



October 9, 2020

To All Concerned Parties

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**Notice Concerning Revision of Forecasts of Operating Results and Distributions Per Unit
for the Periods ending December 31, 2020 and June 30, 2021**

Nippon Building Fund Inc. (“NBF”) announced today its revised forecasts of operating results and distributions per unit for the periods ending December 31, 2020 (July 1, 2020 – December 31, 2020) and June 30, 2021 (January 1, 2021 – June 30, 2021) which were originally announced on August 17, 2020. Details are set forth below:

Description

**1. Revised Forecasts of Operating Results for the Period Ending December 31, 2020
(July 1, 2020 – December 31, 2020)**

	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)	41,732	17,828	16,604	16,604	11,000	0
Revised forecast (B)	41,732	17,833	16,318	16,318	11,000	0
Increase/decrease (B-A)	—	+5	Δ286	Δ286	—	—
Percentage of increase/decrease	0.0%	0.0%	Δ1.7%	Δ1.7%	—	—

-1-

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 December 31, 2020 and June 30, 2021. 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 domestic 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 publicly offered or sold in the United States.



- (Note 1) Assumes 1,652,500 issued and outstanding investment units as of December 31, 2020. Previous announcement assumed 1,412,000 investment units as of such date.
- (Note 2) Assumes net income per unit of 10,886 yen. Previous announcement assumed 11,759 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) Distribution per unit for the period ending December 31, 2020 assumes a total distribution of 18,178 million yen calculated by adding the net income of 16,318 million yen and a transfer from reserves of 1,860 million yen. (Previous announcement assumed a total distribution of 15,532 million yen, calculated by subtracting transfer to reserves of 1,071 million yen from the net income of 16,604 million yen).
- (Note 4) Yen amounts shown above are rounded down to the nearest million yen. Percentages are rounded to one decimal place.

2. Revised Forecasts of Operating Results and Distributions Per Unit for the Period Ending June 30, 2021 (January 1, 2021 – June 30, 2021)

	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)
Previous forecast (A)	40,506	17,294	16,071	16,071	11,000	0
Revised forecast (B)	46,435	21,644	20,250	20,250	11,330	0
Increase/decrease (B-A)	+5,928	+4,349	+4,179	+4,179	+330	—
Percentage of increase/decrease	+14.6%	+25.1%	+26.0%	+26.0%	+3.0%	—

- (Note 1) Assumes 1,652,500 issued and outstanding investment units as of June 30, 2020. Previous announcement assumed 1,412,000 investment units as of such date.
- (Note 2) Assumes a net income per unit of 12,254 yen. Previous announcement assumed 11,382 yen.
- (Note 3) Distribution per unit for the period ending June 30, 2021 assumes a total distribution of 18,723 million yen calculated by subtracting a transfer to reserves of 1,527 million yen from the net income of 20,250 million yen (Previous announcement assumed a total distribution of 15,532 million yen calculated by subtracting a transfer to reserves of 539 million yen from the net income of 16,071 million yen).
- (Note 4) Yen amounts shown above are rounded down to the nearest million yen. Percentages are rounded to one decimal place.

3. Background to the Revision

NBF decided to acquire the “Shinjuku Mitsui Building” (anticipated acquisition price: 170,000 million yen) and “Gran Tokyo South Tower” (anticipated acquisition price: 47,000 million yen) on October 9, 2020 with the date of transfer of January 8, 2021. At a board of directors’ meeting held on October 9, 2020, we decided to issue new investment units

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and conduct a secondary offering of investment units for the purpose of funding the acquisition fund of certain specified assets.

We have decided to revise our forecast for the periods ending December 31, 2020 (July 1, 2020 – December 31, 2020) and June 30, 2021 (January 1, 2021 – June 30, 2021), published on August 17, 2020, 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 announced on August 17, 2020 includes the October 1, 2020 acquisitions of “OSAKI BRIGHT TOWER” (acquisition price: 13,970 million yen), “Nagoya Mitsui Main Building” (acquisition price: 13,050 million yen), and “Nagoya Mitsui New Building” (acquisition price: 13,200 million yen). The assumptions and conditions also include the December 25, 2020 anticipated disposition (50% ownership, anticipated disposition price: 5,950 million yen) and March 31, 2021 anticipated disposition (50% ownership, anticipated disposition price: 5,950 million yen) of “NBF Shinkawa Bldg. (East Building & Residential Tower).”

