

Semi-Annual Report

Second Half of 2023

(45th Period – July to December 2023)

Nippon Building Fund Inc.

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Performance Results:

During the period under review, the Japanese economy continued to recover moderately, despite the impact of rising prices, with firm increases in capital investment by companies, a recovery in consumer spending due to higher wages and expanding inbound demand.

On the other hand, there was an impact of higher interest rates due to global monetary tightening and the Bank of Japan's more flexible YCC (Yield Curve Control) operations, but the impact in Japan was limited.

In the office building rental market in Tokyo CBD, demand continued to recover as companies reassessed their office functions, with a recovery in attendance rates and further momentum to review office space requirements in line with new employment and continued promotion of positive relocations to increase floor space within buildings and improve locations. The market vacancy rate in Tokyo CBD remained in the 6% range and trended downward, despite concerns about a large supply of office space in 2023.

With regard to the office building trading market, the market remained firm despite the impact of domestic and foreign monetary policies. The competitive environment for property acquisitions continued, as information on sales of prime properties remained limited.

Even under this environment, NBF enhanced its quality of portfolio by acquiring Nishi Shinjuku Mitsui Bldg." (real property; acquisition ¥121 million (additional acquisition)) in September 2023 and the exchange of the Yodoyabashi Flex Tower (trust beneficiary right acquisition price: ¥9.8 billion) and NBF Ueno Bldg. (real property; disposition price: ¥9.9 billion) and disposition of NBF Shibakouen Bldg." real property; disposition price: ¥8.5 billion) in November 2023.

The occupancy rate of the existing portfolio has recovered in the 97% range, the cruising occupancy rate. NBF executes leasing activities from a medium to long term perspective that accurately takes account of market trends with a view to further improvement of the occupancy rate. With existing tenants, NBF strives to retain and improve rent levels, prevent cancellations based on the fundamental policy of maintaining favorable relationships and enhancing tenant satisfaction. As a result of these activities, occupancy rates and rental revenues remains stable.

In addition, NBF's pursuit to enhance competitiveness of its properties by implementing continuous cost reduction measures through timely renovations will continue.

Overview of Performance and Distribution:

As the result of above operations, NBF's performance results during the period under review consisted of operating revenues of 47,349 million (an increase of ¥318 million, or 0.7%, compared with the previous period), excluding profits from dispositions, real estate rental revenues of ¥45,635 million (an increase of ¥486 million, or 1.1%, compared with the previous period), operating income from leasing activities of ¥21,133 million (an increase of ¥263 million, or 1.3%, compared with the previous period), operating income of ¥20,767 million (an increase of ¥126 million, or 0.6% compared with the previous period), ordinary income of ¥19,513 million (an increase of ¥177 million, or 0.9%, compared with the previous period), and net income of ¥19,513 (an increase of ¥177 million, or 0.9%, compared with the previous period).

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥19,561 million, the entire amount arrived at by deducting provision of reserve for advanced depreciation (¥485 million) from the sum of retained earnings (¥19,513 million) and reversal of reserve for advanced depreciation ¥533 million), so that it will be able to deduct the maximum amount of cash distribution of profit from its taxable income through the application of preferential tax measures to investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) (Net reversal of reserve for advanced depreciation is ¥48 million). As a result, the distribution per unit was ¥11,500 same as the previous period).

Summary of Selected Financial Data

		45th Period from July 1, 2023 to December 31, 2023	44th Period from January 1, 2023 to June 30, 2023	43rd Period from July 1, 2022 to December 31, 2022	45th Period from July 1, 2023 to December 31, 2023
		Yen in millions, except per unit data or where otherwise indicated (Note 1)			U.S. dollars in thousands except per unit data (Note 1, 2)
Operating revenues	Note 3	¥47,349	¥47,030	¥47,366	\$336,003
Revenues from property leasing		45,635	45,148	45,172	323,837
Gains on sales of real estate properties		1,714	1,882	2,194	12,166
Operating expenses		26,582	26,390	25,770	188,635
Rental expenses		24,501	24,278	23,672	173,869
Ordinary income		19,513	19,336	20,289	138,475
Net income	(a)	19,513	19,335	20,288	138,469
Funds from operations	Note 4	25,771	25,327	26,012	182,881
Net operating income from property leasing activities	Note 4	29,106	28,743	29,418	206,546
Total amount of cash distribution	(b)	19,561	19,561	19,561	138,812
Depreciation and amortization		7,973	7,873	7,917	56,578
Capital expenditures		4,840	5,118	3,650	34,347
Total assets	(c)	1,385,619	1,385,920	1,368,739	9,832,667
Interest-bearing debt		592,500	594,500	577,500	4,204,513
Net assets	(d)	706,247	706,295	706,521	5,011,689
Total number of units issued (Units)	(e)	1,700,991	1,700,991	1,700,991	
Net assets per unit (Yen/\$)	(d) / (e)	415,197	415,225	415,358	2,946
Distribution per unit (Yen/\$)	(b) / (e)	11,500	11,500	11,500	81
Funds from operations per unit (Yen/\$)	Note 4	15,150	14,889	15,292	107
ROA	Note 4	1.4%	1.4%	1.5%	
(Annual rate)		(2.8%)	(2.8%)	(3.0%)	
ROE	Note 4	2.8%	2.7%	2.9%	
(Annual rate)		(5.5%)	(5.5%)	(5.7%)	
Loan to value (LTV)	Note 4	42.8%	42.9%	42.2%	
Capital ratio	(d) / (c)	51.0%	51.0%	51.6%	
Payout ratio	(b) / (a), Note 5	100.2%	101.1%	96.4%	
Number of days		184	181	184	
Number of real estate properties	Note 6	69	70	71	
Number of tenants	Note 6	1,534	1,552	1,547	
Total rentable area (m ²)		1,194,435	1,202,427	1,219,233	
Occupancy rate (Average)	Note 6	97.4%	97.0%	95.9%	

- Notes:
1. The amounts of yen in the annual report are rounded down to the nearest million yen. The amounts of U.S. dollar are rounded after the decimal.
 2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥140.92 = U.S. \$1.00, the approximate exchange rate on December 31, 2023.
 3. Operating revenues do not include consumption tax.
 4. All valuations are calculated through the following formulas. The figures in parentheses after ROA and ROE are annualized based on the six-month figures for the period.
Funds from operations: Net income (excluding Gains and Losses on sales of real estate properties) + Depreciation and amortization
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization
Funds from operations per unit: (Net income (excluding Gains and Losses on Sales of real estate Properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period
ROA: Ordinary income / (Initial total assets + Total assets at end of period) ÷ 2
ROE: Net income / (Initial net assets + Net assets at end of period) ÷ 2
LTV: Interest-bearing debt / Total assets
 5. Payout ratio figures are calculated to one decimal place only.
 6. Number of real estate properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building. Occupancy rate, end-tenant basis, is the weighted average of month-end occupancy rate on a floor space basis.

Management's Discussion and Analysis

1. Distribution for the Current Period

Distribution per unit for the current period was ¥11,500. NBF expects to distribute almost all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of replacing specified assets as stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation to be eligible for special tax treatment (Article 67-15 of the Act on Special Measures Concerning Taxation) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
	(Yen in thousands, except per unit amounts)		
Retained earnings	¥19,513,116	¥19,335,863	¥20,288,900
Undistributed earnings	—	—	—
Transfer to reserve for reduction entry	485,676	1,912,612	1,639,062
Reversal of reserve for reduction entry	533,956	2,138,145	911,559
Total cash distribution	19,561,396	19,561,396	19,561,396
(Cash distribution per unit)	11,500	11,500	11,500
Distribution of accumulated earnings	19,561,396	19,561,396	19,561,396
(Distribution of accumulated earnings per unit)	11,500	11,500	11,500
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

Notes:

1. Above cash distributions were paid after the period end.

2. Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2023, total assets decreased by ¥301 million to ¥1,385,619 million compared with June 30, 2023. Return on average total assets (ROA) for the six months ended December 31, 2023 was 1.4 percent same as for the previous six-month period.

Current assets increased by ¥8,863 million to ¥19,785 million compared with June 30, 2023. Real estate properties decreased by ¥9,434 million to ¥1,322,929 million compared with June 30, 2023. Intangible assets decreased by ¥15 million to ¥35,677 million compared with June 30, 2023.

Liabilities

Current liabilities increased by ¥6,011 million to ¥70,805 million compared with June 30, 2023, primarily because of an increase in Long-term debt due within one year compared with June 30, 2023.

Long-term debt decreased by ¥6,000 million to ¥536,500 million compared with June 30, 2023.

As a result, total interest-bearing liabilities decreased by ¥2,000 million to ¥592,500 million compared with June 30, 2023. As of the end of the period under review, the ratio of long-term fixed interest-bearing debt was 90.5 percent.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, decreased to 42.8 percent as of December 31, 2023 from 42.9 percent as of June 30, 2023.

Notes:

1. Interest-bearing liabilities mean "Short-term loans", "Long-term debt due within one year" and "Long-term Debt".

Net assets

Net assets decreased by ¥48 million to ¥706,247 million compared with June 30, 2023.

