

March 8, 2018

To All Concerned Parties

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

Notice of Acquisition of Assets (Osaki Bright Core - Bright Plaza: Additional Acquisition)

Nippon Building Fund Management, Ltd. ("NBFM"), to which Nippon Building Fund, Inc. ("NBF") entrusts asset management services, hereby provides notice of its decision on March 8, 2018 to acquire assets as follows:

Description

1. Outline of the Acquisition

- 1) Acquired Assets : Real Property
- 2) Name of Assets : Osaki Bright Core - Bright Plaza (Additional Acquisition)
(hereinafter, Osaki Bright Core is referred to as "Bright Core" and Osaki Bright Plaza as "Bright Plaza." In addition, the entire portion of Osaki Bright Core and Osaki Bright Plaza is referred to as "the Property," and the portion to be acquired this time is referred to as "the Additionally Acquired Portion of the Property" and the portion already owned by NBF as "the Existing Interests." The Additionally Acquired Portion of the Property is the sectional ownership of Bright Core (Please refer to 3. Outline of Assets below).
- 3) Acquisition Price : ¥9,780,000,000
(Miscellaneous acquisition costs, adjusted amount of fixed assets tax and city-planning tax, etc. as well as consumption tax, etc. are excluded.)
- 4) Date of Contract : March 8, 2018
- 5) Date of Transfer : March 30, 2018
- 6) Seller : Mitsui Fudosan Co., Ltd.
(please refer to 4. Outline of seller below)
- 7) Acquisition Funds : Existing capital plus loans etc.
- 8) Intermediary : None
- 9) Payment Method : Lump-sum payment at the time of transfer

- 10) Miscellaneous : Rentable floors of the 5th, 6th and the 8th through 17th floors of Bright Core are unitarily managed by the owners of sectional ownership through a master lease agreement with Mitsui Fudosan Co., Ltd. (rental revenues and rental costs are unitarily received and borne by such owners regardless of the locations subject to such sectional ownership). The Additionally Acquired Portion of the Property is subject to such unitary management.

2. Points of Acquisition

The acquisition is being undertaken with the intention of enhancing NBF's portfolio in the 23 wards of Tokyo in accordance with the asset management objectives and policies set forth in NBF's Articles of Incorporation.

When making the current acquisition, NBFM deemed the following points to be especially attractive.

1) Location

The Osaki area where the Property is located is one of the subcenters of Tokyo. The area is highly recognized as a business center where large enterprises base their offices.

The Property offers high transport convenience standing approximately a 5-minute walk from JR Osaki Station.

2) Building and Facilities

The Property is a highly competitive property with the latest specifications as an office building with a standard floor rentable floor area of approximately 1,477.19m², a ceiling height of 2,800mm, LED lighting, etc.

3) Expansion of Share

NBF holds the Existing Interests (approximately 9.44% (the proportion of the total exclusively owned area) in Bright Core and 16.50% (the ratio of co-ownership interest) in Bright Plaza) and the ownership ratio of Bright Core will increase with this acquisition.

3. Outline of Assets (Bright Core)

1) Type of Specified Assets

Real Property

2) Location

(Description in Real Property Registry)

Land : 567-1, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo

Building : 567-1, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo

(Street Address)

5-15, Kita-Shinagawa 5-chome, Shinagawa-ku, Tokyo

3) Use (primary use listed in Real Property Registry)

Offices and stores

4) Type of Ownership (the Additionally Acquired Portion of the Property)

(i) Land : Co-ownership interests (approximately 20.19%) (approximately 29.77% when including the Existing Interests (approximately 9.58%))

