

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Nippon Building Fund Inc. (security code: 8951)

<Affirmation>

Long-term Issuer Rating: AA+
Outlook: Stable
Bonds: AA+

Rationale

- (1) Nippon Building Fund Inc. ("NBF") is an office-specialized J-REIT. Major shareholders of its asset management company, Nippon Building Fund Management Ltd. ("NBFM"), are Mitsui Fudosan Co., Ltd. (the "Sponsor"; 46% ownership) and SUMITOMO LIFE INSURANCE COMPANY (35% ownership). NBF has a track record of management for 41 fiscal periods until now as a pioneer of J-REITs, achieving constant external growth, ensuring stable earnings and also building a robust financial foundation by leveraging the Mitsui Fudosan Group (the "Sponsor Group")'s knowhow. Its portfolio currently consists of 70 properties with the total acquisition price of approximately 1,437.2 billion yen, the largest among J-REITs. It is primarily composed of highly competitive large prime office buildings located in central Tokyo.
- (2) There have been no changes in the solid support structure of the Sponsor Group as shown by the fact that NBF newly acquired two prime large office buildings namely IIDABASHI GRAND BLOOM and Nakanoshima Mitsui Building for 157.8 billion yen in total from the Sponsor after September 2021, and others. In addition, constant efforts to improve quality of properties in the portfolio have also been observed as exemplified by transferring seven properties, including those with an unrealized loss and for which a decline in profitability is expected in the future, for a price higher than the latest appraisal value (of which three are scheduled to be transferred). While being affected by the impact of COVID-19 pandemic, the average occupancy rate of the entire portfolio during the period became lower compared to that in previous periods; however, it has been at a high level as shown that it was at 97.8% and at 96.4% for the fiscal periods ended June 30, 2021 and December 31, 2021, respectively. While future office demand is still unforeseeable as a whole market, relatively stable cash flows can be expected from the properties in NBF's portfolio given the tenant diversification effect and the support structure for property management by the Sponsor Group, among others. Taking the above into consideration, JCR has affirmed the ratings on NBF with Stable outlook.
- (3) NBF has a stable track record of tenant leasing through the support structure by the Sponsor Group including NBF Office Management Co., Ltd. that assumes property management. While NBF has been requiring slightly longer time in finding replacement tenants after their tenants move out due partly to an impact of the pandemic, it also made a certain progress. NBF's tenants include many large corporations and their related companies, and JCR is continuing watching their moves going forward, such as progress in teleworking and consolidation/reduction of their office floor space, among others, as well as NBFM's efforts to respond to diversifying office needs.
- (4) Setting targets of 90% or higher for the long-term fixed-rate debt ratio and the 36 to 46% range for the total-assets-based LTV, NBF is continuously controlling them within the ranges, with 95.1% for the long-term fixed-rate debt ratio, and 42.1% for the total-assets-based LTV and 41.6% for the total-assets-based LTV after published change in properties in the portfolio as of the end of the fiscal period ended December 31, 2021. JCR sees NBF has tolerance against the risk of a rise in interest rates as the average remaining period of interest-bearing debt to maturity has become longer to 5.76 years with staggered repayment dates. The unrealized gain on the portfolio stood at 24.7% as of the end of the fiscal period ended December 31, 2021, serving as a sufficient buffer for changes in real estate market conditions. NBF intends to continue conservative financial management leveraging the Sponsor's creditworthiness in the future as well. Therefore, JCR believes that there are no particular concerns about the current financial conditions given the good relations with financial institutions and the robust financial base.

Shigeo Sugiyama, Takanori Akiyama

Rating

Issuer: Nippon Building Fund Inc.

