

First Half of 2013
(24th Period – January to June 2013)

NBF Report



Profile

On September 10, 2001, Nippon Building Fund Inc. (NBF) became the first Japanese real estate investment trust (J-REIT) to list on the J-REIT section of the Tokyo Stock Exchange. Today, NBF has the largest market capitalization and assets under management among J-REITs.

NBF employs funds raised through unitholder subscriptions and borrowings to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. NBF primarily invests in office buildings in the central business districts of Tokyo, other Greater Tokyo and other cities in Japan.

Going forward, NBF will continue its steady management for the high quality and growth befitting the number one J-REIT.

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Features and Policies

(As of June 30, 2013)

An office-specialized J-REIT, sponsored by Mitsui Fudosan Co., Ltd.

NBF Policies

Increase Unitholder Value

Stable mid-to-long-term growth in distribution per unit (DPU)

Expansion of NAV per unit

Portfolio Quality

Focused on superior office buildings, primarily in Tokyo central business districts (CBDs)

Ratio of investment in Tokyo CBDs **69.0%**
(Acquisition price basis)

High occupancy rate
Occupancy rate **97.8%**

Appraisal value
Unrealized gain ratio **4.9%**

Size

The largest J-REIT

Total assets **¥1,047.9 billion**

Market cap **¥794.4 billion**

Properties **74**

Total rentable area **1.05 million m²**

Financial Fundamentals

High credit ratings
R&I (Issuer rating) **AA**

S&P (Long-term corporate rating) **A+**

Moody's (Issuer rating) **A2**

Diversified long-term fixed-rate debt
Long-term fixed-rate interest-bearing debt ratio **94.7%**

Average maturity **4.76 years**
(long-term interest-bearing debt)

Sponsor

Property acquisition pipeline from the Mitsui Fudosan Group

Leverage the comprehensive strengths of the Mitsui Fudosan Group

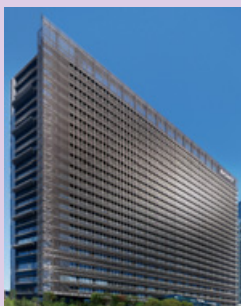
Leasing capabilities

Property management capabilities

Operational Highlights

Topics

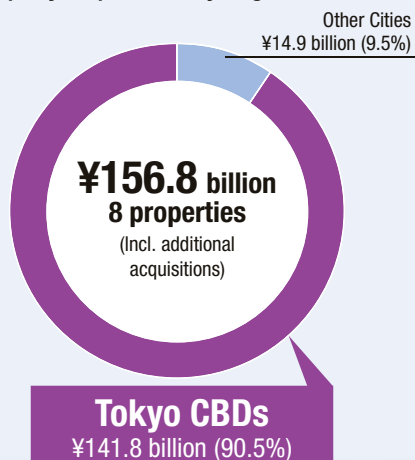
Acquired 8 Properties, Mainly in Tokyo CBDs, for ¥156.8 Billion



NBF Osaki Building
(The former Sony City Osaki)

Acquisition price	¥66,660 million
NOI yield	4.30%

Property Acquisitions by Region in 1H/2013



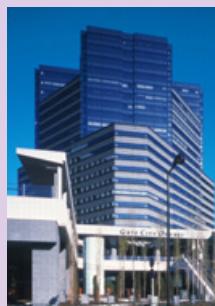
Sumitomo Mitsui Banking Nagoya Building

Acquisition price	¥14,900 million
NOI yield	5.71%



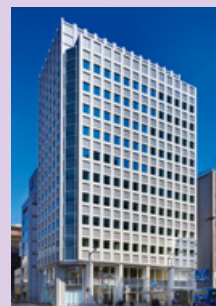
Celestine Shiba Mitsui Building

Acquisition price	¥22,500 million
NOI yield	4.70%



Gate City Ohsaki
(Additional acquisition)