- (ii) Building : Sectional ownership of a portion of the 10th floor and the 11th to 13th floors (the proportion of the total exclusively owned area: approximately 19.35%. Approximately 28.79% when including the Existing Interests (approximately 9.44%))
- 5) Square meters (Description in Real Property Registry)
 - (i) Land : Site area 5,811.01m² (entire site)
 - (ii) Building: Total floor space 42,929.11m² (entire building)
 - 6) Structure (Description in Real Property Registry)
Steel frame, steel framed reinforced concrete and steel reinforced concrete structure, flat roof, 20 floors above ground and 2 floors below ground
 - 7) Completion of Construction (Description in Real Property Registry)
April 1, 2015
 - 8) Design and Construction
Design : Nihon Sekkei, Inc.
Construction: Taisei Corporation
 - 9) Earthquake PML
2.2% (obtained from the building condition investigation report prepared by Engineering & Risk Services Corporation)
 - 10) Existence of Secured Interests (liens)
None.
 - 11) Description of Tenants (Tenancy as of February 28, 2018)
Mitsui Fudosan Co., Ltd. will be the sole tenant as NBF is scheduled to lease the entire Additionally Acquired Portion of the Property to Mitsui Fudosan Co., Ltd. Mitsui Fudosan Co., Ltd. will sub-lease the same spaces to its sub-lessees.
Rentable floors of the 5th, 6th and 8th through 17th floors including the Additionally Acquired Portion of the Property (a portion of the 10th floor and the 11th to 13th floors) of Bright Core (entire building) is unitarily managed by the owners of sectional ownership through a master lease agreement with Mitsui Fudosan Co., Ltd. (rental revenues and rental costs are unitarily received and borne by such owners regardless of the locations subject to such sectional ownership), and the proportion of operating rights in such unitary management scheme for the Additionally Acquired Portion of the Property is approximately 28.94% (approximately 41.65% when including Existing Interests (approximately 12.71%)).
The tenancy situation of the portion subject to leasing in the Additionally Acquired Portion of the Property as of February 28, 2018 (the portion subject to the above unitary management of Bright Core) is as follows.
 - Total number and summary of lessees: 10 companies (10 general business companies)
 - Total rental revenues: not disclosed due to the fact that the lessee's consent to disclosure has not been obtained.
 - Total rentable area: approx. 5,140.98 m²
(based on the proportion of operating rights in unitary management scheme)
 - Total leased area: approx. 5,140.98 m² (the same as above)
 - Occupancy Rate: 100%
 - Total lease deposit: not disclosed due to the fact that the lessee's consent to disclosure has not been obtained.

4. Outline of Seller

1) Name	Mitsui Fudosan Co., Ltd.
2) Location	1-1, Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
3) Name and Title of Representative:	Masanobu Komoda, President and Chief Executive Officer
4) Description of Business	Real estate business
5) Capital	¥339,766 million (as of March 31, 2017)
6) Date of Establishment	July 15, 1941
7) Net Assets	¥1,688,453million (as of March 31, 2017)
8) Total Assets	¥4,363,405million (as of March 31, 2017)
9) Major shareholoder and shareholding ratio	The Master Trust Bank of Japan, Ltd. (trust account) (8.0%)
10) Relations with NBF/NBFM	
Capital Relationship	shareholder of NBFM (46% equity interest) owns 47,630 units of NBF
Personnel	certain personnel seconded to NBFM
Business Relationship	contractor of office management services; provider of tenant attracting services; broker for real property sale and purchase etc.; lessee of real property owned by NBF etc.
Related parties	does not fall under the category of related parties of NBF; a parent of NBFM, falling under the category of its related parties.

5. Status of Owners etc. of the Property

	Previous owner (seller)	earlier previous owner
Corporate Name	Mitsui Fudosan Co., Ltd.	N/A
Relationship with a specially interested party	The owner falls under the category of Interested Parties etc. of NBFM.	
History/Reason etc. for acquisition	Newly constructed	
Acquisition Price	—	
Date of Acquisition	April 1, 2015 (Newly constructed)	

6. Acquisition Schedule

March 8, 2018 : Determination to make acquisition, execution of a real property sale and purchase contract

March 30, 2018 : Delivery (anticipated)

7. Forecasted Management Situation as at the Periods ending June 30, 2018 and December 31, 2018

There will be no change to the forecasted management situation during the periods ending June 30, 2018 and December 31, 2018 as this acquisition will have little impact upon the management situation of NBF during such periods.

