

SFDR Pre-contractual Disclosure

First Half of 2022
(42nd Period – January to June 2022)

PROMOTION OF ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS – SFDR PRE-CONTRACTUAL DISCLOSURE

Product Name/Legal Entity Identifier: Nippon Building Fund Inc.

Nippon Building Fund Inc. (“NBF”) promotes environmental and social characteristics, but does not have as its objective a sustainable investment within the meaning of Article 9(1) of Regulation (EU) 2019/2088 (“SFDR”). NBF and Nippon Building Fund Management Ltd. (“Asset Manager”) are hereinafter referred to collectively as “we,” “us” or “our.”

NBF has no reference benchmark designated for the purposes of attaining the environmental or social characteristics promoted by NBF.

Does this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective : __% <div style="margin-left: 20px;"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy </div>	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments <div style="margin-left: 20px;"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective </div>
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective : __%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

What environmental and/or social characteristics are promoted by NBF?

The Asset Manager established an ESG policy in November 2017, in recognition of the importance of considering environmental, social and governance (“ESG”) factors in real estate investment and management. The ESG policy stipulates the implementation of environment-friendly initiatives as well as initiatives targeting stakeholders including investors, tenants, employees, business partners and local communities in our daily asset management operations, based on policies established by Mitsui Fudosan Co., Ltd, NBF’s main sponsor. Under the ESG policy, we undertake efforts to reduce our environmental burden, improve safety, security and comfort for tenants and engage in a diverse range of collaboration and cooperation with various stakeholders.

We implement various environmental initiatives at our properties including the following.

- *Reducing greenhouse gas emissions and energy consumption from our properties.* We aim to reduce energy consumption by installing energy saving equipment such as LED lighting at our properties. As of June 30, 2022, LED lighting was installed at 54 properties out of our 73 properties. We also

use renewable energy through installation of solar panels. As of June 30, 2022, seven of our properties were equipped with solar panels.

- *Reducing water use.* Some of our office buildings are equipped with facilities for reusing rainwater and greywater to reduce the consumption of tap water. The total water consumption was 1,360,000m³ in 2021.
- *Including “Green Lease” provisions in our agreements.* We have executed lease agreements, which include clauses requiring our tenants to collaborate with us in implementing various measures and to promote environmental consideration, including installation of LED lighting at our properties with the consent of the tenants. As of June 30, 2022, two of our properties were subject to lease agreements with green lease provisions.
- *Collaboration with the Asset Manager and third party.* We utilize the expertise of NBF Office Management Co., Ltd. (“NBFOM”) to maintain and increase the competitiveness, occupancy rates and rent at our properties while effectively advancing environmental initiatives. In meetings with NBFOM that are held once every two months, we share and discuss initiatives and other information concerning the various energy saving and environmental issues. We utilize the support of Nikken Sekkei Construction Management, Inc. as an expert consultant for suggestions on energy management and measures that contribute to increasing the environmental performance of our portfolio.

We implement various social initiatives at our properties including the following.