3. Funding

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2023, NBF had issued 1,700,991 units out of 4,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

Issue date	Remarks	Units issued and outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(units)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥100	¥100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3
July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4

August 11, 2004	Third party allocation	4,000	364,700	2,941	210,678	Note 5
August 10, 2005	Public offering	58,000	422,700	51,491	262,170	Note 6
March 16, 2006	Public offering	80,000	502,700	79,040	341,210	Note 7
March 29, 2006	Third party allocation	5,300	508,000	5,236	346,446	Note 8
February 4, 2008	Public offering	31,800	539,800	37,158	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,570	386,175	Note 10
January 26, 2011	Public offering	34,000	576,000	26,957	413,132	Note 11
February 22, 2011	Third party allocation	2,500	578,500	1,982	415,114	Note 12
January 25, 2012	Public offering	30,000	608,500	18,172	433,287	Note 13
February 21, 2012	Third party allocation	4,500	613,000	2,725	436,013	Note 14
January 23, 2013	Public offering	74,000	687,000	63,973	499,986	Note 15
January 31, 2013	Third party allocation	5,000	692,000	4,322	504,308	Note 16
January 1, 2014	Unit split	692,000	1,384,000	—	504,308	Note 17
March 19, 2014	Public offering	26,500	1,410,500	14,022	518,331	Note 18
March 28, 2014	Third party allocation	1,500	1,412,000	793	519,124	Note 19
October 26, 2020	Public offering	229,000	1,641,000	117,041	636,166	Note 20
November 6, 2020	Third party allocation	11,500	1,652,500	5,877	642,044	Note 21
January 19, 2022	Public offering	47,500	1,700,000	30,369	672,413	Note 22
January 28, 2022	Third party allocation	991	1,700,991	633	673,047	Note 23

Notes: 1. NBF was established with initial capital of ¥500,000 per unit.

2. Follow-on private offering at ¥500,000 per unit to raise funds for acquisition of 22 properties.
3. Public offering of new units for ¥625,000 per unit (excluding underwriting fee: ¥603,125) to repay debt and to fund property acquisition.
4. Public offering of new units for ¥759,500 per unit (excluding underwriting fee: ¥735,475) to repay debt, etc.
5. Additional issue of new units (third party allocation) for ¥735,475 per unit undertaken pursuant to the public offering in Note 4.
6. Public offering of new units for ¥916,300 per unit (excluding underwriting fee: ¥887,782) to repay debt and to fund property acquisition.
7. Public offering of new units for ¥1,019,200 per unit (excluding underwriting fee: ¥988,000) to repay debt and to fund property acquisition.
8. Additional issue of new units (third party allocation) for ¥988,000 per unit undertaken pursuant to the public offering in Note 7.
9. Public offering of new units for ¥1,205,400 per unit (excluding underwriting fee: ¥1,168,500) to repay debt and to fund property acquisition.
10. Additional issue of new units (third party allocation) for ¥1,168,500 per unit undertaken pursuant to the public offering in Note 9.
11. Public offering of new units for ¥818,025 per unit (excluding underwriting fee: ¥792,855) to repay debt and to fund property acquisition.
12. Additional issue of new units (third party allocation) for ¥792,855 per unit undertaken pursuant to the public offering in Note 11.
13. Public offering of new units for ¥624,975 per unit (excluding underwriting fee: ¥605,745) to repay debt and to fund property acquisition.
14. Additional issue of new units (third party allocation) for ¥605,745 per unit undertaken pursuant to the public offering in Note 13.
15. Public offering of new units for ¥891,800 per unit (excluding underwriting fee: ¥864,500) to repay debt and to fund

property acquisition.

16. Additional issue of new units (third party allocation) for ¥864,500 per unit undertaken pursuant to the public offering in Note 15.
17. Effective January 1, 2014, NBF implemented a 2-for-1 unit split of its investment units.
18. Public offering of new units for ¥545,860 per unit (excluding underwriting fee: ¥529,150) to repay debt and to fund property acquisition.
19. Additional issue of new units (third party allocation) for ¥529,150 per unit undertaken pursuant to the public offering in Note 18.
20. Public offering of new units for ¥527,240 per unit (excluding underwriting fee: ¥511,100) to fund property acquisition.
21. Additional issue of new units (third party allocation) for ¥511,100 per unit undertaken pursuant to the public offering in Note 20.
22. Public offering of new units for ¥659,540 per unit (excluding underwriting fee: ¥639,350) to fund property acquisition.
23. Additional issue of new units (third party allocation) for ¥639,350 per unit undertaken pursuant to the public offering in Note 22.

Market Price of Units

High/Low (closing price) of units on the TSE:

	For the six months ended December 31, 2023	For the six months ended June 30, 2023 (Yen)	For the six months ended December 31, 2022
High	¥629,000	¥589,000	¥708,000
Low	580,000	540,000	580,000

Borrowings

Borrowings from financial institutions as of December 31, 2023 are shown below.

Short-term loans

Lender	Balance	Interest rate (%) (Note 2)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Mizuho Bank, Ltd.	¥5,000	0.105%	January 31, 2024	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)
Total short-term loans	¥5,000					

Long-term loans

Lender	Balance	Interest rate (%) (Note 2)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
MUFG Bank, Ltd.	¥7,000	0.358%	June 1, 2028			
	4,000	0.180%	March 1, 2027			
	3,000	0.104%	February 28, 2025			
	3,000	0.138%	February 27, 2026			
	5,000	0.400%	July 2, 2029			
	8,000	0.400%	February 28, 2030			
	2,000	0.270%	February 26, 2027			
	7,000	0.270%	May 31, 2027			

	6,000	0.150%	July 31, 2024			
	4,000	0.400%	July 31, 2030			
	5,000	0.320%	January 7, 2028			
	5,000	0.400%	January 7, 2030			
	5,000	0.450%	January 7, 2031	Bullet		Unsecured
	6,000	0.450%	February 28, 2031	payment	(Note 3)	/unguaranteed
	4,000	0.180%	February 27, 2026			/pari passu
	3,000	0.400%	June 28, 2030			See (Note 4)
	2,000	0.335%	January 31, 2029			
	4,000	0.396%	March 31, 2028			
Development Bank of Japan Inc.	13,000	0.747%	September 10, 2027			
	10,000	0.357%	February 15, 2028			
	10,000	0.256%	April 8, 2026			
	5,000	0.250%	June 1, 2026			
	5,000	0.387%	September 14, 2028			
	10,000	0.491%	September 27, 2029			
	6,000	0.230%	May 30, 2024			
	2,500	0.417%	May 23, 2029			
	5,000	0.400%	August 3, 2029			
	3,000	0.450%	January 7, 2031			
	9,000	0.528%	June 28, 2030			
Sumitomo Mitsui Banking Corporation	11,000	0.176%	June 1, 2029			
	6,000	0.150%	April 26, 2024			
	20,000	0.450%	January 7, 2031			
	10,000	0.320%	January 7, 2028			
	1,000	0.350%	June 29, 2029			
	4,000	0.383%	December 30, 2026			
	5,000	0.468%	February 26, 2027			
	3,000	0.693%	February 28, 2029			
	2,000	0.806%	February 28, 2030			
	3,000	0.318%	April 30, 2027			
	2,000	0.597%	April 30, 2030			
Sumitomo Mitsui Trust Bank, Limited	6,000	0.223%	May 31, 2024			
	4,000	0.113%	May 31, 2024			
	5,000	0.090%	January 25, 2024			
	3,000	0.270%	September 11, 2026			
	10,000	0.210%	December 30, 2025			
	3,000	0.270%	January 27, 2027			
	10,000	0.400%	January 7, 2030			
	5,000	0.450%	March 30, 2032			
	3,000	0.815%	December 29, 2028			
Sumitomo Life Insurance Company	3,000	0.300%	February 3, 2026			
	5,000	0.250%	May 22, 2026			
	5,000	0.655%	July 16, 2032			
	5,000	0.646%	April 28, 2033			
	2,000	0.403%	April 28, 2028			
	2,000	0.364%	March 31, 2032			
	3,000	0.650%	May 23, 2034			
	5,000	0.500%	January 7, 2032			
	5,000	0.700%	January 7, 2036			
	5,000	0.700%	July 16, 2036			
	1,000	0.931%	October 31, 2034			
	2,000	0.890%	September 30, 2033			
	2,000	1.005%	March 30, 2035			
Mizuho Bank, Ltd.	7,000	0.120%	November 30, 2025			
	10,000	0.450%	January 7, 2031			
	5,000	0.425%	July 7, 2030	Bullet		Unsecured
	10,000	0.155%	May 27, 2032	payment	(Note 3)	/unguaranteed
	3,000	0.246%	April 30, 2026			/pari passu,
Shinkin Central Bank	5,000	0.250%	September 14, 2026			See (Note 4)
	3,000	0.381%	December 30, 2026			
	3,000	0.356%	June 1, 2027			
	4,000	0.433%	July 12, 2027			
	4,000	0.219%	March 29, 2024			
	3,000	0.100%	December 30, 2025			