8.Summary of Appraisal Report

Property Name	Osaki Bright Core (Additional Acquisition)
Appraisal Value	¥9,780,000 thousand
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Date of Valuation	February 28, 2018

Item	Breakdown (in thousands of yen)	Remarks
Appraisal value based on income method	9,780,000	Estimated by combining the appraisal values under the DCF method and the direct capitalization method
Appraisal value based on direct capitalization method	10,200,000	
(1) Operating Revenue ((i) - (ii))	523,164	
(i) Effective gross income	538,560	Estimated based on income consisting of rents, common area charges, utility charges etc. which are deemed stable on a mid- and-long-term basis
(ii) Losses from vacancy, etc.	15,396	Estimated based on a vacancy rate which is deemed stable on a mid- and-long-term basis
(2) Operating Expenses	168,083	
Building Maintenance Costs/Property Management Fees (Note)	95,328	Estimated based on past results verified applying the level of maintenance costs/property management fees for similar real properties
Utilities Expenses	27,993	Estimated based on past results verified applying the level of utilities expenses for similar real properties
Repair Expenses	0	Included in the building maintenance costs
Leasing Expenses, etc.	4,148	Estimated based on the assumed turnover rate and the level of leasing expenses for similar real properties
Taxes & Public Duties	40,004	Estimated based on actual taxes in fiscal 2017
Insurance Premiums	610	Estimated based on insurance rates etc. for similar real properties
Other Expenses	0	-
(3) Net Operating Income ((1)-(2))	355,081	
(4) Investment Income from Temporary Deposits	4,978	Estimated applying investment return of 1.0%
(5) Capital Expenditure	32,580	Estimated based on the extraordinary repair expenses, apartment complex management fee, and reserves for apartment complex repairs
(6) Net Income ((3)+(4)-(5))	327,479	
(7) Capitalization Rate	3.2%	Estimated taking into consideration examples of transactions for similar real properties, as well as location and building conditions, and improvements, rights, contractual terms etc. of the Property
Appraisal value based on DCF method	9,600,000	
Discount Rate	3.0%	Estimated based on comparison with examples of transactions for similar real properties as well as returns on financial assets adjusted by individual characteristics of the Property
Terminal Capitalization Rate	3.4%	Estimated taking into consideration the characteristics of net income adopted in determining the capitalization rate as well as future uncertainty, liquidity and marketability etc.
Integrated value based on cost method	9,610,000	
Proportion of land	67.9%	
Proportion of building	32.1%	

*Amounts less than one thousand yen are rounded to the nearest thousand.



Matters specifically considered in adjustment of estimated amounts and determination of appraisal value	None
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- (Note) The reason for indicating Building Maintenance Costs / Property Management Fees as a total amount is because separately disclosing the levels of maintenance costs and property management fees of the Additionally Acquired Portion of the Property may have an impact on other transactions of the expected providers of building maintenance services and property management services respectively, and may hinder the provision of efficient services to NBF which may result in risks of damaging the interest of NBF's unitholders.

End

This English language notice is a translation of the Japanese language notice dated March 8, 2018 and was prepared solely for the convenience of, and reference by, overseas investors. Neither NBF nor Nippon Building Fund Management Ltd. makes any warranties as to its accuracy or completeness.



<Attached Materials>

- 【Reference Material 1】 Exterior Appearance of the Property
- 【Reference Material 2】 Standard Floor Plan of the Property (Bright Core)
- 【Reference Material 3】 Cross-sectional Drawing of the Property
- 【Reference Material 4】 Summary of Portfolio after Acquisition of the Property