The revised forecasts of operating results and distributions per unit for the periods ending December 31, 2020 (July 1, 2020 – December 31, 2020) and June 30, 2021 (January 1, 2021 – June 30, 2021) 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 December 31, 2020 (July 1, 2020 – December 31, 2020) and June 30, 2021 (January 1, 2021 – June 30, 2021).”

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

-3-

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[Reference]

Assumptions Underlying the Forecast of Operating Results and Distributions Per Unit for the Periods Ending December 31, 2020 (July 1, 2020 – December 31, 2020) and June 30, 2021 (January 1, 2021 – June 30, 2021)

Item	Assumptions									
Assets owned	<ul style="list-style-type: none"> NBF's portfolio of 71 properties as of the period ending June 30, 2020, applying the following acquisitions and dispositions, resulting in 76 properties 									
	<table border="1"> <thead> <tr> <th data-bbox="400 483 962 535">Acquisitions</th> <th data-bbox="962 483 1437 535">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="400 535 962 586">OSAKI BRIGHT TOWER</td> <td data-bbox="962 535 1437 698" rowspan="3">October 1, 2020</td> </tr> <tr> <td data-bbox="400 586 962 638">Nagoya Mitsui Main Building</td> </tr> <tr> <td data-bbox="400 638 962 698">Nagoya Mitsui New Building</td> </tr> <tr> <td data-bbox="400 698 962 750">Shinjuku Mitsui Building</td> <td data-bbox="962 698 1437 808" rowspan="2">January 8, 2021 (anticipated)</td> </tr> <tr> <td data-bbox="400 750 962 808">Gran Tokyo South Tower</td> </tr> </tbody> </table>	Acquisitions	Date	OSAKI BRIGHT TOWER	October 1, 2020	Nagoya Mitsui Main Building	Nagoya Mitsui New Building	Shinjuku Mitsui Building	January 8, 2021 (anticipated)	Gran Tokyo South Tower
	Acquisitions	Date								
	OSAKI BRIGHT TOWER	October 1, 2020								
	Nagoya Mitsui Main Building									
	Nagoya Mitsui New Building									
Shinjuku Mitsui Building	January 8, 2021 (anticipated)									
Gran Tokyo South Tower										
<table border="1"> <thead> <tr> <th data-bbox="400 846 962 898">Dispositions</th> <th data-bbox="962 846 1437 898">Date (anticipated)</th> </tr> </thead> <tbody> <tr> <td data-bbox="400 898 962 1039" rowspan="2"> NBF Shinkawa Building (East Building & Residential Tower) *1 *1 NBF will continue to own NBF Shinkawa Building (West Building) </td> <td data-bbox="962 898 1437 949">50% ownership: December 25, 2020</td> </tr> <tr> <td data-bbox="962 949 1437 1039">50% ownership: March 31, 2021</td> </tr> </tbody> </table>	Dispositions	Date (anticipated)	NBF Shinkawa Building (East Building & Residential Tower) *1 *1 NBF will continue to own NBF Shinkawa Building (West Building)	50% ownership: December 25, 2020	50% ownership: March 31, 2021					
Dispositions	Date (anticipated)									
NBF Shinkawa Building (East Building & Residential Tower) *1 *1 NBF will continue to own NBF Shinkawa Building (West Building)	50% ownership: December 25, 2020									
	50% ownership: March 31, 2021									
<ul style="list-style-type: none"> The forecasted total interim average occupancy rate*2 of the total portfolio is 99.0% for the period ending December 31, 2020, and 97.9% for the period ending June 30, 2021. *2 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"> In addition to the 1,412,000 investment units issued and outstanding as of the date of this press release, we have assumed the full issuance of 240,500 new investment units, consisting of 229,000 units which are being issued through a public offering (through over-allotment) and 11,500 investment units being issued through third party allotments (in connection with the secondary offering through over-allotment), each of which were determined at the board of directors' meeting held on October 9, 2020. Upon consummation of the offering and the third party allotment, we assume that 1,652,500 units will be issued and outstanding. We have assumed that the upper limit of 11,500 units to be issued through third-party allotment will be issued. 									