	2,000	0.188%	April 28, 2028		
	6,000	0.307%	June 22, 2029		
	5,000	0.450%	January 7, 2031		
The Norinchukin Bank	3,000	0.300%	June 21, 2027		
	2,000	0.270%	June 19, 2026		
	2,000	0.300%	March 24, 2028		
	5,000	0.270%	September 30, 2027		
	5,000	0.320%	January 7, 2028		
	1,000	0.616%	October 31, 2030		
	3,000	0.851%	March 30, 2033		
	3,000	0.760%	May 31, 2032		
Nippon Life Insurance Company	2,000	0.400%	May 23, 2029		
	2,000	0.200%	May 29, 2026		
	2,000	0.450%	December 27, 2030		
	5,000	0.425%	January 30, 2032		
	5,000	0.712%	April 30, 2032		
	3,000	0.868%	April 30, 2033		
Mizuho Trust & Banking Co., Ltd.	4,000	0.165%	October 31, 2032		
		(Note 5)			
	4,000	0.115%	February 29, 2028		
		(Note 5)			
	3,000	0.105%	February 28, 2025		
		(Note 5)			
	3,000	0.105%	February 27, 2026		
		(Note 5)			
TAIJU LIFE INSURANCE COMPANY LIMITED	2,000	1.486%	May 30, 2025		
	1,000	0.084%	March 31, 2025		
	1,000	0.416%	January 31, 2030		
	1,000	0.400%	February 13, 2030		
	2,000	0.491%	January 30, 2032		
	2,000	1.008%	November 1, 2034		
	2,000	0.987%	March 30, 2035		
THE BANK OF FUKUOKA, Ltd.	2,000	0.238%	May 31, 2024		
	2,000	0.300%	May 21, 2027		
	2,000	0.400%	January 7, 2030		
	2,000	0.710%	June 30, 2032		
	1,000	0.767%	October 29, 2032		
	2,000	0.170%	June 30, 2033		
		(Note 5)			
The Yamaguchi Bank, Ltd.	1,000	0.477%	January 10, 2029		
	2,000	0.400%	May 23, 2029		
	1,000	0.500%	August 31, 2032		
	1,000	0.500%	January 7, 2032		
	1,000	0.855%	October 31, 2033		
	2,000	0.936%	March 30, 2034		
Daishi Hokuetsu Bank, Ltd.	2,000	0.257%	March 1, 2024		
	2,000	0.245%	June 28, 2024		
	2,000	0.400%	January 7, 2030		
	2,000	0.320%	April 27, 2029		
The Hachijuni Bank, Limited	2,000	0.270%	June 26, 2027		
	1,000	0.270%	December 2, 2027		
	1,000	0.320%	January 7, 2028		
	1,000	0.767%	October 31, 2032		
The Yamanashi Chuo Bank, Ltd.	1,000	0.272%	October 11, 2024		
	1,000	0.275%	May 14, 2025		
	1,000	0.322%	March 28, 2031		
	1,000	0.767%	October 29, 2032		
The Iyo Bank, LTD.	1,000	0.059%	June 30, 2025		
		(Note 5)			
	1,000	0.320%	April 28, 2028		
	1,000	0.320%	January 26, 2029		
	1,000	0.165%	October 29, 2032		
		(Note 5)			
DAIDO LIFE INSURANCE COMPANY	1,000	0.302%	March 7, 2029		
	1,000	0.400%	October 2, 2030	Bullet payment	Unsecured /unguaranteed
	1,000	0.716%	June 30, 2034		(Note 3) /pari passu,
	1,000	1.033%	September 9, 2033		See (Note 4)
TAIYO LIFE INSURANCE COMPANY	1,000	0.650%	May 31, 2035		
	1,500	0.350%	July 9, 2029		

	1,500	0.500%	July 9, 2032
The 77 Bank, Ltd.	1,000	0.400%	May 23, 2029
	1,000	0.400%	March 25, 2030
	2,000	0.616%	June 30, 2031
The Joyo Bank, Ltd.	1,000	0.386%	March 3, 2027
	1,000	0.300%	February 28, 2028
	1,000	0.616%	October 31, 2030
The Chugoku Bank, Limited	1,000	0.270%	May 19, 2027
	2,000	0.320%	May 26, 2028
The Gunma Bank, Ltd.	1,000	0.320%	January 7, 2028
	1,000	0.539%	October 31, 2029
	1,000	0.598%	March 30, 2030
SBI Shinsei Bank, Limited	1,000	1.533%	May 30, 2025
	1,000	0.450%	January 31, 2031
	1,000	0.851%	March 30, 2033
The Keiyo Bank, Ltd.	1,000	0.450%	April 27, 2032
	1,000	0.616%	October 31, 2030
	1,000	0.503%	March 30, 2029
The Asahi Shinkin Bank	3,000	0.851%	March 30, 2033
The Chiba Bank, Ltd.	1,000	0.258%	June 27, 2025
	1,000	0.270%	May 22, 2026
Momiji Bank, Ltd.	1,000	0.724%	September 30, 2031
	1,000	0.851%	March 30, 2033
THE SHIGA BANK, LTD.	1,000	0.616%	October 31, 2030
	1,000	0.767%	October 29, 2032
	1,000	0.136%	June 1, 2027
Resona Bank, Limited.	1,000	(Note 5)	
Mitsui Sumitomo Insurance Company, Limited	1,000	0.320%	January 7, 2028
Kiraboshi Bank, Ltd.	1,000	0.792%	September 30, 2032
Kansai Mirai Bank, Limited	1,000	0.767%	October 31, 2032

Total long-term loans (Note 6)	¥540,500
Total borrowings	¥545,500

Notes:

1. With respect to the date of repayment in case of more than one short-term loan from the same lender, the earliest date of repayment for all such loans coming due is given.
2. Interest Rate is rounded down to the 3rd decimal point.
3. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital, etc.
4. A special agreement attached to "Loan Agreement" entered into between NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.
5. This loan is a floating rate loan. Other long-term loans are all fixed rate loans.
6. The total amount of long-term loans (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows:

(Yen in millions)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥33,000	¥56,000	¥60,000	¥66,000

NBF Bonds

Issue	Issue date	Balance as of December 31, 2023 (Yen in millions)	Coupon		Redemption	Use of funds	Notes
			(Note 1)	Maturity date			
No. 14 Unsecured Bonds	June 9, 2016	¥5,000	1.000%	June 8, 2046	Bullet payment	Note 2	Notes 3 and 4
No. 15 Unsecured Bonds	May 22, 2017	5,000	0.914%	May 22, 2037	Bullet payment	Note 2	Notes 3 and 4
No. 16 Unsecured Bonds	May 23, 2018	5,000	0.220%	May 23, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 17 Unsecured Bonds	May 23, 2018	5,000	0.888%	May 21, 2038	Bullet payment	Note 2	Notes 3 and 4
No. 18 Unsecured Bonds	December 19, 2018	7,000	0.200%	January 10, 2024	Bullet payment	Note 2	Notes 3 and 4
No. 19 Unsecured Bonds	August 14, 2020	15,000	0.180%	August 14, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 20 Unsecured Bonds (Green Bonds)	March 22, 2021	5,000	0.150%	March 19, 2026	Bullet payment	Note 2	Notes 3 and 4
Total (Note 5)		¥47,000					

Notes:

- Interest Rate is rounded down to the 3rd decimal point.
- Use of funds includes repayment of borrowings and investment corporation bonds, etc.
- Rank pari passu with all other publicly and privately issued bonds.
- Subject to provision of collateral restrictions.
- The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows:

	(Yen in millions)				
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	¥7,000	¥20,000	¥5,000	—	—

Others

NBF has security deposits totaling ¥71,942 million as of December 31, 2023.

■ Capital Expenditures

1. Planning

As of December 31, 2023, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred.

Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from July 1, 2023 to December 31, 2023)	Cumulative amount paid
(Yen in millions)					
For the six months ending June 30, 2024 (the 46th fiscal period from January 1, 2024 to June 30, 2024)					
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning	From July 2023 to February 2024	¥320	¥—	¥—
Shiba NBF Tower	Renovation of restroom	From January 2024 to June 2024	308	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2024 to June 2024	200	—	—
NBF Platinum Tower	Renovation of lighting equipment	From November 2023 to June 2024	200	—	—
Shinjuku Mitsui Bldg.	Renovation of lower surface area	From January 2024 to May 2024	194	—	—
Gate City Ohsaki	Renovation of restroom	From July 2023 to March 2024	157	—	—
Sakaitsuji-Honmachi Center Bldg.	Renovation of air conditioning	From November 2023 to April 2024	151	—	—
NBF COMODIO Shiodome	Renovation of lighting equipment	From November 2023 to February 2024	131	—	—
Celestine Shiba Mitsui Bldg.	Renovation of central monitoring facilities	From January 2024 to June 2024	122	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From January 2024 to June 2024	115	—	—
NBF Ikebukuro City Bldg.	Renovation of restroom	From January 2024 to June 2024	113	—	—
Hakata Gion M-SQUARE	Renovation of lighting equipment	From January 2024 to June 2024	108	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of lower common area	From August 2023 to February 2024	107	—	—
Nakameguro GT Tower	Renovation of central monitoring facilities	From August 2023 to March 2024	107	—	—
Aqua Dojima NBF Tower	Renovation of lighting equipment	From January 2024 to June 2024	104	—	—

Yotsuya Medical Bldg.	Renovation of air conditioning	From November 2023 to January 2024	89	—	—
NBF Ogawamachi Bldg.	Renovation of substation equipment	From May 2024 to May 2024	77	—	—
NBF Akasaka Sanno Square	Renovation of substation equipment	From May 2023 to June 2024	68	—	—
Ryukakusan Bldg.	Renovation of lighting equipment	From May 2024 to June 2024	68	—	—
Sapporo L-Plaza	Renovation of key control system	From July 2023 to March 2024	43	—	—
Hiroshima Fukuromachi Bldg.	Renovation of lighting equipment	From January 2024 to June 2024	22	—	—
For the six months ending December 31, 2024 (the 47th fiscal period from July 1, 2024 to December 31, 2024)					
Nakanoshima Mitsui Bldg.	Renovation of automatic control equipment	From June 2022 to July 2024	¥751	¥—	¥—
Shiba NBF Tower	Renovation of restroom	From July 2024 to December 2024	279	—	—
Yokohama ST Bldg.	Renovation of emergency power equipment	From January 2024 to December 2024	270	—	—
NBF Toyosu Garden Front	Renovation of air conditioning	From October 2023 to July 2024	251	—	—
NBF Platinum Tower	Renovation of lighting equipment	From May 2024 to December 2024	220	—	—
NBF Osaki Bldg.	Renovation of lighting equipment	From July 2024 to December 2024	186	—	—
Shinjuku Mitsui Bldg.	Renovation of equipment within the ceiling	From May 2024 to November 2024	160	—	—
Sakaisuji-Honmachi Center Bldg.	Renovation of air conditioning	From May 2024 to October 2024	150	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2024 to December 2024	150	—	—
Yokohama ST Bldg.	Renovation of elevator	From May 2024 to December 2024	135	—	—
NBF Ikebukuro East	Renovation of substation equipment	From June 2023 to October 2024	132	—	—
Parale Mitsui Bldg.	Renovation of exterior	From January 2024 to December 2024	126	125	125
S-ino Omiya North Wing	Renovation of lighting equipment	From July 2024 to December 2024	114	—	—
Aqua Dojima NBF Tower	Renovation of lighting equipment	From July 2024 to December 2024	104	—	—
NBF Shibuya East	Renovation of substation equipment	From July 2023 to December 2024	102	—	—
Sumitomo Densetsu Bldg.	Renovation of pantry	From January 2024 to July 2024	71	—	—
NBF Ikebukuro City Bldg.	Renovation of substation equipment	From August 2023 to December 2024	58	—	—
Sapporo L-Plaza	Renovation of key control system	From July 2024 to December 2024	33	—	—
For the six months ending June 30, 2025 (the 48th fiscal period from January 1, 2025 to June 30, 2025)					
Sakaisuji-Honmachi Center Bldg.	Renovation of substation equipment	From January 2025 to June 2025	¥672	¥—	¥—