【Reference Material 1】 Exterior Appearance of the Property

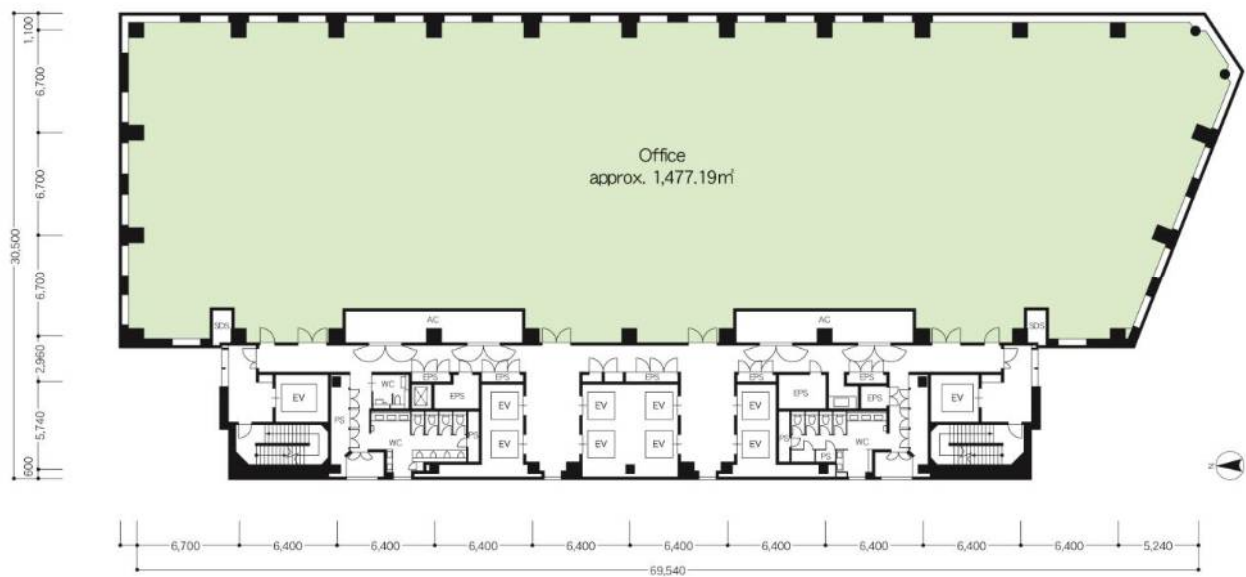
[Bright Core]



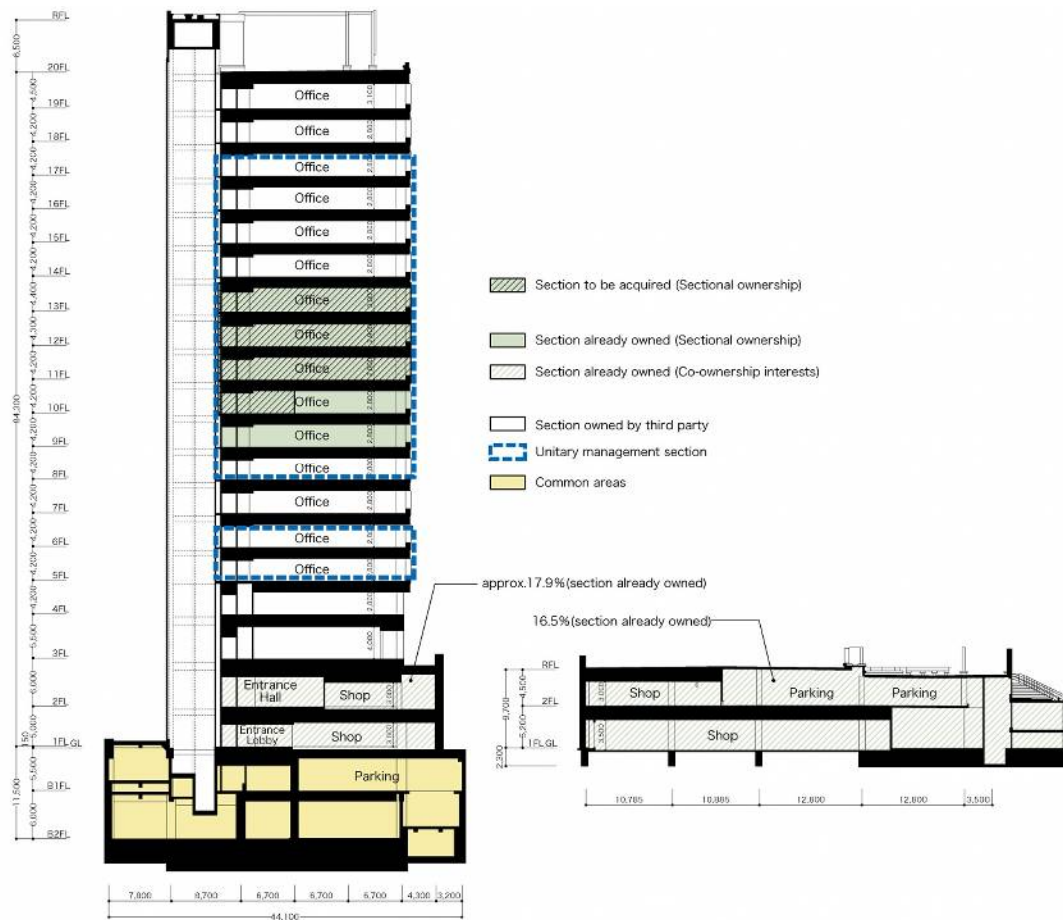
[Bright Plaza]



