



March 5, 2014

To All Concerned Parties

Name of REIT Issuer:  
Nippon Building Fund, Inc.  
Tsutomu Nishikawa, Executive Director  
(TSE Code: 8951)  
Contact:  
Asset Management Company  
Nippon Building Fund Management, Ltd.  
Kenichi Tanaka, President and CEO  
Person to Contact:  
Toshihiko Mori, General Manager  
(TEL. +81-3-6259-8681)

Notice Concerning Revision of Forecasts of Operating Results for the Period ending June 30, 2014

Nippon Building Fund, Inc. ("NBF") announced today its revised forecasted operating results for the period ending June 30, 2014 (January 1, 2014 – June 30, 2014) which were originally announced on February 14, 2014. Details are set forth below:

Description

1. Revision of Forecasts of Operating Results for the Period Ending June 30, 2014 (January 1, 2014 – June 30, 2014)

	Operating revenue	Operating income	Income before income taxes	Net income	Cash distribution per unit (excluding distributions in excess of retained earnings)	Distribution in excess of retained earnings per unit
Previous forecast (A)	million yen 35,820	million yen 15,280	million yen 12,287	million yen 12,286	Yen 8,000	yen 0
Revised forecast (B)	million yen 36,399	million yen 15,567	million yen 12,537	million yen 12,535	Yen 8,000	yen 0
Increase/decrease (B – A)	million yen 578	million yen 287	million yen 249	million yen 249	Yen 0	yen 0
Percentage of increase/decrease	% 1.6	% 1.9	% 2.0	% 2.0	% 0.0	% —

【Note 1】 Assumes 1,412,000 issued and outstanding investment units as of June 30, 2014. Previous announcement assumed 1,384,000 investment units as of such date.

【Note 2】 Yen amounts shown above are truncated. Percentages have been rounded to the nearest one-tenth of a percent.



(Reference)

Revision of Outlook of Operating Results for the Period Ending December 31, 2014 (July 1, 2014 - December 31, 2014)

	Operating revenue	Operating income	Income before income taxes	Net income	Cash distribution per unit (excluding distributions in excess of retained earnings)	Distribution in excess of retained earnings per unit
Previous forecast (A)	million yen 33,885	million yen 13,037	million yen 10,174	million yen 10,173	Yen 7,350	yen 0
Revised forecast (B)	million yen 34,776	million yen 13,459	million yen 10,592	million yen 10,591	Yen 7,500	yen 0
Increase/decrease (B—A)	million yen 890	million yen 422	million yen 417	million yen 417	Yen 150	yen 0
Percentage of increase/decrease	% 2.6	% 3.2	% 4.1	% 4.1	% 2.0	% —

【Note 1】 Assumes 1,412,000 issued and outstanding investment units as of December 31, 2014. Previous announcement assumed : 1,384,000 investment units as of such date.

【Note 2】 Yen amounts shown above are truncated. Percentages have been rounded to the nearest one-tenth of a percent.

## 2. Background to the Announcement

At a Board of Directors' meeting held on March 5, 2014, we decided to issue new investment units for the purpose of funding the acquisition of specified assets.

Furthermore, following the announcement of our previous forecast of operating results on February 14, 2014, we decided to acquire the "Jingumae M-SQUARE" property at an acquisition price of ¥3,700 million and the "Nakanoshima Central Tower" property at an anticipated acquisition price of ¥14,900 million.

We have decided to revise our forecast for the period ending June 30, 2014, published on February 14, 2014, due to the above-mentioned changes to our previous assumptions.

We expect to record profits from sale of a portion of the land in relation to our "GSK Bldg." property in an amount of ¥1,902 million (anticipated) during the period ending June 30, 2014, and we intend to retain ¥1,238 million (anticipated) as a reserve for advanced depreciation by applying Article 67-15 (special rules on Investment Companies) and Article 64 (special provisions for taxation on acquisition of substitute assets due to expropriation, etc.) of the Act on Special Measures Concerning Taxation.