Gate City Ohsaki	Renovation of restroom	From November 2023 to March 2025	399	—	—
Parale Mitsui Bldg.	Renovation of restroom	From January 2024 to March 2025	363	—	—
Shiba NBF Tower	Renovation of restroom	From January 2025 to June 2025	336	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning	From April 2024 to March 2025	331	—	—
NBF Osaki Bldg.	Renovation of lighting equipment	From January 2025 to June 2025	191	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2025 to June 2025	185	—	—
Nakameguro GT Tower	Renovation of central monitoring facilities	From April 2024 to March 2025	134	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of restroom	From August 2024 to February 2025	125	—	—
Yokohama ST Bldg.	Renovation of elevator	From November 2024 to June 2025	118	—	—
Yotsuya Medical Bldg.	Renovation of air conditioning	From January 2025 to June 2025	117	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From January 2025 to June 2025	115	—	—
Celestine Shiba Mitsui Bldg.	Renovation of automatic fire information facilities	From May 2024 to January 2025	114	—	—
NBF Ikebukuro Tower	Renovation of substation equipment	From April 2025 to April 2025	50	—	—
For the six months ending December 31, 2025 (the 49th fiscal period from July 1, 2025 to December 31, 2025)					
NBF Osaki Bldg.	Renovation of lighting equipment	From July 2025 to December 2025	¥190	¥—	¥—
Shiba NBF Tower	Renovation of restroom	From July 2025 to December 2025	113	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From July 2025 to December 2025	110	—	—
For the six months ending June 30, 2026 (the 50th fiscal period from January 1, 2026 to June 30, 2026)					
Gate City Ohsaki	Renovation of restroom	From November 2024 to March 2026	¥413	¥—	¥—
Nishi-Shinjuku Mitsui Bldg.	Renovation of restroom	From May 2025 to February 2026	314	—	—
Nakameguro GT Tower	Renovation of central monitoring facilities	From April 2025 to March 2026	115	—	—
Yokohama ST Bldg.	Renovation of elevator	From November 2025 to June 2026	114	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥4,840 million in capital expenditures together with ¥1,344 million for repairs and maintenance expenses. In total, ¥6,184 million was spent on construction.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shiba NBF Tower	Renovation of lighting equipment, renovation of restroom/water supply and drainage equipment in office kitchenette system, renovation of service entrance hallway, etc.	From July 2023 to December 2023	¥427
NBF Platinum Tower	Renovation of lighting equipment, renovation of security system, exchange of electric energy meter, etc.		382
Ryukakusan Bldg.	Renovation of restroom, renovation of elevator, renovation of lighting equipment, etc.		279
Celestine Shiba Mitsui Bldg.	Renovation of central monitoring facilities, renovation of security system, renovation of air conditioning, etc.		230
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning, renovation of lighting equipment, renovation of restroom, etc.		192
River City M-SQUARE	Renovation of emergency generator, renovation of fire extinguishing facilities, renovation of air conditioning, etc.		191
Hakata Gion M-SQUARE	Renovation of lighting equipment, renovation of parking facilities, renovation of air conditioning, etc.		182
Roppongi T-CUBE	Renovation of air conditioning, renovation of internet environment, renovation of absorption hot and chilled water generator, etc.		177
S-ino Omiya North Wing	Renovation of lighting equipment, renovation of air conditioning, renovation of carpet and door for common area, etc.		175
NBF COMODIO Shiodome	Renovation of lighting equipment, renovation of water supply unit, renovation of parking facilities, etc.		174
NBF Ikebukuro City Bldg.	Renovation of restroom, renovation of elevator, construction of deodorizer for stinky smoking room, etc.		143
NBF Hatchobori Terrace	Renovation of substation equipment, exchange of air conditioning indoor unit parts, renovation of parking facilities, etc.		142
NBF Sapporo Minami Nijo Bldg.	Renovation of hot and chilled water plumbing, renovation of air conditioning, renovation of automatic door, etc.		129

Sumitomo Mitsui Banking Nagoya Bldg.	Renovation of air conditioning, renovation of disaster prevention system, renovation of parking facilities, etc.	From July 2023 to December 2023	125
Nakanoshima Central Tower	Renovation of lighting equipment, renovation of air conditioning, renovation of electric energy meter, etc.		120
NBF Ikebukuro Tower	Renovation of restroom, improvement of shutter, renovation of pump priming tank, etc.		117
NBF Matsuyama Nichigin-mae Bldg.	Renovation of lighting equipment, renovation of humidifier element, renovation of outdoor unit compressor, etc.		113
Chofu South Gate Bldg.	Renovation of lighting equipment, renovation of clean/miscellaneous water pump, renovation of ice heat storage system electric parts, etc.		109
Yotsuya Medical Bldg.	Renovation of air conditioning, renovation of electric energy meter, renovation of pressurization supply pump, etc.		105
NBF Shinagawa Tower	Renovation of lighting equipment, leasehold improvement, renovation of air conditioning central monitoring board, etc.		101
NBF Takanawa Bldg.	Renovation of lighting equipment, renovation of security camera, renovation of restroom, etc.		90
Sumitomo Densetsu Bldg.	Renovation of elevator, construction of fire protection and fall preventing system ceiling, exchange of automatic door parts outside wind break room, etc.		72
Nihonbashi Kabuto-cho M-SQUARE	Renovation of lighting equipment, renovation of automatic door, renovation of restroom, etc.		51
Sapporo L-Plaza	Renovation of automatic fire information facilities, renovation of east/west exterior and buried plumbing, renovation of central monitoring facilities, etc.		30
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction, etc.		974
Total			¥4,840

■ Expenses regarding Entrustment, etc.

The following table sets forth the breakdown of entrustment fees, etc. paid by NBF.

Item	For the six months ended December 31,	For the six months ended June 30,	For the six months ended December 31,
	2023	2023	2022
	(Yen in millions)		
Asset management fees	¥1,744	¥1,726	¥1,756
Asset custody fees	65	63	64
Agent fees (stock transfer, accounting and administrative)	49	54	48
Directors' remuneration	12	12	12
Auditor's fees	15	15	15
Other expenses	193	239	200
Total	¥2,080	¥2,111	¥2,097

■ Trading Activities during the Current Period

1. Trading of Real Estate and Real Estate Held in Trust

The following table shows a summary of real estate and real estate held in trust, acquired or sold by NBF in the current period.

(Yen in millions)		
Acquisition		
Name of building	Date	Acquisition price (Note 1)
Nishi-Shinjuku Mitsui Bldg. (additional acquisition)	September 7, 2023	¥121
Yodoyabashi Flex Tower	November 30, 2023	¥9,833
Total		¥9,954

(Yen in millions)		
Sale		
Name of building	Date	Sale price
NBF Ueno Bldg.	November 30, 2023	¥9,900
NBF Shibakouen Bldg.	November 30, 2023	¥8,500
Total		¥18,400

Notes: 1. "Acquisition price" does not include national consumption tax, local consumption tax and miscellaneous costs of acquisition.

2. Trading of Other Assets Including Total Amount and Transactions

Other major assets besides real estate and real estate held in trust stated above consist mostly of bank deposits or bank deposits included in assets held in trust.

3. Transactions with Related Parties of Asset Management Company

(1) Ongoing Transactions

None. (No purchases, or sales or other transactions involving related parties.)