Acquisition price	¥15,550 million
NOI yield	4.48%



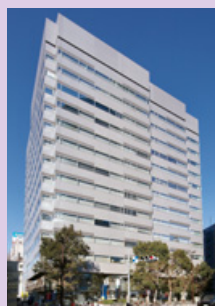
Shinbashi M-SQUARE

Acquisition price	¥11,900 million
NOI yield	4.20%



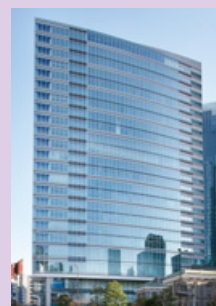
Shibuya Garden Front
(Additional acquisition)

Acquisition price	¥11,569 million
NOI yield	4.30%



Ikebukuro East

Acquisition price	¥8,630 million
NOI yield	6.01%

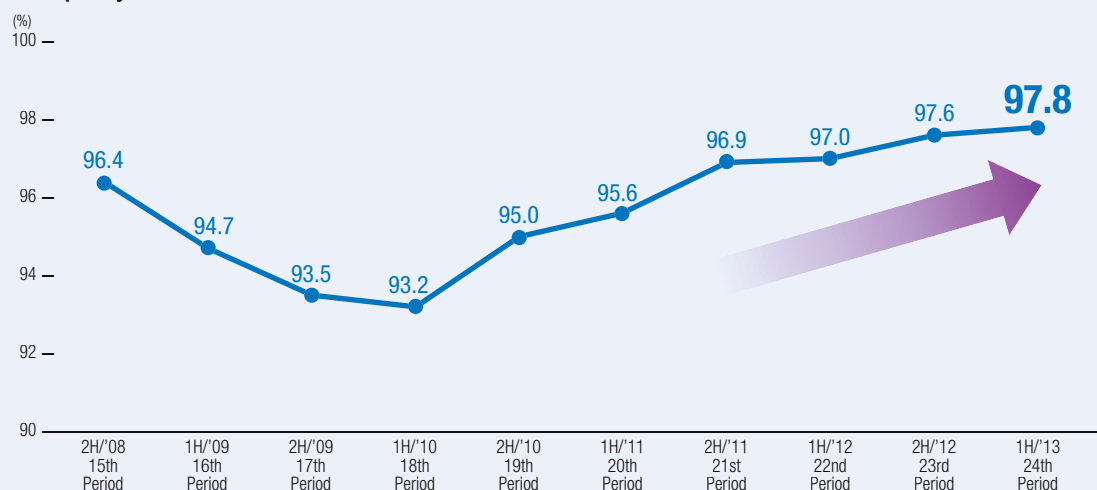


Panasonic Tokyo Shiodome Building

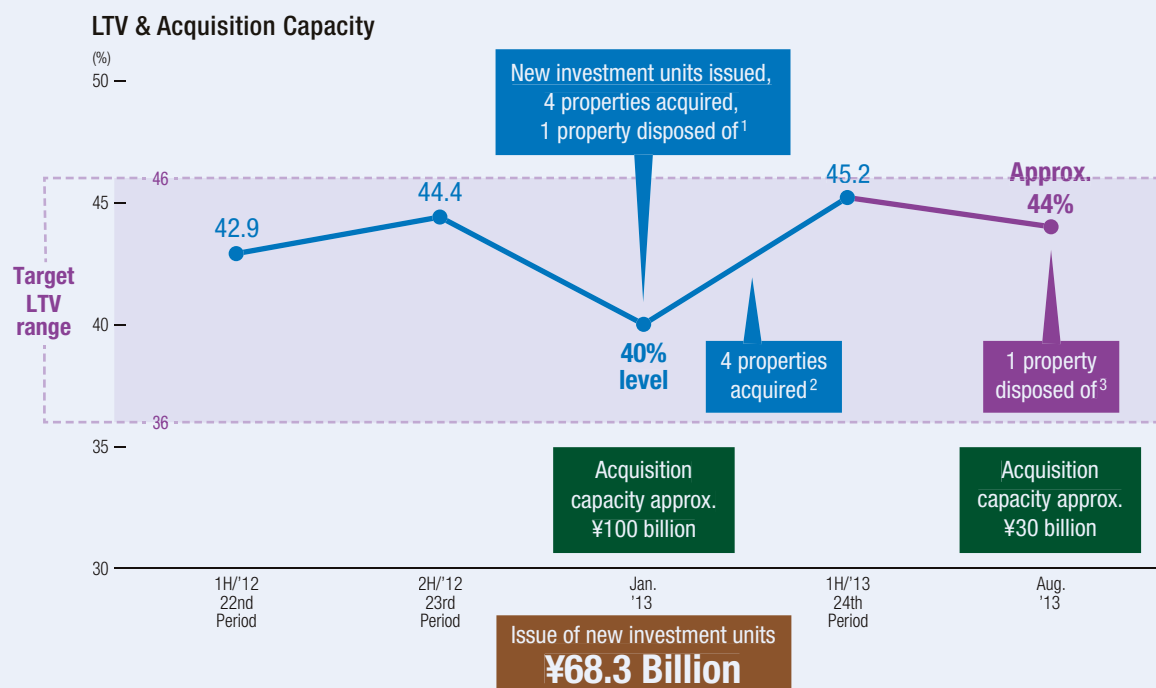
Acquisition price	¥5,075 million
NOI yield	4.32%