The previous forecasts of operating results announced on February 14, 2014 took into consideration the acquisition of the "Sakaisuji-Honmachi Center Bldg. (additional acquisition)" which was acquired on January 30, 2014 (acquisition price: ¥6,200 million) and the sale of a portion of the land in relation to the "GSK Bldg." which was transferred on January 10, 2014.

The revised forecasts of operating results for the period ending June 30, 2014 and the outlook of operating results for the period ending December 31, 2014 are based on the "Assumptions Underlying the Forecast of Operating Results for the Period Ending June 30, 2014 (January 1, 2014 – June 30, 2014) (Assumptions



Underlying the Outlook for Operating Results for the Period Ending December 31, 2014 (July 1, 2014 – December 31, 2014))” as set forth below.

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 cash distribution per unit may fluctuate significantly due to changes in circumstances, including future acquisitions or sales of properties or changes in the investment environment, etc. These forecasts do not guarantee any future amounts of cash distributions.

End

This English language notice is a translation of the Japanese language notice dated March 5, 2014 and was prepared solely for the convenience of and reference by overseas investors. 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.



【Reference】

**Assumptions Underlying the Forecast of Operating Results for the Period Ending June 30, 2014 (January 1, 2014 – June 30, 2014) (Assumptions Underlying the Outlook of Operating Results for the Period Ending December 31, 2014 (July 1, 2014 – December 31, 2014))**

Item	Assumptions
Assets owned	<ul style="list-style-type: none"> <li>Forecast operating results are premised upon (i) the 71 properties owned by NBF as of December 31, 2013; (ii) the sale of a portion of the land in relation to the “GSK Bldg.” transferred on January 10, 2014 (iii) the acquisition of “Sakaisuji-Honmachi Center Bldg. (additional acquisition)” on January 30, 2014; (iv) the acquisition of the “Jingumae M-SQUARE” property on March 5, 2014 (acquisition price: ¥3,700 million) and (v) the acquisition of the “Nakanoshima Central Tower” property with an anticipated acquisition date of March 31, 2014 (anticipated acquisition price: ¥14,900 million).</li> <li>We have assumed an occupancy rate for all properties of 97.8% (97.0%, after adjustment for sub-leases) as at June 30, 2014, and an occupancy rate of 98.2% as at December 31, 2014 (97.6%, after adjustment for sub-leases).</li> <li>Changes in circumstances may cause actual numbers and occupancy rates with respect to owned properties to differ from the assumptions set forth above.</li> </ul>
Number of issued and outstanding investment units	<ul style="list-style-type: none"> <li>In addition to the 1,384,000 units issued and outstanding as of March 5, 2014, we have assumed the full issuance of 28,000 new units, consisting of 26,500 units which are being issued through a secondary offering (through over-allotment) and 1,500 units being issued through third party allotments, each of which were determined at the Board of Directors’ meeting held on March 5, 2014. Upon consummation of the offering and the third party allotment, we assume that 1,412,000 units will be issued and outstanding.</li> <li>We have assumed that the over-allotment option pursuant to which the 1,500 units have been allocated pursuant to a third party allotment will be exercised in full.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>We have assumed repayment of short-term borrowings of ¥2,000 million, and long-term borrowings of ¥36,750 million and repayment of investment corporation bonds in aggregate principal amount of ¥10,000 million which will become due during the periods ending June 30, 2014 and December 31, 2014, respectively. All of such indebtedness will be refinanced through additional borrowings, etc.</li> <li>On January 30, 2014, NBF executed a ¥6,000 million loan agreement in connection with the funding of its acquisition of the “Sakaisuji-Honmachi Center Bldg. (additional acquisition)”. On March 5, 2014, NBF borrowed ¥4,000 million in connection with its acquisition of the “Jingumae M-SQUARE” property.</li> <li>Funding for the “Nakanoshima Central Tower” property (to be acquired) will be procured from net proceeds obtained by issue of new investment units through a public offering, etc. If proceeds from the public offering are not sufficient, the acquisition will be partially funded, from cash on-hand.</li> </ul>