(2) Fees Paid for the Period from July 1, 2023 to December 31, 2023

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A
		Paid to	Amount of payment (B) (Yen in millions)	
Office management fees, etc. (Note 4)	¥1,330	Mitsui Fudosan Co., Ltd.	¥1,266	95.2%
		NBF Office Management Co., Ltd.	63	4.7%
Property maintenance fees	5,461	Mitsui Fudosan Co., Ltd.	1,504	27.5%
		Mitsui Fudosan Facilities Co., Ltd.	544	10.0%
		Mitsui Fudosan Building Management Co., Ltd.	359	6.6%
		Mitsui Fudosan Facilities West Co., Ltd.	205	3.8%
		Mitsui Fudosan Residential Lease Co., Ltd.	0	0.0%
Leasing related service fees	145	Mitsui Fudosan Co., Ltd.	64	44.4%
		NBF Office Management Co., Ltd.	28	19.3%
		Mitsui Fudosan Realty Co., Ltd.	4	2.8%

Notes:

- “Related parties” are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. During the period from July 1, 2023 to December 31, 2023, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., Mitsui Fudosan Facilities Co., Ltd., Mitsui Fudosan Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd. and Mitsui Fudosan Residential Lease Co., Ltd. which meet either of the said definitions, are as described above.
- Figures indicate contractual sales prices.
- Figures in parentheses indicate percentages of total prices.
- In terms of properties for which NBF has not entrusted office management businesses to Mitsui Fudosan Co., Ltd. due to its master leasing (20 properties: Shinjuku Mitsui Bldg., IIDABASHI GRAND BLOOM, Roppongi T-CUBE, Nishi-Shinjuku Mitsui Bldg., Celestine Shiba Mitsui Bldg., Toranomom Kotohira Tower, Yotsuya Medical Bldg., NBF Ogawamachi Bldg., Panasonic Tokyo Shiodome Bldg., Gate City Ohsaki, Osaki Bright Core – Bright Plaza, Nakameguro GT Tower, Toyosu Bayside Cross Tower, OSAKI BRIGHT TOWER, Higashi Gotanda Square, Parale Mitsui Bldg., Nagoya Mitsui New Bldg., Nagoya Mitsui Main Bldg., Nakanoshima Mitsui Bldg., and Shinanobashi Mitsui Bldg.), NBF has entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
- In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work, etc.

(Yen in millions)

Mitsui Fudosan Building Management Co., Ltd.	¥1,568
Mitsui Fudosan Co., Ltd.	1,350
Mitsui Fudosan Facilities West Co., Ltd.	73
Mitsui Fudosan Facilities Co., Ltd.	41
Mitsui Fudosan Realty Co., Ltd.	10
MITSUI Designtec Co., Ltd.	4
Harajuku-no-mori Co., Ltd.	4
Mitsui Fudosan Residential Lease Co., Ltd.	0

Financial Statements

NIPPON BUILDING FUND INC. BALANCE SHEETS

As of December 31, 2023 and June 30, 2023

	As of December 31, 2023	As of June 30, 2023
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥18,884	¥9,956
Tenant receivables	266	333
Prepaid expenses	371	456
Other current assets	263	175
Total current assets	19,785	10,922
Real Estate Properties:		
Land including trust accounts (Notes 4,7,16)	1,031,812	1,034,059
Buildings and improvements including trust accounts (Notes 4,16)	473,098	477,154
Other tangible assets (Notes 4,16)	17,052	16,866
Less: accumulated depreciation (Notes 4,16)	(199,035)	(195,717)
Total real estate properties, net	1,322,929	1,332,363
Intangible assets:		
Superficies (Note 16)	11,882	11,882
Leasehold rights in trust accounts (Note 16)	23,726	23,726
Other intangible assets (Note 16)	67	82
Total intangible assets	35,677	35,692
Long-term Prepaid Expenses (Note 16)	5	5
Other Assets	7,221	6,937
Total Assets	¥1,385,619	¥1,385,920
Liabilities		
Current Liabilities:		
Short-term loans (Note 6)	¥5,000	¥5,000
Long-term debt due within one year (Notes 3,6)	51,000	47,000
Accounts payable	8,278	7,416
Rents received in advance	4,336	4,360
Accrued expenses and other liabilities	2,190	1,017
Total current liabilities	70,805	64,794
Long-term debt (Notes 3,6)	536,500	542,500
Tenant Security Deposits Including Trust Accounts (Note 3)	71,942	72,202
Other Liabilities	124	127
Total Liabilities	679,372	679,625
Net Assets (Note 5)		
Unitholders' Equity		
Unitholders' capital	673,047	673,047
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,700,991 units		
Reserve for reduction entry	13,687	13,912
Retained earnings	19,513	19,335
Total Net Assets	706,247	706,295
Total Liabilities and Net Assets	¥1,385,619	¥1,385,920

The accompanying notes to financial statements are an integral part of these statements.

NIPPON BUILDING FUND INC. STATEMENTS OF INCOME

For the six months ended December 31, 2023, June 30, 2023 and December 31, 2022

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
(Yen in millions)			
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenue (Note 8)	¥42,126	¥41,895	¥41,508
Other revenues related to property leasing (Note 8)	3,508	3,253	3,664
Gains on sales of real estate properties (Note 9)	1,714	1,882	2,194
Total Operating Revenues	47,349	47,030	47,366
Operating Expenses:			
Property management fees (Note 8)	6,678	6,164	6,258
Real estate taxes (Note 8)	4,536	4,587	4,191
Repairs and maintenance (Note 8)	1,344	1,189	979
Insurance (Note 8)	43	43	42
Other rental expenses (Note 8)	3,925	4,419	4,282
Depreciation and amortization (Note 8)	7,973	7,873	7,917
Asset management fees	1,744	1,726	1,756
Other operating expenses	336	384	340
Total Operating Expenses	26,582	26,390	25,770
Operating Income	20,767	20,640	21,596
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	0	0	0
Property tax refund and interest on tax refund	0	—	1
Other non-operating revenues	4	5	3
Non-Operating Expenses:			
Interest expense	(1,210)	(1,251)	(1,253)
Amortization of bond issuance costs	(17)	(20)	(20)
Other non-operating expenses	(29)	(37)	(38)
Ordinary Income	19,513	19,336	20,289
Income before Income Taxes	19,513	19,336	20,289
Current and deferred income taxes (Note 11)	(0)	(0)	(0)
Net Income	¥19,513	¥19,335	¥20,288

The accompanying notes to financial statements are an integral part of these statements.

NIPPON BUILDING FUND INC.
STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended December 31, 2023, June 30, 2023 and December 31, 2022

	(Yen in millions)				
			Reserve for		
	Number of	Unitholders'	reduction	Retained	Total
	Units	Capital	entry	Earnings	
Balance as of June 30, 2022.	1,700,991	¥673,047	¥10,667	¥25,439	¥709,154
Transfer to reserve for reduction entry	—	—	2,517	(2,517)	—
Cash dividends declared	—	—	—	(22,922)	(22,922)
Net income	—	—	—	20,288	20,288
Balance as of December 31, 2022.	1,700,991	673,047	13,185	20,288	706,521
Transfer to reserve for reduction entry	—	—	1,639	(1,639)	—
Reversal of reserve for reduction entry	—	—	(911)	911	—
Cash dividends declared	—	—	—	(19,561)	(19,561)
Net income	—	—	—	19,335	19,335
Balance as of June 30, 2023.	1,700,991	673,047	13,912	19,335	706,295
Transfer to reserve for reduction entry	—	—	1,912	(1,912)	—
Reversal of reserve for reduction entry	—	—	(2,138)	2,138	—
Cash dividends declared	—	—	—	(19,561)	(19,561)
Net income	—	—	—	19,513	19,513
Balance as of December 31, 2023.	1,700,991	¥673,047	¥13,687	¥19,513	¥706,247

The accompanying notes to financial statements are an integral part of these statements.

NIPPON BUILDING FUND INC. STATEMENTS OF CASH FLOWS

For the six months ended December 31, 2023, June 30, 2023 and December 31, 2022

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥19,513	¥19,336	¥20,289
Depreciation and amortization	7,973	7,873	7,917
Amortization of bond issuance costs	17	20	20
Interest expense	1,210	1,251	1,253
(Increase) Decrease in tenant receivables	67	(19)	9
Increase (Decrease) in accounts payable	976	418	(1,312)
Increase (Decrease) in rents received in advance	(23)	(66)	102
Decrease in real estate properties due to sales	6,795	21,482	14,697
Cash payments of interest expense	(1,203)	(1,277)	(1,352)
(Increase) Decrease in consumption tax refund receivable	—	—	430
Others, net	1,158	(1,663)	1,976
Net Cash Provided by Operating Activities	36,486	47,357	44,032
Cash Flows from Investing Activities:			
Payments for purchases of real estate properties	(5,399)	(52,116)	(18,791)
Proceeds from tenant security deposits	3,326	4,103	2,276
Payments for tenant security deposits	(3,586)	(2,309)	(2,286)
Payments for security deposits paid to lessors	(2)	(3)	(0)
Refunds from security deposits paid to lessors	0	—	3
Others, net	(334)	(572)	(686)
Net Cash Used in Investing Activities	(5,997)	(50,897)	(19,486)
Cash Flows from Financing Activities:			
Net proceeds from (repayment of) short-term loans	—	(3,000)	(6,000)
Proceeds from long-term debt	1,000	69,000	33,000
Repayment of long-term debt	(3,000)	(49,000)	(24,000)
Payment of dividends	(19,561)	(19,561)	(22,919)
Net Cash Provided by (Used in) Financing Activities	(21,561)	(2,561)	(19,919)
Net Change in Cash and Cash Equivalents	8,928	(6,101)	4,627
Cash and Cash Equivalents at the Beginning of Period	9,956	16,058	11,430
Cash and Cash Equivalents at the End of Period	¥18,884	¥9,956	¥16,058

The accompanying notes to financial statements are an integral part of these statements.

NIPPON BUILDING FUND INC.

Notes To Financial Statements

For the six months ended December 31, 2023, June 30, 2023 and December 31, 2022

Note 1 – Organization and Basis of Presentation

Organization

Nippon Building Fund Inc. (hereinafter "NBF") was formed on March 16, 2001 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan (hereinafter the Investment Trust Law of Japan) with Mitsui Fudosan Co., Ltd., Sumitomo Mitsui Trust Bank, Limited., and Nippon Building Fund Management Ltd. (hereinafter "NBFM") acting as sponsors. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001.

NBF is an externally managed real estate fund, formed as an investment corporation. NBFM, as NBF's asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Mitsui Fudosan Co., Ltd. currently owns 46% of NBFM while Sumitomo Life Insurance Company owns 35% and the remaining 19% is mainly owned by financial institutions.