Maintained a High Occupancy Rate

Occupancy Rate for NBF at Period End: **97.8%**



Conducted Large-Scale Equity Financing Totaling ¥68.3 Billion



1. Acquired Shinbashi M-SQUARE, Sumitomo Mitsui Banking Nagoya Bldg., Gate City Ohsaki (additional acquisition), and Celestine Shiba Mitsui Bldg.; disposed of NBF Nihonbashi Muromachi Center Bldg. (50% stake)
2. Acquired NBF Osaki Bldg., Panasonic Tokyo Shiodome Bldg., Ikebukuro East and Shibuya Garden Front (additional acquisition)
3. Sold NBF Nihonbashi Muromachi Center Bldg. (50% stake)

Performance Highlights

Stable growth continued as NBF acquired new properties.

Total Operating Revenues

¥35,720 million

+13.3%

Net Income

¥12,941 million

+34.0%

Total Assets

¥1,048 billion

+16.6%

Occupancy Rate

97.8%

+0.2 points

Distribution per Unit

¥16,854

+¥1,100

Net Asset Value per Unit

¥801,781

+¥22,454

To Our Unitholders

Market Conditions

The office leasing market to recover

During the six months ended June 30, 2013 (the “24th Period”), the yen weakened and stock prices rose in Japan as a result of emergency measures to revive the economy and new monetary easing policies by the Bank of Japan. Corporate earnings strengthened as a result, mainly in the manufacturing industry.

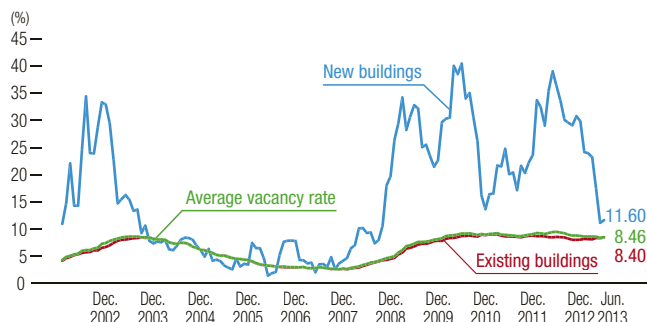
In this environment, conditions in the office leasing market in Tokyo and elsewhere led to expectations of a full-scale market recovery. Limited new supply and improved corporate results drove increased office demand, including demand for relocations due to a need to increase or consolidate office space.

In the 23 wards of Tokyo, office demand for 2012 was 2.3 times the level of 2011 and remained strong during the first half of 2013 (Sanko Estate Co., Ltd. data).

Strong demand for office space led to a big decline in the vacancy rate of new buildings in the central five wards of Tokyo to 11.6 percent as of June 30, 2013 from 29.9 percent as of December 31, 2012.