Loan to Value Ratio	<ul style="list-style-type: none"> <li>Assuming that our total unitholders' equity will increase as the result of additional issue, etc. of new investment units, we expect our loan to value ratio as of June 30, 2014 to be approximately 43.5% and we expect such loan to value ratio to be maintained through the end of December 31, 2014.</li> <li>The loan to value ratio appearing in this table is calculated in accordance with the following formula:  <math display="block">\text{Loan to value ratio} = \text{interest-bearing liabilities} / \text{total assets} \times 100</math> </li> <li>Depending on the net proceeds from the issuance of new investment units, the actual loan to value ratio may differ.</li> </ul>
Operating Revenues	<ul style="list-style-type: none"> <li>As stated in "2. Background to the Announcement" above, NBF has sold a portion of the land in relation to the "GSK Bldg." during the period ending June 30, 2014 and will record ¥1,902 million (anticipated) of the profits generated from such sale as operating revenues (see "Cash Distribution per Unit" below).</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 between NBF and the former property owner based on the number of days owned upon 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 the "Sakaisuji-Honmachi Center Bldg. (additional acquisition)", the "Jingumae M-SQUARE" and the "Nakanoshima Central Tower" to be acquired after January 1, 2014 will not be included in expenses for the periods ending June 30, 2014 or December 31, 2014, but will be included in expenses for the period ending June 30, 2015 and thereafter.  The amount of fixed assets tax and city-planning tax, etc. with respect to the above properties to be included in expenses for the period ending June 30, 2015 is expected to be ¥101 million (for 6 months).</li> <li>Taxes and duties are expected to be ¥3,326 million for the period ending June 30, 2014 and ¥3,281 million for the period ending December 31, 2014.</li> <li>Depreciation costs are expected to be ¥7,098 million for the period ending June 30, 2014 and ¥7,187 million for the period ending December 31, 2014.</li> <li>Repair and maintenance costs are expected to be ¥773 million for the period ending June 30, 2014 and ¥723 million for the period ending December 31, 2014.</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 ¥3,037 million for the period ending June 30, 2014 and ¥2,874 million for the period ending December 31, 2014.</li> <li>Out of the non-operating expenses during the period ending June 30, 2014, expenses for additional issue, etc. of new investment units are assumed to be ¥43 million.</li> </ul>
Cash Distribution per Unit	<ul style="list-style-type: none"> <li>The actual amount of cash distribution per unit may vary due to changes in rental revenue as a result of tenant changes, etc., changes in properties, interest rates, or additional issues of new investment units.</li> <li>As for ¥1,902 million (anticipated) of profits on sale of a portion of the land in relation to the "GSK Bldg." during the period ending June 30, 2014, NBF intends to retain ¥1,238 million (anticipated) as reserves for advanced depreciation by applying Article 67-15 (special rules for taxation on Investment Company) and Article 64 (special provisions for taxation on acquisition of substitute assets due to expropriation, etc.) of the Act on Special Measures Concerning Taxation but the actual amount of reserve could vary.</li> <li>In addition, it is presumed that no withdrawal from reserves for advanced depreciation will be made.</li> </ul>



Distributions in Excess of Earnings per Unit	<ul style="list-style-type: none"> <li>• In principle, NBF's policy will be to not make distributions in excess of retained earnings to its investors; provided, however, that NBF is authorized to make distributions in excess of retained earnings pursuant to its distribution policies in the event that its Board of Directors deems it necessary for the purpose of NBF's compliance with requirements for deductibility of losses when calculating taxes in connection with profit distributions, etc.</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, Tokyo Stock Exchange Regulations, rules of the Investment Trusts Association 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, etc.</li> </ul>