On September 10, 2001, NBF had raised approximately ¥50,000 million through an initial public offering of units. Those units are listed on the J-REIT section of the Tokyo Stock Exchange.

As of December, 31, 2023, NBF had ownership or beneficiary interests in 69 office properties containing approximately 1,194,435 square meters of rentable office space. As of December, 31, 2023, NBF had leased office space to 1,534 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.4%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan and the Japanese Financial Instruments and Exchange Law and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter "Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English from the financial statements of NBF prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. NBF does not prepare consolidated financial statements, as NBF has no subsidiary.

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

NBF considers all highly liquid investments with original maturity of three months or less to be cash and cash equivalents.

Real Estate Properties

Real estate properties are recorded at cost, which includes the allocated purchase price, related costs and expenses for acquisition of the office properties and the beneficiary interests of properties in trust. Property and equipment balances are depreciated using the straight-line method over the estimated useful lives. The estimated useful lives of the principal tangible fixed assets (including assets held in trust) are as follows:

Buildings and improvements including trust accounts	
Buildings and improvements	2-50 years
Other tangible assets	
Structures	2-50 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-20 years

Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property, are expensed when incurred.

Investment Corporation Bond Issuance Costs

Deferred investment corporation bond issuance costs are amortized using the straight-line method over the respective terms of the bonds.

Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred taxes.

Revenue Recognition

The main performance obligations related to revenue arising from contracts with customers of NBF and the normal time for satisfying such performance obligations (the normal time for recognizing revenue) are as follows:

(1) Sales of real estate properties

NBF recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the real estate property by fulfilling the delivery obligations stipulated in the contract for the sale of real estate property. In the statements of income, “Gains on sales of real estate properties” or “Losses on sales of real estate properties” are presented as the amount obtained by deducting “Cost of sale of real estate property” which is the book value of the real estate sold, and “Other related sale expenses” which are various costs directly incurred in the sale, from “Proceeds from sale of real estate property” which is the proceeds from the sale of real estate.

(2) Utilities income

NBF recognizes utilities income based on the supply of electricity, water, etc. to the lessee as the customer in accordance with the terms of the real estate lease contract and related agreements. In the income statement, it is presented as “Other revenues related to property leasing”, and it is presented as “Incidental income” in the notes to the statements of income.

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥3 million for the period ended December 31, 2023, ¥111 million for the period ended June 30, 2023 and ¥9 million for the period ended December 31, 2022.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

Note 3 – Financial Instruments

Status of Financial Instruments

Policy for Financial Instruments

NBF procures funds for acquisition of assets and repayment of debt, which includes repayment of tenant security deposits, loans and investment corporation bonds, through issuance of new investment units, bank loans and issuance of investment corporation bonds, with the aim of ensuring steady asset growth and stable earnings from a mid- and long-term angle.

As a general rule NBF invests surplus funds in deposits considering safety of the investments.

NBF may enter into derivative transactions solely for the purpose of reducing interest rate risks and other risks arising from liabilities. NBF does not engage in speculative transactions. Currently NBF is not engaged in any derivative transactions.

Financial Instruments, Their Risks and Risk Management System

Deposits are used for investment of NBF's surplus funds. These deposits are exposed to credit risks such as bankruptcy of the depository financial institutions. NBF limits credit risk by using only short-term deposits in financial institutions with high credit ratings.

Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties and repay outstanding loans and bonds. While these loans and bonds are exposed to liquidity risk, such risk is managed in the following ways such as diversifying the means of funding and lending institutions, dispersing repayment dates, establishing committed credit line, keeping sufficient liquidity in hand, and monitoring cash flows projected monthly.

Floating rate loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the ratio of interest-bearing liabilities to total assets low and the level of long-term fixed-rate debt high.

Tenant security deposits are exposed to liquidity risk arising from vacating of properties by tenants due to the termination of contract. NBF manages this risk by monitoring forecasted cash flows on a monthly basis to ensure it has sufficient funds.

Supplemental Explanation regarding Fair Values of Financial Instruments

Since the fair value of financial instruments is calculated based on certain assumptions, different assumptions and factors could result in a different value.

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of December 31, 2023 are as follows.

Since “Cash and cash equivalents” and “Short-term loans” are cash or due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(As of December 31, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥51,000	¥51,003	¥3
(2) Long-term debt	536,500	528,495	(8,004)
(3) Tenant security deposits including trust accounts	71,942	71,025	(916)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

Long-term debt due within one year which includes Investment corporation bonds and Long-term loans are as follows:

(As of December 31, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥7,000	¥7,000	¥—
(2) Long-term loans	44,000	44,003	3
Total	¥51,000	¥51,003	¥3

(1) Investment corporation bonds

Fair values of investment corporation bonds are based on observable market value, if available. When there is no observable market value available, fair values are calculated based on the present value of principal and interest cash flows discounted at the current interest rate that is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(2) Long-term debt

Long-term debt which includes Investment corporation bonds and Long-term loans are as follows:

(As of December 31, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥40,000	¥37,747	¥(2,252)
(2) Long-term loans	496,500	490,748	(5,751)
Total	¥536,500	¥528,495	¥(8,004)

(1) Investment corporation bonds

Fair values of investment corporation bonds are based on observable market value, if available. When there is no observable market value available, fair values are calculated based on the present value of principal and interest cash flows discounted at the current interest rate that is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(3) Tenant security deposits including trust accounts

Fair values of tenant security deposits including trust accounts are based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk.

Book value, fair value and difference between the two as of June 30, 2023, are as follows.

Since “Cash and cash equivalents” and “Short-term loans” are cash or due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥47,000	¥46,995	¥(4)
(2) Long-term debt	542,500	539,935	(2,564)
(3) Tenant security deposits including trust accounts	72,202	71,276	(926)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

Long-term debt due within one year which includes Investment corporation bonds and Long-term loans were as follows:

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥7,000	¥7,000	¥—
(2) Long-term loans	40,000	39,995	(4)
Total	¥47,000	¥46,995	¥(4)

(1) Investment corporation bonds

Fair values of investment corporation bonds are based on observable market value, if available. When there is no observable market value available, fair values are calculated based on the present value of principal and interest cash flows discounted at the current interest rate that is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(2) Long-term debt

Long-term debt which includes Investment corporation bonds and Long-term loans were as follows:

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥40,000	¥38,453	¥(1,547)
(2) Long-term loans	502,500	501,482	(1,017)
Total	¥542,500	¥539,935	¥(2,564)

(1) Investment corporation bonds

Fair values of investment corporation bonds are based on observable market value, if available. When there is no observable market value available, fair values are calculated based on the present value of principal and interest cash flows discounted at the current interest rate that is estimated by taking into consideration the remaining term of the investment corporation bonds and their credit risk.

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(3) Tenant security deposits including trust accounts

Fair values of tenant security deposits including trust accounts are based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk.

2. Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2023

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥7,000	¥20,000	¥5,000	¥—	¥—	¥15,000
Long-term loans	44,000	33,000	56,000	60,000	66,000	281,500
Total	¥51,000	¥53,000	¥61,000	¥60,000	¥66,000	¥296,500

Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2023

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥7,000	¥5,000	¥20,000	¥—	¥—	¥15,000
Long-term loans	40,000	20,000	61,000	52,000	81,000	288,500
Total	¥47,000	¥25,000	¥81,000	¥52,000	¥81,000	¥303,500

Note 4 – Tangible Assets of Real Estate Properties

Tangible assets as of December 31, 2023 and June 30, 2023 consisted of the following:

	As of December 31, 2023			As of June 30, 2023		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥687,360	¥—	¥687,360	¥696,313	¥—	¥696,313
Land in trust	344,452	—	344,452	337,745	—	337,745
Land including trust total	1,031,812	—	1,031,812	1,034,059	—	1,034,059
Buildings and improvements	269,235	(92,443)	176,791	277,089	(92,387)	184,701
Buildings and improvements in trust	203,863	(95,766)	108,097	200,064	(92,735)	107,329
Buildings and improvements including those in trust total	473,098	(188,209)	284,889	477,154	(185,123)	292,031
Structures	3,719	(2,223)	1,495	3,736	(2,194)	1,541
Machinery and equipment	2,305	(1,583)	722	2,356	(1,663)	692
Tools, furniture and fixtures	3,294	(1,835)	1,458	3,320	(1,720)	1,600
Structures in trust	2,885	(1,940)	944	2,880	(1,893)	987
Machinery and equipment in trust	2,093	(1,576)	517	2,060	(1,542)	518
Tools, furniture and fixtures in trust	2,615	(1,665)	950	2,512	(1,579)	932
Construction in process	138	—	138	—	—	—
Other tangible assets total	17,052	(10,825)	6,227	16,866	(10,593)	6,272
Total	¥1,521,964	¥(199,035)	¥1,322,929	¥1,528,080	¥(195,717)	¥1,332,363

Note 5 – Net Assets

NBF issues only non-par value units in accordance with the Investment Trust Law of Japan and all of the issue prices of new units are designated as stated capital. NBF maintains at least ¥50 million as the minimum net assets as required by the Investment Trust Law of Japan.

Note 6 – Short-Term Loans and Long-Term debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates, and on December 31, 2023, it was at 0.105%.