【Reference Material 2】 Standard Floor Plan of the Property (Bright Core)



【Reference Material 3】 Cross-sectional Drawing of the Property



[Bright Core]

[Bright Plaza]



【Reference Material 4】 Summary of Portfolio after Acquisition of the Property

Area	Property Name	Acquisition Price (¥ in thousands) (Note 1)	Percentage	Percentage of each area	Value (Real Estate Appraisal Value) (¥ in thousands) (Note 2)
Central 5 Wards	NBF Hibiya Bldg. (Note 3)	-	-	51.0%	-
	Roppongi T-CUBE (Note 4)	62,800,000	5.7%		63,000,000
	Nishi-Shinjuku Mitsui Bldg.	45,213,698	4.1%		42,200,000
	Mitsubishi Heavy Industries Head Office Bldg.	36,300,000	3.3%		48,700,000
	Shiba NBF Tower	32,000,000	2.9%		28,400,000
	NBF Platinum Tower	31,000,000	2.8%		60,800,000
	NBF Minami-Aoyama Bldg.	31,000,000	2.8%		19,600,000
	NBF COMODIO Shiodome	28,800,000	2.6%		34,500,000
	Toranomon Kotohira Tower	24,543,000	2.2%		36,100,000
	Celestine Shiba Mitsui Bldg.	22,500,000	2.0%		27,000,000
	Celestine Shiba Mitsui Bldg.(Additional Acquisition) (Note 4)	19,500,000	1.8%		20,000,000
	NBF Ochanomizu Bldg.	20,840,000	1.9%		14,200,000
	NBF Ginza Street Bldg.	20,269,000	1.8%		31,400,000
	NBF Shibuya Garden Front	17,000,000	1.5%		17,100,000
	Shinjuku Mitsui Bldg. No.2	16,285,400	1.5%		18,500,000
	River City M-SQUARE	13,350,000	1.2%		16,400,000
	NBF Toranomon Bldg.	13,337,000	1.2%		17,000,000
	Kowa Nishi-Shinbashi Bldg. B	13,303,200	1.2%		14,500,000
	NBF Shinkawa Bldg.	12,614,118	1.1%		14,700,000
	Shinbashi M-SQUARE	11,900,000	1.1%		15,100,000
	NBF ALLIANCE	9,126,000	0.8%		12,800,000
	Yotsuya Medical Bldg.	8,800,000	0.8%		7,700,000
	NBF Shibuya East	8,000,000	0.7%		7,360,000
	NBF Shibakouen Bldg.	6,770,000	0.6%		8,370,000
	NBF Takawana Bldg.	6,667,200	0.6%		7,190,000
	NBF Akasaka Sanno Square	6,250,000	0.6%		6,760,000
	NBF Shibakouen Daimon Street Bldg.	6,100,000	0.6%		4,510,000
	NBF Kandasudacho Bldg.	5,960,000	0.5%		8,310,000
	Sumitomo Densetsu Bldg.	5,365,000	0.5%		5,710,000
	NBF Higashi-Ginza Square	5,200,000	0.5%		8,010,000
	Panasonic Tokyo Shiodome Bldg.	5,075,000	0.5%		6,300,000
	NBF Ogawamachi Bldg.	4,940,000	0.4%		6,050,000
	Nihonbashi Kabuto-cho M-SQUARE	4,850,000	0.4%		5,650,000
	Ryukakusan Bldg.	4,050,000	0.4%		4,990,000
	Jingumae M-SQUARE	3,700,000	0.3%		4,000,000
23 Wards of Tokyo	NBF Osaki Bldg.	66,660,000	6.0%	80.8%	88,300,000
	Gate City Ohsaki	57,281,060	5.2%		66,900,000
	Nakanosakaue Sunbright Twin	40,750,488	3.7%		30,700,000
	NBF Toyosu Canal Front	35,200,000	3.2%		37,100,000
	NBF Toyosu Garden Front	25,018,000	2.3%		29,600,000
	Nakameguro GT Tower	23,856,000	2.2%		21,400,000
	Ueno East Tower	21,600,000	2.0%		22,500,000
	NBF Ueno Bldg.	10,400,000	0.9%		9,490,000
	NBF Ikebukuro East	8,630,000	0.8%		11,700,000