- *Providing support to tenants and their employees.* To keep good indoor air quality and sanitary conditions and enhance users’ health and productivity, we monitor the indoor environment based on a satisfaction survey of tenants (excluding master lessees) and aim to make our properties comfortable every day. In 2021, 91% of the tenants (729 entities) and 75% of their employees (6,680 persons) answered the survey that covered matters regarding the office environment and convenience, cleaning, crime and disaster prevention, service quality, effectiveness of customer satisfaction activities at each property and tenants’ needs. Based on the survey, we expanded kitchenettes and installed built-in counters for garbage bins, expanded hot water supply rooms with hot water supply rooms with occupancy indicators, installed air purification equipment and sanitizer stations to improve the convenience and cleanliness of Shinjuku Mitsui Bldg. No. 2 in 2020.
- *Supporting local communities and social development.* For the local communities, we hold initiatives such as lunchtime concerts, seasonal events, water sprinkling programs for cooling down and local cleanup programs. In office buildings that have residential portions required under local ordinances, we have performed major renovations on the residential portions to ensure that the residents have adequate space and to improve their living environment. We also manage buildings with consideration given to historical and cultural heritage. For example, Toranomom Kotohira Tower was developed in a manner that protected Kotohira-Gu shrine, a historic property for the area, and is designed to be a mixed-use building with space made available for the shrine office. We also contribute to local communities by providing space for bicycle sharing services at our properties. In the fiscal period ended on June 30, 2022, our employees and their families participated in the “Bridge Washing” at the famous Nihonbashi Bridge.
- *Disaster countermeasures.* In support of the Minato-ku Regional Disaster Prevention Plan, we provide free of charge some of our leasable spaces to store emergency materials at Roppongi T-CUBE, Celestine Shiba Mitsui Bldg. and Shiba NBF Tower.
- *Promoting universal design.* We introduced universal design at some of our properties such as widening of ramps and installation of handrails, improvement of interior signage and automation

of service entrance doors (for wheelchair accessibility and COVID-19 safety). As part of our capital investment decision-making process, we always review the status of the building's compliance with the Barrier-Free Law of Japan, accessibility for people with disabilities and accessibility to public transportation around the property. These matters are also periodically reviewed by obtaining engineering reports and other relevant documents following acquisition. Through these inclusive efforts, we aim to manage properties that are comfortable for all office users.

- *Respecting human rights.* We support the Universal Declaration of Human Rights in the International Bill of Human Rights, international labor standards such as the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.
- *Providing support for employees.* The Asset Manager promotes the acquisition of qualifications by its employees such as ARES Certified Master (a qualification obtainable after participating in an educational program that teaches practical expert know-how in real estate and finance). The Asset Manager has also introduced various training programs, including on compliance, and will bear the costs of its employees attending seminars, lectures and courses that lead to self-improvement.

What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by NBF?

We use the following indicators to measure the attainment of the environmental or social characteristics we promote:

- *GRESB Real Estate Assessment.* The GRESB Assessment, established in 2009 primarily by major European pension fund groups, is an annual benchmark survey for evaluating ESG considerations in the real estate sector. It evaluates sustainability efforts by real estate companies and REITs. NBF received a “Green Star” in 2021, for the sixth consecutive year. NBF also received in 2021 a “5-Star”, the highest rating based on its overall GRESB score.
- *Environmental certification of properties:* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations, such as the Development Bank of Japan's (“DBJ”) Green Building Certification, Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”) certification, Building Energy-efficiency Labeling System (“BELS”) certification and other equivalent certifications. We call our property that receives any such certifications an “Eligible Green Asset”. With respect to DBJ certifications, we consider a property to have sufficient environmental certification if it received 3 stars or higher out of DBJ's five-star ranking system. With respect to CASBEE, we consider a property to have sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). With respect to BELS, we consider a property to have sufficient environmental certification if it received a three stars or higher out of BELS' five-star ranking system. As of June 30, 2022, 75.5% of our properties were Eligible Green Assets based on gross floor area.
- *Climate change initiatives:* The Asset Manager has expressed support for the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board and clarified stronger efforts to address climate-related issues. The Asset Manager aims to assess the financial impact of future climate change risks and opportunities and assertively disclose activities. The Asset Manager also has set a target of reducing energy-based CO2 emissions by 46% or more from that in 2013 by 2030 and intends to promote initiatives addressing climate-related risks and opportunities. The total CO2 emissions were 150,079 t-CO2 for 2021.
- *Social initiatives – tenants:* We conduct customer satisfaction surveys targeting the tenants excluding master lessees every year in order to understand the level of satisfaction and needs of tenants, and the PDCA cycle

is applied to promptly address any issues identified in the survey. For example, as a response to the result of the surveys, we changed the layout of the common space at NBF Toyosu Canal Front to enhance user-friendliness.