Long-term debt as of December 31, 2023 and June 30, 2023 consisted of the following:

	As of December 31, 2023	As of June 30, 2023
(Yen in millions)		
Unsecured loans due 2024 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.059% to 1.533%.....	¥540,500	¥542,500
0.200% unsecured bonds due 2024 (Note 1)	7,000	7,000
0.180% unsecured bonds due 2025 (Note 1)	15,000	15,000
0.220% unsecured bonds due 2025 (Note 1)	5,000	5,000
0.150% unsecured bonds due 2026 (Note 1)	5,000	5,000
0.914% unsecured bonds due 2037 (Note 1)	5,000	5,000
0.888% unsecured bonds due 2038 (Note 1)	5,000	5,000
1.000% unsecured bonds due 2046 (Note 1)	5,000	5,000
	587,500	589,500
Less: amount due within one year.....	51,000	47,000
	¥536,500	¥542,500

Notes: 1. Subject to provision of collateral restrictions.

The annual maturities of long-term debt as of December 31, 2023 were as follows:

(Yen in millions)	
Due after one to two years	¥53,000
Due after two to three years	61,000
Due after three to four years	60,000
Due after four to five years	66,000
Due after five years	296,500

During the period ended December 31, 2023, NBF had commitment credit line contracts of ¥60 billion with several financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion as of December 31, 2023.

Note 7 – Reduction Entry for Property

The acquisition costs of certain land in trust acquired through exchange were reduced in the accumulative amount of ¥1,701 million as of December 31, 2023.

Note 8 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2023, June 30, 2023 and December 31, 2022 were as follows:

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
(Yen in millions)			
Revenues from Property Leasing:			
Rental revenue:			
Rental	¥39,864	¥39,699	¥39,269
Common area charges	2,024	1,985	2,032
Others	237	210	207
Subtotal	42,126	41,895	41,508
Other revenues related to property leasing:			
Parking lots	661	664	653
Facility charge	304	308	312
Incidental income	2,366	2,180	2,417
Cancellation fees	118	39	240
Miscellaneous income	56	60	39
Subtotal	3,508	3,253	3,664
Total revenues from property leasing	45,635	45,148	45,172
Rental Expenses:			
Property management fees	6,678	6,164	6,258
Real estate taxes	4,536	4,587	4,191
Repairs and maintenance	1,344	1,189	979
Insurance	43	43	42
Other rental expenses	3,925	4,419	4,282
Depreciation and amortization	7,973	7,873	7,917
Total rental expenses	24,501	24,278	23,672
Operating Income from Property Leasing Activities. . .	¥21,133	¥20,870	¥21,500

Note 9 – Gains and Losses on Sales of Real Estate Properties

Gains and losses on sales of real estate properties for the periods ended December 31, 2023, June 30, 2023 and December 31, 2022 were as follows:

For the six months ended December 31, 2023

NBF Shibakouen Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥8,500
Cost of sale of real estate property	6,728
Other related sale expenses	56
Gain on sale of real estate property	¥1,714

For the six months ended June 30, 2023

Shin-Kawasaki Mitsui Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥24,000
Cost of sale of real estate property	21,482
Other related sale expenses	635
Gain on sale of real estate property	¥1,882

For the six months ended December 31, 2022

Toyo-cho Center Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥9,600
Cost of sale of real estate property	9,034
Other related sale expenses	56
Gain on sale of real estate property	¥508

NBF Niigata Telecom Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥3,900
Cost of sale of real estate property	3,196
Other related sale expenses	28
Gain on sale of real estate property	¥674

NBF Hiroshima Tatemachi Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥3,520
Cost of sale of real estate property	2,482
Other related sale expenses	26
Gain on sale of real estate property	¥1,011

Note 10– Gains and Losses on Exchange of Real Estate Properties

Certain properties were acquired through exchange for the periods ended December 31, 2023. Gains on exchange of real estate properties were reduced from the acquisition costs of such properties as follows:

For the six months ended December 31, 2023

NBF Ueno Bldg.	(Yen in millions)
Proceeds from transfer of real estate property	¥9,900
Cost of transfer of real estate property	8,131
Other related transfer expenses	66
Reduction entry of property	1,701
Gain and Loss on exchange of real estate property	¥—

No real estate properties were exchanged during the periods ended June 30, 2023 and December 31, 2022.

Note 11 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.00% for the periods ended December 31, 2023 and June 30, 2023, and December 31, 2022. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
Statutory tax rate	31.46%	31.46%	31.46%
Deductible dividends	(31.54)	(31.83)	(30.33)
Transfer to reserve for reduction entry	(0.78)	(3.11)	(2.54)
Reversal of reserve for reduction entry	0.86	3.48	1.41
Others	0.00	0.00	0.00
Effective tax rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

NBF was established as an investment corporation under the Investment Trust Law of Japan, and as long as an investment corporation distributes to its unitholders at least 90% of earnings available for dividends for a period and other requirements prescribed in Japanese tax regulations are met, the investment corporation is allowed to deduct total amount of dividends in calculating its taxable income under Japanese tax regulations.

Note 12 – Per Unit Information

Information about earnings per unit for the periods ended December 31, 2023, June 30, 2023 and December 31, 2022 and net assets per unit as of December 31, 2023, June 30, 2023 and December 31, 2022 were as follows.

The computation of earnings per unit is based on the weighted average number of units outstanding during the period. The computation of net assets per unit is based on the number of units outstanding at the end of each period.

	For the six months ended December 31, 2023	For the six months ended June 30, 2023	For the six months ended December 31, 2022
Earnings per Unit:			
Net income per unit (Yen)	¥11,471	¥11,367	¥11,927
Weighted average number of units outstanding	1,700,991	1,700,991	1,700,991
Net Assets per Unit (Yen)			
	As of <u>December 31, 2023</u>	As of <u>June 30, 2023</u>	As of <u>December 31, 2022</u>
	¥415,197	¥415,225	¥415,358

Note 13 – Leases

As Lessor

NBF leases some of its real estate properties to outside parties under non-cancelable operating leases. As of December 31, 2023 and June 30, 2023, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of December 31, 2023	As of June 30, 2023
	(Yen in millions)	
Due within one year.....	¥17,529	¥21,425
Due after one year.....	22,171	24,951
Total.....	¥39,701	¥46,376

As Lessee

Not applicable.

Note 14 – Significant Non-cash Transaction

NBF consummated this exchange transaction on November 30, 2023. As of December 31, 2023, the non-cash component of this transaction is outlined below.

	(Yen in millions)
Value of properties acquired through exchange	¥(9,833)
Value of properties exchanged	9,900
Differential income on exchange transactions (Included in "Decrease in real estate properties due to sales")	¥67

No the non-cash component of transaction was occurred during the periods ended June 30, 2023 and December 31, 2022.

Note 15 – Transactions with Related Parties

(1) Parent Company and Major Corporate Unitholders

(For the six months ended December 31, 2023)

Not applicable.

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(2) Affiliates

(For the six months ended December 31, 2023)

Not applicable.

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(3) Sister Companies

(For the six months ended December 31, 2023)

Not applicable.

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

- (4) Directors and Major Individual Unitholders
(For the six months ended December 31, 2023)
Not applicable.
- (For the six months ended June 30, 2023)
Not applicable.
- (For the six months ended December 31, 2022)
Not applicable.

Note 16 – Investment and Rental Properties

NBF owns office buildings (including land) for rent in Tokyo and other areas. The carrying amounts, net changes in the carrying amounts and the fair value of the investment and rental properties are as follows:

(Yen in millions)

	For the six months ended December 31, 2023	For the six months ended June 30, 2023
Carrying amount (Note 1)		
Balance at beginning of the Fiscal Period	¥1,368,061	¥1,344,812
Amount of increase (decrease) during current period (Note 2)	(9,587)	23,249
Balance at end of the Fiscal Period	1,358,473	1,368,061
Fair value at end of the period (Note 3)	¥1,703,670	¥1,711,380

Notes:

1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major increase in the fiscal period ended December 31, 2023, was mainly due to the acquisitions of 2 properties (Nishi-Shinjuku Mitsui Bldg. (additional acquisition) and Yodoyabashi Flex Tower, ¥10,019 million) and the major decrease was mainly due to sale of 2 properties (NBF Shibakouen Bldg., NBF Ueno Bldg., ¥14,859 million) and recognition of depreciation costs.
The major increase in the fiscal period ended June 30, 2023 was mainly due to the acquisitions of 2 properties (IIDABASHI GRAND BLOOM (additional acquisition) and Toyosu Bayside Cross Tower (additional acquisition) , ¥47,373million) and the major decrease was mainly due to sale of a property (Shin-Kawasaki Mitsui Bldg., ¥21,482 million) and recognition of depreciation costs.
3. Fair value at end of the period is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Gains and Losses on Sales of Real Estate Properties).

Note 17 – Segment Information

Segment Information

Segment information has been omitted as NBF has only one segment, which is real estate leasing business.

Related Information

(For the six months ended December 31, 2023)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line those accounts for more than 90% of total operating revenues.

2. Information by Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total operating revenues.

(2) Real estate properties

Disclosure of this information has been omitted as total domestic real estate properties account for more than 90% of the book value of total real estate properties.

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥21,570	Real estate leasing business

Note: NBF leases properties to Mitsui Fudosan Co., Ltd. under a master lease agreement, and Mitsui Fudosan Co., Ltd. subleases such properties to subtenants. NBF leases other properties to Mitsui Fudosan Co., Ltd.

(For the six months ended June 30, 2023)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line those accounts for more than 90% of total operating revenues.

2. Information by Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total operating revenues.

(2) Real estate properties

Disclosure of this information has been omitted as total domestic real estate properties account for more

than 90% of the book value of total real estate properties.

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥21,308	Real estate leasing business

Note: NBF leases properties to Mitsui Fudosan Co., Ltd. Under a master lease agreement, and Mitsui Fudosan Co., Ltd. Subleases such properties to subtenants. NBF leases other properties to Mitsui Fudosan Co., Ltd.

(For the six months ended December 31, 2022)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line those accounts for more than 90% of total operating revenues.

