 30, 2024, each included in operating revenues (see "Distribution per Unit" below as well).</li> </ul>														
Operating Expenses	<ul style="list-style-type: none"> <li>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 "Toyosu Bayside Cross Tower (Additional Acquisition)" to be acquired after January 1, 2024 will not be included in expenses for the periods ending June 30, 2024 and December 31, 2024, but will be included in expenses for the period ending June 30, 2025 and thereafter. The amount of real estate taxes with respect to the above property for the period ending June 30, 2025 is expected to be 101 million yen (for the six-month period).</li> <li>Property taxes are expected to be 4,731 million yen for the period ending June 30, 2024.</li> <li>Depreciation is expected to be 7,873 million yen for the period ending June 30, 2024.</li> <li>Repairs and maintenance are expected to be 1,000 million yen for the period ending June 30, 2024.</li> <li>Assumptions regarding outsourcing costs are made by taking past results into consideration.</li> </ul>														



Non-operating Expenses	<ul style="list-style-type: none"> <li>• Non -operating expenses (interest expenses, interest payments on investment corporation bonds, etc.) are assumed to be 1,377 million yen for the period ending June 30, 2024.</li> </ul>
Distribution per Unit	<ul style="list-style-type: none"> <li>• In the period ending June 30, 2024, it is assumed that profit in disposition of the Panasonic Tokyo Shiodome Bldg., 1,969 million yen, which is included in operating revenue, a portion of the profit is to be held as reserve for advanced depreciation, while the transferring out of reserve for advanced depreciation is assumed to be occurred, resulting in a net transfer of 1,114 million yen to be held as reserve for advanced depreciation.</li> <li>• 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.</li> <li>• Actual amounts transferred from and to as retained earnings (reserves for reduction entry) may change.</li> </ul>
Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• NBF currently has no plans to make distributions in excess of earnings (distributions in excess of earnings per unit).</li> </ul>
Others	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The above estimates are also premised on the absence of unexpected substantial changes in general economic trends or real estate market conditions.</li> </ul>