- *Social initiatives – employees:* The Asset Manager provides all of its employees with regular opportunities to consult with their superiors and directors. This program provides them with opportunity to discuss their careers, receive feedback on their performance and discuss requests to the company. The Asset Manager also conducts an employee satisfaction survey every year as part of its efforts to maintain excellent relations with its employees. The surveys (which had a response rate of 100% in 2020 and 2021) allows the Asset Manager to see whether employees are satisfied about their assigned responsibilities and working environment and requests for company initiatives.

Does NBF consider principal adverse impacts on sustainability factors?

Yes.

We collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets, GHG emissions and energy consumption intensity. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence.

- *Exposure to fossil fuels through assets.* We do not invest in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.
- *Exposure to energy-inefficient investment assets.* We consider properties other than Eligible Green Assets to be energy-inefficient. As of June 30, 2022, 75.5% of our properties were not Eligible Green Assets, and as of June 30, 2022, 24.5% of our properties were not Eligible Green Assets. As described in more detail above, we implement as appropriate measures to reduce the environmental impact of these properties, including by obtaining environmental certifications.
- *Energy consumption intensity.* The amount of the energy consumption of our assets per square meter is 146.1 kWh in Fiscal 2021.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact to risk and value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

We consider, both at the entity-level (i.e., the Asset Manager) and at the fund-level (i.e., NBF), principal adverse impacts of our investment decisions on sustainability factors. Under the Investment Trust Act of Japan, NBF is prohibited from having any employees and is required to outsource asset management to a third party. Accordingly, as discussed in detail elsewhere, any consideration at the fund-level of principal adverse impacts of our investment decisions on sustainability is principally conducted by the Asset Manager, subject to approval of our Board of Directors. In addition to the Asset Manager's contractual obligations to NBF under the asset management agreement, the Financial Instruments and Exchange Act of Japan provides that the Asset Manager owes NBF a fiduciary duty in conducting its activities, including making investment decisions informed by sustainability considerations.

Investment Strategy

What investment strategy does NBF follow?

With our strategy of aiming to achieve consistent growth of assets and stable income, we have developed an urban portfolio focused in central Tokyo and surrounding urban areas where office leasing demand is relatively strong. In order to realize sustainability in our asset management while maximizing our portfolio value, we consider ESG factors in our investment and asset management processes. In particular, we have established a green finance framework where proceeds are used only to acquire Eligible Green Assets or repay loans or bonds financed for such acquisitions. As of June 30, 2022, we had issued ¥5 billion in green bonds and had borrowed ¥20 billion in green loan under our green finance framework.

- *Selection of projects that qualify for green financing.* When determining whether to acquire or invest in properties by green financing, we rely on the DBJ and CASBEE certifications. We use green financing to acquire properties that receive (i) three stars or higher out of DBJ's five-star ranking system, (ii) B+ Rank or higher out of the CASBEE ranking system or (iii) three stars or higher out of BELS's five-star ranking system.
- *Second-party opinion.* We have obtained (most recently in February 2021) a second-party opinion from Sustainabilitycs, a third-party ESG evaluation agency, that our green finance framework is "credible and impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and the Green Loan Principles 2020 (GLP)".

We ensure our investment strategy is implemented on a continuous basis by establishing and maintaining green eligible criteria, and ensuring that any proceeds from our green financing will be used exclusively toward properties that meet such criteria.

The Asset Manager's ESG Promotion Committee, which includes the President and CEO as its final decision maker, and the ESG Promotion Subcommittee, which has been established to oversee and promote initiatives on climate change as well as other environmental and social initiatives based on the Asset Manager's ESG policy. The ESG Promotion Subcommittee meets at least once every three months to assess ESG risks and opportunities and consults with the ESG Promotion Committee on numerical targets and specific measures to reduce CO₂. The ESG Promotion Committee meets at least once every six months and makes the final decision on specific targets and measures. The ESG Promotion Subcommittee reports on the progress of the targets and measures to the ESG Promotion Committee at least once a year. In addition, these targets and measures are shared with all officers and employees through briefings, shared folders and email.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by NBF?