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<p>Interest-bearing liabilities</p>	<ul style="list-style-type: none"> • Funding for “OSAKI BRIGHT TOWER” (acquisition price: 13,970 million yen), “Nagoya Mitsui Main Building” (acquisition price: 13,050 million yen) and “Nagoya Mitsui New Building” (acquisition price: 13,200 million yen) acquired on October 1, 2020 in the period ending December 31, 2020 was procured through borrowings and cash on-hand. • “NBF Shinkawa Building (East Building & Residential Tower)” is planned to be disposed in the periods ending December 31, 2020 and June 30, 2021 (50% ownership, anticipated disposition price: 5,950 million yen on December 25, 2020 and 50% ownership, anticipated disposition price: 5,950 million yen on March 31, 2021) and the proceeds from the disposition are planned to be used to repay the above borrowings. • Funding for “Shinjuku Mitsui Building” (anticipated acquisition price: 170,000 million yen) and “Gran Tokyo South Tower” (anticipated acquisition price: 47,000 million yen) to be acquired on January 8, 2021 in the period ending June 30, 2021 will be procured from net proceeds obtained by issue of new investment units, borrowings, and cash on-hand. • In addition, 50,000 million yen in long-term borrowings will become due in the periods ending December 31, 2020 and June 30, 2021. All of such long-term borrowings will be refinanced through additional borrowings.
<p>Loan to Value Ratio</p>	<ul style="list-style-type: none"> • The loan to value ratio* is assumed to decrease to approximately 36.3% by the end of the period ending December 31, 2020 due to an increase in unitholders’ equity as a result of issuance of new investment units and collected fund with respect to the disposition of properties, but is also assumed to increase to around 41.6% by the end of the period ending June 30, 2021 due to the anticipated acquisitions of “Shinjuku Mitsui Building” and “Gran Tokyo South Tower” on January 8, 2021, proceeds from the issuance of new investment units, borrowings, and cash on-hand and the repayment of the borrowings mentioned above which will be procured from the disposition in the period ending June 30, 2021. * 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 allotment.
<p>Operating Revenues</p>	<ul style="list-style-type: none"> • NBF is assumed to record 1,354 million yen in profit from the sale of the 50% ownership of “NBF Shinkawa Building (East Building & Residential Tower)” in the period ending December 31, 2020 and 1,527 million yen in profit from the sale of the remaining 50% ownership of the same property in the period ending June 30, 2021, each as operating revenues (see “Distribution per Unit” below as well).
<p>Operating Expenses</p>	<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 tax and city-planning tax with respect to “OSAKI BRIGHT TOWER,” “Nagoya Mitsui Main Building” and “Nagoya Mitsui New Building” acquired after January 1, 2020 will not be included in expenses for the period ending December 31, 2020, but will be included in expenses for the period ending June 30, 2021 and thereafter. The amount of fixed assets tax and city-planning tax with respect to the above properties for the period ending June 30, 2021 is expected to be 112 million yen (for the six-month period).

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	<ul style="list-style-type: none"> • Furthermore, the settlement amounts consisting of fixed assets tax and city-planning tax with respect to “Shinjuku Mitsui Building” and “Gran Tokyo South Tower” to be acquired after January 1, 2021 will not be included in expenses for the period ending June 30, 2021 and December 31, 2021, but will be included in expenses for the period ending June 30, 2022 and thereafter. The amount of fixed assets tax and city-planning tax with respect to the above properties included in expenses for the period ending June 30, 2022 is expected to be 704 million yen (for the six-month period). • Taxes and duties are expected to be 3,555 million yen for the period ending December 31, 2020, and 3,860 million yen for the period ending June 30, 2021. • Depreciation costs are expected to be 7,249 million yen for the period ending December 31, 2020 and 7,474 million yen for the period ending June 30, 2021. • Repair and maintenance costs are expected to be 2,407 million yen for the period ending December 31, 2020 and 1,598 million yen for the period ending June 30, 2021. • Assumptions regarding outsourcing costs are made by taking past results into consideration.
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 1,517 million yen for the period ending December 31, 2020 and 1,395 million yen for the period ending June 30, 2021. • Within the non-operating expenses during the period ending December 31, 2020, expenses for issuance of new investment units are assumed to be 291 million yen.
Distribution per Unit	<ul style="list-style-type: none"> • Transfer of 1,860 million yen from reserves is assumed for the period ending December 31, 2020. • Out of the anticipated profit of 1,354 million yen and 1,527 million yen from the sale of “NBF Shinkawa Building (East Building & Residential Tower)” in the periods ending December 31, 2020 and June 30, 2021 respectively, all anticipated profit for the fiscal period ending June 30, 2021 is assumed to be withheld as reserves. • 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, Tokyo Stock Exchange Regulations, rules of the Investment Trusts Association 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 October 9, 2020 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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