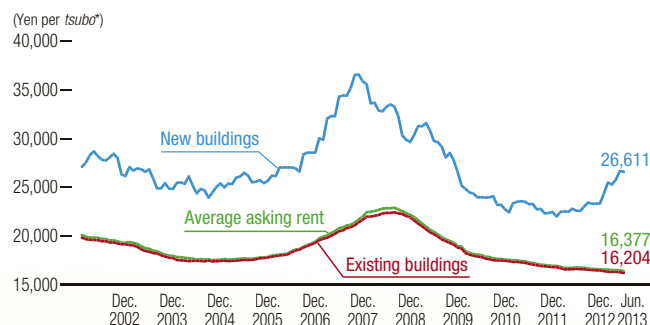
The average vacancy rate for the overall market including existing buildings declined 0.21 percentage points from December 31, 2012 to 8.46 percent as of June 30, 2013, underscoring the recovery trend (Miki Shoji Co., Ltd. vacancy rate data).

Market Vacancy Rates in CBDs



Source: Miki Shoji Co., Ltd.

Average Asking Rents in Tokyo CBDs



*1 tsubo = 3.3m²

Source: Miki Shoji Co., Ltd.



NBF made a large-scale acquisition of high-quality properties ahead of the full-fledged recovery in the leasing market. By doing so, we strengthened our earnings base for future growth.

Kenichi Tanaka

President and CEO of Nippon Building Fund Management Ltd.

Moreover, signs of recovery became clearer even though average asking rents for the overall market remained low. For example, the level of expected rents for high-grade buildings increased in both the 24th and 25th Periods.

Activity picked up in the real estate transaction market, backed by improving market conditions and a solid equity market. Equity financing by J-REITs totaled ¥629.5 billion in the first half of 2013, which was 1.3 times that in 2012. Real estate transactions by J-REITs became more active, totaling ¥1,345.2 billion for the period, which was 1.7 times larger than that for the full year of 2012.

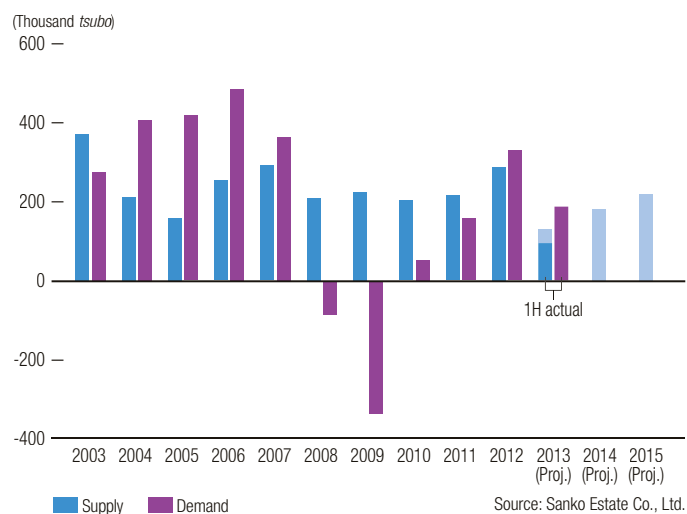
The Situation Surrounding NBF

Large-scale equity financing and acquisition of high-quality properties ahead of recovery of the real estate market

In January 2013, NBF conducted a large-scale public offering to acquire quality properties from its sponsor, Mitsui Fudosan Co., Ltd. Anticipating a full-fledged recovery in the market, we used the proceeds of the public offering to acquire eight properties during the 24th Period for ¥156.8 billion, including additional acquisitions in existing buildings. This included the NBF Osaki Building (the former Sony City Osaki) and the Panasonic Tokyo Shiodome Building.

Although the acquisitions in the period were mainly in central Tokyo, we were able to achieve adequate yields.

Office Floor Space Supply and Demand in the 23 Wards of Tokyo



While expanding our portfolio, we also disposed of some of our properties. We sold 50 percent of the 26-year-old NBF Nihonbashi Muromachi Center Building in the 24th Period, and the remaining 50 percent in the 25th Period, to our sponsor, Mitsui Fudosan. These dispositions generated proceeds of ¥28.2 billion, which was 10 percent above the appraisal value, as well as profits of approximately ¥2.0 billion in each period, of which ¥1.3 billion will be booked as internal reserves.

As a result of these initiatives, NBF retained its position as the largest J-REIT, with total assets exceeding ¥1 trillion and a market cap of ¥794.4 billion as of June 30, 2013.