A binding element of the investment strategy is our green finance framework, which involves determination of whether a target property has satisfied the criteria to qualify as an Eligible Green Asset. Candidate projects for our green finance framework are selected by NBF and the Real Estate Investment Department of Investment & Finance Group of the Asset Manager. Final selection is made with the decision of the President after deliberation at the Investment Review Meeting consisting of general managers or higher ranked personnel of each department and deliberation at the Executive Board.

How is the strategy implemented in the investment process on a continuous basis?

When investing in properties using proceeds from green financing, we do not consider properties that do not meet the criteria under our green finance framework. We also investigate use of hazardous substances including asbestos or countermeasures to such substances and soil contamination when investing in properties.

What is the policy to assess good governance practices of the investee companies and NBF?

We do not invest in investee companies and have therefore opted to provide information on the governance policies adopted by us and the Asset Manager.

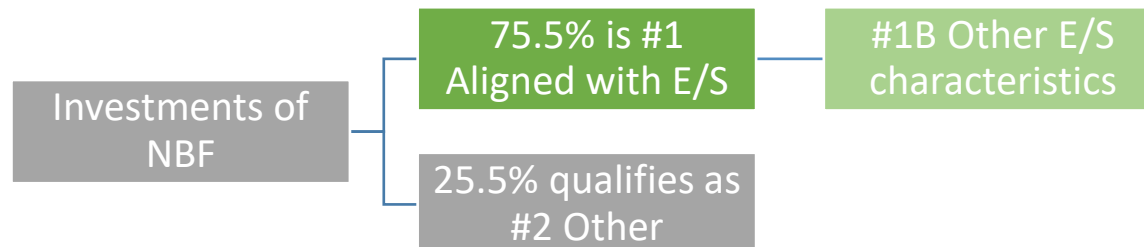
We, along with the Asset Manager, have introduced the following measures to assess and enhance our governance systems:

- *Adoption of a decision-making process in conflict-of-interest transactions involving independent outside experts.* We have adopted a governance structure stricter than what is legally required. The Asset Manager reviews and examines conflict-of-interest transactions through its Compliance Committee, whose members include outside expert(s).
- *Corporate Governance.* The Asset Manager believes that compliance refers not only to legal compliance but also to compliance with the Asset Manager's Code of Ethics and Compliance Rules, which include concrete guidelines on how to take ethical actions. In addition, its Compliance Officer promotes company-wide compliance activities by planning and offering a compliance program and training and awareness raising activities for all officers and employees.

Asset Allocation

What is the asset allocation planned for NBF?

As of June 30, 2022, 75.5% of the properties in the portfolio were Eligible Green Assets, and 25.5% were nonqualified assets based on gross floor area.



How does the use of derivatives attain the environmental or social characteristics promoted by NBF?

Not applicable.

What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

As of June 30, 2022, based on gross floor area, 25.5% of our properties were not Eligible Green Assets. We invested in these properties before we established our green finance framework, because these properties met our minimum investment criteria and we believed the acquisition of the properties would enhance unitholder value. We implement as appropriate measures to reduce their environmental impact following acquisition, including by obtaining environmental certifications.

We investigate use of hazardous substances including asbestos or countermeasures to such substances and soil contamination when investing in properties.

How will sustainable investments contribute to a sustainable objective and not significantly harm any other sustainable investment objectives?

There are no properties specifically earmarked as having a sustainable objective and as such, no calculation is required to be made as to whether any individual property does significant harm to any sustainable investment objective as referred to in the SFDR. Nevertheless, our sustainable investment objective is consistently integrated and monitored in the management of the assets.