<Affirmation>

Long-term Issuer Rating: AA+

Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 14	JPY 5	June 9, 2016	June 8, 2046	1.000%	AA+
Bonds no. 15	JPY 5	May 22, 2017	May 22, 2037	0.914%	AA+
Bonds no. 16	JPY 5	May 23, 2018	May 23, 2025	0.220%	AA+
Bonds no. 17	JPY 5	May 23, 2018	May 21, 2038	0.888%	AA+
Bonds no. 18	JPY 7	Dec. 19, 2018	Jan. 10, 2024	0.200%	AA+
Bonds no. 19	JPY 15	Aug. 14, 2020	Aug. 14, 2025	0.180%	AA+
Bonds no. 20 (green bonds)	JPY 5	Mar. 22, 2021	Mar. 19, 2026	0.150%	AA+

Rating Assignment Date: May 6, 2022

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "J-REIT" (July 3, 2017) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)



INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Nippon Building Fund Inc.
Rating Publication Date:	May 11, 2022

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and market environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Portfolios

The likelihood of a given debt payment is highly conditional to its issuer's portfolios - how they can be maintained/ enhanced into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

B) Financial Grounds and Asset Quality

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a J-REIT might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

C) Liquidity Positions

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions) including certainty of refinancing.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as sponsor, asset manager, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.

A) Audited financial statements presented by the rating stakeholders

B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Portfolios

The credit rating is subject to alteration if there is improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios, since its revenue, etc. may improve or deteriorate by the change in its investment strategies, tenants' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the portfolios is large.

B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the issuer's sponsor or asset manager, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its portfolios, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

F) Rise and Fall in General Economy and Markets

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets, of e.g. real estate or interest rates, inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

G) Various Events

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's sponsor or asset manager, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Portfolios

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's portfolios and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of quality, competitive strength and diversification in the issuer's portfolios on some drastic change in the market environments, etc.

B) Financial Grounds and Asset Quality

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its portfolios.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions including certainty of refinancing. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's sponsor or asset manager, guarantor or other providers of credit enhancement, the government of the issuer's business domicile or other related parties' status and stance of support/ assistance for the issuer. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if there is a major change on the part of related parties, such as replacement, disappearance, some drastic improvement/ deterioration of financial grounds/ balances, etc.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets of e.g. real estate or interest rates. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

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Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Nippon Building Fund Inc.	Issuer(Long-term)	December 4, 2014	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	May 11, 2016	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	May 12, 2017	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	May 16, 2018	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	May 13, 2019	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	June 17, 2020	AA+	Stable
Nippon Building Fund Inc.	Issuer(Long-term)	May 10, 2021	AA+	Stable
Nippon Building Fund Inc.	Bonds no.14	June 3, 2016	AA+	
Nippon Building Fund Inc.	Bonds no.14	May 12, 2017	AA+	
Nippon Building Fund Inc.	Bonds no.14	May 16, 2018	AA+	
Nippon Building Fund Inc.	Bonds no.14	May 13, 2019	AA+	
Nippon Building Fund Inc.	Bonds no.14	June 17, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.14	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.15	May 12, 2017	AA+	
Nippon Building Fund Inc.	Bonds no.15	May 16, 2018	AA+	
Nippon Building Fund Inc.	Bonds no.15	May 13, 2019	AA+	
Nippon Building Fund Inc.	Bonds no.15	June 17, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.15	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.16	May 16, 2018	AA+	
Nippon Building Fund Inc.	Bonds no.16	May 13, 2019	AA+	
Nippon Building Fund Inc.	Bonds no.16	June 17, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.16	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.17	May 16, 2018	AA+	
Nippon Building Fund Inc.	Bonds no.17	May 13, 2019	AA+	
Nippon Building Fund Inc.	Bonds no.17	June 17, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.17	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.18	December 11, 2018	AA+	
Nippon Building Fund Inc.	Bonds no.18	May 13, 2019	AA+	
Nippon Building Fund Inc.	Bonds no.18	June 17, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.18	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.19	August 7, 2020	AA+	
Nippon Building Fund Inc.	Bonds no.19	May 10, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.20	March 16, 2021	AA+	
Nippon Building Fund Inc.	Bonds no.20	May 10, 2021	AA+	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g7

I, Yoshinori Namioka, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

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