2. Information by Geographic Areas

(1) Operating revenues

Disclosure of this information has been omitted as total domestic revenues account for more than 90% of total operating revenues.

(2) Real estate properties

Disclosure of this information has been omitted as total domestic real estate properties account for more than 90% of the book value of total real estate properties.

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥21,461	Real estate leasing business

Note: NBF leases properties to Mitsui Fudosan Co., Ltd. under a master lease agreement, and Mitsui Fudosan Co., Ltd. subleases such properties to subtenants. NBF leases other properties to Mitsui Fudosan Co., Ltd.

Note 18 – Asset Retirement Obligations

NBF owns real estate properties containing asbestos material and is obligated to remove those materials upon disposition of the properties. However, since sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the method and timing of settlement, asset retirement obligation is not recognized for the obligations to remove asbestos materials.

Note 19 – Revenue recognition

Breakdown information on revenues from contracts with customers

For the breakdown information on revenues from contracts with customers, refer to Note 8 (Rental Revenues and Expenses), Note 9 (Gains and Losses on Sales of Real Estate Properties) and Note 10 (Gains and Losses on Exchange of Real Estate Properties).

These notes to Statements of Income include "Real estate rental revenues" and other revenues that are subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and therefore not subject to the "Accounting Standard for Revenue Recognition". The main revenues from contracts with customers that are subject to the application are "Proceeds from sale of real estate property", "Proceeds from transfer of real estate property" and "utility expenses" ("Incidental income" in "Other revenues related to property leasing").

Note 20 – Significant Subsequent Events

1. Conclusion sale and purchase agreements regarding acquisition

NBF concluded sale and purchase agreements regarding acquisition of the following asset on January 5, 2024, and delivery is scheduled for March 29, 2024. An overview of the property as of the date of the conclusion of the agreements is as follows.

In addition, NBF shall pay to the seller a penalty equivalent to 10% of the acquisition price in the event of the termination of a contract due to a breach of its contractual obligations.

Name of property: Toyosu Bayside Cross Tower (Additional Acquisition)

Category of asset: Real estate

Acquisition Price: ¥43,800 million

Seller: Mitsui Fudosan Co., Ltd

Acquisition date: March 29, 2024

2. Disposition of Property

NBF concluded sale and purchase agreements regarding disposition of the following asset on January 31, 2024 and disposed on March 28, 2024.

Name of property: Gran Tokyo South Tower (part of sectional ownership)

Category of asset: Real estate (Note 1)

Disposition Price: ¥41,200 million

Transferee: Tokyo Central Realty, LLC

Disposition date: March 28, 2024

Note:

1. Upon the disposition, the property was established as property in trust on the same date of disposition date above, and the beneficiary interests in trust was transferred.

3. Conclusion sale and purchase agreements regarding disposition

NBF concluded sale and purchase agreements regarding disposition of the following assets on January 5, 2024, and delivery is scheduled for September 30, 2024. An overview of the property as of the date of the conclusion of the agreements is as follows.

In addition, NBF shall pay to the buyer a penalty equivalent to the acquisition price in the event of the termination of a contract due to a breach of its contractual obligations.

Name of property: Tsukuba Mitsui Bldg.

Category of asset: Trust beneficiary interest

Disposition Price: ¥10,920 million

Transferee: Domestic LLC

Disposition date: September 30, 2024

III Appendix

■ Major Interested Parties

Nippon Building Fund Management Ltd. (Asset Management Company and Administrative Agent regarding the Management of Institutions, herein "NBFM")

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31, 2023, NBFM has been entrusted as an asset management company only by NBF.

Operation

- Undertakes asset management of NBF pursuant to an Asset Management Entrustment Agreement based on an entrustment from NBF in accordance with the Articles of Incorporation of NBF and the Investment Objects and Policies set forth therein.
- Undertakes management of the general affairs of the general meeting of unitholders and the Board of Directors as Administrative Agent regarding the Management of Institutions based on an entrustment from NBF and pursuant to an Agreement for General Administration Regarding the Management of Institutions.

Fees for the Asset Management Operation

Management Fee 1

The amount equivalent to 2.5% of the total amount of (i) rent, common area charges, parking lot charges, incidental income, facility charges, facility installation fees, delay damages, lease contract cancellation penalty or monies similar thereto and other leasing operating revenues arising from leasing operations, plus (ii) dividends, distributions or monies similar thereto and other proceeds attributable to Real Estate, etc. recorded by NBF (provided, however, that revenues from the sale of Real Estate, etc. will be excluded; hereinafter, "Leasing Revenues, etc." in this Paragraph) as calculated on each closing date (rounded down to the nearest yen) will be payable.

Management Fee 2

The amount equivalent to 3% of net income before income taxes (provided, however, that in the event a loss is carried forward, then the amount of income before income taxes remaining after the entire amount of such loss has been covered) prior to deduction of Management Fee 2 as calculated on each closing date (rounded down to the nearest yen; provided, however, that in the event of a negative amount, then 0 yen) will be payable.

Management Fee 3

In the event that Real Estate, etc. is newly acquired (in the event of merger by NBF, then succeeded by said merger) as Managed Assets, the amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings; in the event of the simultaneous acquisition of multiple units of Real Estate, etc., then the acquisition price of each Real Estate, etc., in the event of equity investment, then the equity investment amount, and in the event of merger by NBF, then the appraised value of each Real Estate, etc. succeeded by said merger at the time of the merger; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition or succession are excluded) multiplied by the following percentage rates, in principle, in total amount (rounded down to the nearest yen) will be payable; provided, however, that with the approval of the board of directors of NBF, compensation may be

calculated using different rates not exceeding the following rates.

- The portion up to and including ¥10,000 million 0.5%
- The portion exceeding ¥10,000 million up to and including ¥30,000 million 0.2%
- The portion exceeding ¥30,000 million up to and including ¥50,000 million 0.05%
- The portion exceeding ¥50,000 million Nothing

Management Fee 4

In the event of sale of Real Estate, etc. owned as Managed Assets, the amount of the sales price of said Real Estate, etc. (in the event of the simultaneous sale of multiple units of Real Estate, etc., then the sales price of each Real Estate, etc.; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of sale are excluded) multiplied by the following percentage rates, in principle, in total amount (rounded down to the nearest yen) will be payable; provided, however, that with the approval of the board of directors of NBF, compensation may be calculated using different rates not exceeding the following rates.

- The portion up to and including ¥10,000 million 0.5%
- The portion exceeding ¥10,000 million up to and including ¥30,000 million 0.2%
- The portion exceeding ¥30,000 million up to and including ¥50,000 million 0.05%
- The portion exceeding ¥50,000 million nothing

History of NBFM

NBFM is an Asset Management Company which is a limited liability company duly established under the laws of Japan. Major events in the history of NBFM are as follows:

September 19, 2000	Established
November 17, 2000	Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law
January 29, 2001	Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law
February 15, 2001	Registered as a general real estate investment advisor under the Real Estate Investment Advisor Registration Regulations
March 7, 2001	Obtained approval as an Asset Management Company under the Investment Trust Law of Japan
March 22, 2001	Increased capital from ¥100 million to ¥198 million
May 23, 2001	Changed name (from “MF Asset Management Co., Ltd.” to “Nippon Building Fund Management Ltd.”)
June 16, 2001	Increased capital from ¥198 million to ¥495 million
September 30, 2007	Registered as a financial instruments firm with the Kanto Local Finance Bureau Chief (Financial Instruments) No. 371

List of Shareholders (as of June 30, 2023)

Name	Number of Shares Owned	Percent
Mitsui Fudosan Co., Ltd.	4,554	46.0%
Sumitomo Life Insurance Company	3,465	35.0
Sumitomo Mitsui Trust Bank, Limited	495	5.0
Sumitomo Mitsui Banking Corporation	495	5.0
Daido Life Insurance Company	297	3.0
Mitsui Sumitomo Insurance Co., Ltd.	297	3.0
Britel Fund Trustees Limited	297	3.0
Total	9,900	100.0%

Directors and Staff

As of December 31, 2023, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 41 persons.

Name of Directors and Auditors	Title
Eiichiro Onozawa	President & CEO (standing)
Hideki Shuto	Director, Head of Investment & Finance Group (standing)
Tetsuya Saito	Director, Head of Administration Group (standing)
Yusuke Ogata	Director
Ito Hirofumi	Director
Yasuki Nozue	Corporate Auditor
Takurou Kurumisawa	Corporate Auditor

Outline of Financial Condition

An outline of the financial condition of NBFM is as follows.

Outline of principal assets and liabilities for the most recent fiscal year:

As of March 31, 2023	(Yen in millions)
Total Assets	¥3,529
Total Liabilities	590
Total Net Assets	2,938

Independent auditor's report

To the Board of Directors of Nippon Building Fund Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nippon Building Fund Inc. ("the Corporation"), which comprise the balance sheets as at December 31, 2023 and June 30, 2023, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended, December 31, 2023, June 30, 2023 and December 31, 2022, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and June 30, 2023, and its financial performance and cash flows for each of the six months ended, December 31, 2023, June 30, 2023 and December 31, 2022 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 20 to the financial statements, which states that the Corporation entered into agreements regarding acquisition of properties, disposed a property, and entered into an agreement regarding disposition of a property.

Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Semi-Annual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory Directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free

from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit provided to the Corporation for the six-month period from July 1, 2023 to December 31, 2023 are 15 million yen, and there are no fees paid or payable for non-audit services.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Corporation which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Jiro Tazawa
Designated Engagement Partner
Certified Public Accountant

/S/ Tomoaki Takeuchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan

March 28, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Corporation and KPMG AZSA LLC.