As described in further detail above, the ESG Promotion Subcommittee meets at least once every three months to assess ESG risks and opportunities and consults on numerical targets and specific measures to reduce CO2 with the ESG Promotion Committee, which meets at least once every six months and decides specific targets and measures as the final decision maker. We have instituted a number of initiatives, at both the portfolio level and the property level, to promote environmental or social characteristics. Such initiatives include the following.

- *Climate change initiatives.* The key drivers of our climate change initiatives are energy-saving and renewable energy. At the properties we operate, we set numerical targets and monitor the amount of energy used as well as the amount of CO2 emissions within the property in order to reduce our environmental burden. To achieve these targets, we have installed LED lighting and solar panels. As of June 30, 2022, LED lighting was installed at 54 properties and solar panels were installed at seven of our properties. We have included in our leases with our tenants Green Lease provisions that require them to collaborate with us in implementing various measures, to promote environmental consideration, including installation of LED lighting at our properties with the consent of the tenants. In fiscal 2021, we reduced the amount of energy used in our properties by about 11 million kWh compared to the amount of energy used in fiscal 2018, due to our ESG initiatives and property replacement.
- *Water resources and waste management initiatives.* We have installed facilities for reusing rainwater and greywater to reduce the consumption of tap water. In fiscal 2021, we reduced the amount of water used in our properties by about 390,000 m³ compared to the amount of water used in fiscal 2018.
- *Tenant initiatives.* To keep good indoor air quality and sanitary conditions and enhance users' health and productivity, we monitor the indoor environment based on a satisfaction survey of tenants (excluding master lessees) and aim to make our properties comfortable every day. The survey covered matters regarding the office environment and convenience, cleaning, crime and disaster prevention, service quality, effectiveness of customer satisfaction activities at each property and tenants' needs

More Product-specific Information

Where can I find more product-specific information online?

More product-specific information can be found on the website: <https://esg.nbf-m.com/en/sustainability/index.html>.

Index as Reference Benchmark

Is a specific index designated as a reference benchmark to determine whether NBF is aligned with the environmental or social characteristics that it promotes?

Our investment units have been included in the MSCI Japan ESG Select Leaders Index ("MSCI") since June 2021. MSCI is an index composed of companies from the top 700 index of MSCI Japan Investable Market Index, with high ESG performance and is reviewed periodically based on MSCI ESG Ratings, market capitalization and other criteria. MSCI also has been selected as one of the ESG indices for passive investment

by Japan's Government Pension Investment Fund. We use MSCI not only as a reference benchmark for performance comparison and market context purposes, but also to consider how best to construct and manage our portfolio.

How does the designated index differ from a relevant broad market index?

See above.

How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by NBF and with the investment strategy?

We believe that our units are included in MSCI because of our high percentage of properties with environmental certifications issued by third-party organizations and our strong commitment to local communities and the Asset Manager's employees with respect to initiatives such as holding events to improve the environment.

INTEGRATION OF SUSTAINABILITY RISKS IN THE INVESTMENT DECISIONS, AND THE IMPACT OF SUCH RISKS ON THE RETURNS OF NBF (SFDR ARTICLE 6 DISCLOSURE)

We have established ESG Promotion Committee and ESG Promotion Subcommittee. The ESG Promotion Subcommittee meets at least once every three months to assess ESG risks and opportunities and consults with the ESG Promotion Committee on numerical targets and specific measures to reduce CO₂, which meets at least once every six months and makes the final decision on specific targets and measures.

In order to realize sustainability in our asset management and to maximize the value of our portfolio assets, we have emphasized taking into consideration ESG factors in our investment and asset management processes. The Asset Manager has established a green finance framework in accordance with the 2018 Green Bond Principles and the 2017 Green Bond Guidelines to conduct sustainable finance. Green financing under our green finance framework consists of green bonds where proceeds are used only to acquire Eligible Green Assets or refinance loans or bonds financed for such acquisition.