	Higashi Gotanda Square	8,350,000	0.8%		8,430,000
	Toyo-cho Center Bldg.	7,800,000	0.7%		8,670,000
	NBF Ikebukuro Tower	4,695,000	0.4%		5,870,000
	Osaki Bright Core - Bright Plaza	4,500,000	0.4%		4,800,000
	Osaki Bright Core - Bright Plaza (Additional Acquisition) (Note 5)	9,780,000	0.9%		9,780,000
	NBF Ikebukuro City Bldg.	4,428,000	0.4%		5,550,000
Other Greater Tokyo	Chofu South Gate Bldg.	9,320,000	0.8%	7.7%	10,300,000
	Shin-Kawasaki Mitsui Bldg.	25,820,000	2.3%		23,400,000
	Yokohama ST Bldg.	13,529,300	1.2%		15,100,000
	Parale Mitsui Bldg.	3,800,000	0.3%		3,930,000
	Tsukuba Mitsui Bldg.	8,875,500	0.8%		8,390,000
	NBF Utsunomiya Bldg.	2,435,000	0.2%		2,110,000
	S-ino Omiya North Wing	16,816,345	1.5%		20,900,000
	NBF Urawa Bldg.	2,000,000	0.2%		2,490,000
Other Cities	NBF Matsudo Bldg.	2,455,000	0.2%	11.6%	2,440,000
	Sapporo L-Plaza	4,404,405	0.4%		7,240,000
	NBF Sapporo Minami Nijo Bldg.	1,870,300	0.2%		1,470,000
	NBF Unix Bldg.	4,028,900	0.4%		3,350,000
	NBF Niigata Telecom Bldg.	3,957,500	0.4%		2,710,000
	Sumitomo Mitsui Banking Nagoya Bldg.	14,900,000	1.3%		16,500,000
	NBF Nagoya Hirokoji Bldg.	7,232,000	0.7%		7,460,000
	Aqua Dojima NBF Tower	17,810,000	1.6%		18,100,000
	Nakanoshima Central Tower	14,900,000	1.3%		17,200,000
	Shinanobashi Mitsui Bldg.	14,400,000	1.3%		13,000,000
	Sakaisuji-Honmachi Center Bldg.	12,700,000	1.1%		13,800,000
	Sun Mullion NBF Tower	10,500,000	1.0%		6,330,000
	NBF Hiroshima Tatemachi Bldg.	2,930,000	0.3%		2,580,000
	Hiroshima Fukuromachi Bldg.	2,215,000	0.2%		2,410,000
	NBF Matsuyama Nichigin-mae Bldg.	3,310,000	0.3%		3,820,000
	Hakata Gion M-SQUARE	8,000,000	0.7%		10,500,000
	NBF Kumamoto Bldg.	4,500,000	0.4%		3,930,000
Total		1,105,066,416	100%	100%	1,223,160,000

(Note 1) "Acquisition Price" represents in principle the price for which NBF acquired the property. As for the property to be acquired, the future represents the sale and purchase price set forth in the relevant sale and purchase contract etc. at the time of the decision to acquire the said property (excluding miscellaneous acquisition costs, fixed assets tax, city-planning tax and consumption tax etc.).

(Note 2) "Value (Real Estate Appraisal Value)" represents the appraisal value as of December 31, 2017.

(Note 3) "NBF Hibiya Bldg." will be disposed of as of March 30, 2018.

(Note 4) "Roppongi T-CUBE" and "Celestine Shiba Mitsui Bldg.(Additional Acquisition)" will be acquired as of March 30, 2018.
The "Value (Real Estate Appraisal Value)" shown above is as of December 1, 2017.

(Note 5) "Osaki Bright Core - Bright Plaza (Additional Acquisition)" will be acquired as of March 30, 2018.
The "Value (Real Estate Appraisal Value)" shown above is as of February 28, 2018.