Under this organizational structure, we have instituted a number of initiatives, at both the portfolio level and the property level, to promote environmental or social characteristics. Such initiatives include climate change initiatives, water resources and waste management initiatives and tenant initiatives.

To address the sustainability risks including the risk of occurrence of damage to the asset value of low-performance buildings due to the impact of environmental performance on real estate prices against the backdrop of the tightening of regulations and change in tenant preference, we promote investment under our green finance framework and try to improve our portfolio environmental performance through property replacements. We believe that our ESG initiatives contribute to the competitive strength of our portfolio and our sustainable growth in returns.

The following table presents the key climate-related risks that may have a financial impact on NBF's real estate investment management business and the initiatives that NBF has taken to address those risks.

Type of risks	Category	Identified risks	Initiatives
Transition	Policy/legal regulation	(i) Risk of increased costs for the purchase of carbon credit and repair of properties to comply with regulatory requirements under applicable laws, including the Act on the Rational Use of Energy, Act on Promotion of Global Warming Countermeasures and the	<ul style="list-style-type: none"> Establishment of goals on energy consumption intensity and GHG emission intensity

		<p>total (pollutant) load control by the Tokyo Metropolitan Government, and any additional obligations that may arise in the future.</p> <p>(ii) Risk of additional costs to purchase CO2 emission rights or from energy procurement price due to carbon tax, etc.</p>	<ul style="list-style-type: none"> • Systematic energy-saving renovation of buildings • Joint review of energy efficiency with NIKKEN SEKKEI CONSTRUCTION MANEGEMNT Inc. • Encouragement of energy saving and promotion of green leases through tenant engagement • Introduction of renewable energy
	Technology	Risk of change in specifications required for buildings due to the spread of low-carbon technology such as electric vehicles.	
	Market	<p>(i) Risk of unexpected losses at buildings with relatively low environmental performance, which may have a significant impact on occupancy rate, cash flows and asset value, as regulations become stricter and tenants' preferences change</p> <p>(ii) Risk of increased expenses for entrusting businesses to the property manager and other vendors as a result of tightening of environmental regulations.</p>	<ul style="list-style-type: none"> • Systematic energy-saving renovation of buildings and introduction of new products and technologies • Joint review of energy efficiency with NIKKEN SEKKEI CONSTRUCTION MANEGEMNT Inc. and monitoring of environmental performance • Acquisition and maintenance of external certifications and ratings • Property replacement strategies with sponsors • Maintenance and improvement of property value through the assessment and monitoring of tenant needs
	Reputation	(i) Risk of funds being available only at less advantageous terms due to stricter ESG requirements on portfolio composition and other factors.	<ul style="list-style-type: none"> • Acquisition and maintenance of external certifications and ratings

		(ii) Risk of reputational decline if NBF's measures on climate-related issues are perceived negatively by investors or the general public.	<ul style="list-style-type: none"> • Transparency through ESG disclosure
Physical	Acute	<p>(i) Risk of damage to facilities caused by flood (river flooding, etc.) in the event of heavy rainfall disasters.</p> <p>(ii) Risk of people experiencing difficulty returning home from their workplaces in the event of disasters.</p> <p>(iii) Risk of increases in nonlife insurance premiums associated with increases in the frequency and magnitude of disasters.</p> <p>(iv) Risk of impact on the business continuity of the Asset Manager and NBF Office Management due to the frequent occurrence and intensification of disasters.</p>	<ul style="list-style-type: none"> • Disaster risk assessment at the time of acquisition and periodically during the holding period • Establishment of countermeasure programs against flooding • Improvement of emergency facilities at properties • Development of business continuity plans at each property
	Chronic	Risk of impact on retail spaces due to behavioral change of users (promotion of remote work, etc.) with the increase in the number of bad weather days (fierce heat, severe cold, rainstorm and heavy snow).	<ul style="list-style-type: none"> • Monitoring of office demand