Contract cancellations for existing properties increased somewhat during the 24th Period due to the impact of the large volume of Tokyo office supply during 2012. However, we maintained our high occupancy rate by fully leveraging the leasing capabilities of the Mitsui Fudosan Group. The occupancy rate improved 0.2 percentage points compared with the previous period to 97.8 percent.

In 2013, the large-scale acquisition of new properties led to an increase in rental revenues, which compensated for the rental revenue decline in the existing properties.

In the 26th Period, we expect the decline in rental revenues from the existing properties to shrink due to progress in tenant replacement, as well as a decrease in negative revisions. We will continue to concentrate on rental revenue growth.

Conservative financial management for a strong financial base that supports NBF's portfolio

By maintaining a solid financial base, NBF is able to take advantage of opportunities to acquire properties and respond to changes in the financial environment.

As for debt financing, we will continue to focus on long-term, fixed-rate funding with diversified maturities backed by high credit ratings.

We maintain our conservative financial discipline, with an LTV ratio of 36 to 46 percent (maximum 56 percent), and a long-term fixed-rate interest-bearing debt ratio of 90 percent or above. As of June 30, 2013, our LTV was 45.2 percent and the long-term fixed-rate interest-bearing debt ratio was 94.7 percent.

Financial Position (As of June 30, 2013)

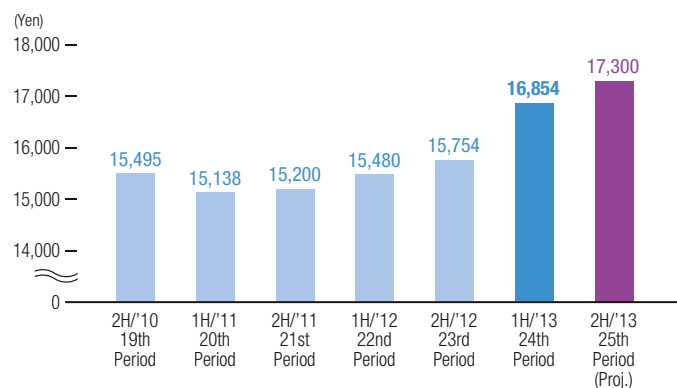
Loan-to-value (LTV) ratio	45.2%
Long-term fixed-rate interest-bearing debt ratio	94.7%
Average maturity	4.76 years
Average interest rate	1.32%

Successfully increasing unitholder value

Revenues and income for the 24th Period increased substantially compared with the previous period because of the above initiatives. Distribution per unit increased ¥1,100 to ¥16,854 and net asset value (NAV) per unit increased ¥22,454 to ¥801,781 as a result of new acquisitions and profits from dispositions. (Please refer to the Management's Discussion and Analysis on page 22 for details.)

Future Policies**An aggressive approach for further growth**

Competition to acquire office buildings is now gradually intensifying, backed by expectations of a full-fledged recovery in the office leasing market. NBF's policy is to proactively and selectively invest in high-quality properties that will consistently contribute to earnings over the medium to long term. Moreover, we will flexibly consider replacing portfolio properties to further improve the quality.

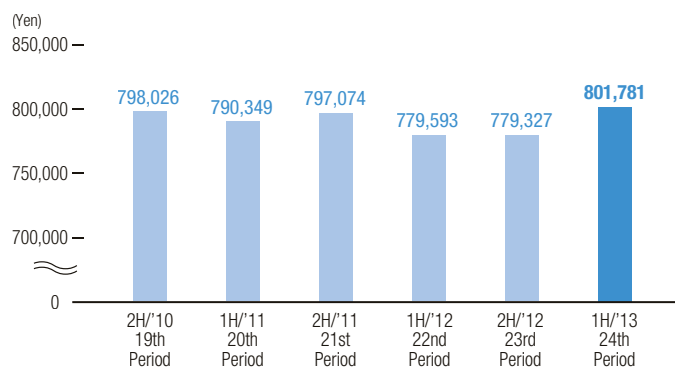
Distribution per Unit (DPU)

In property management, our goal is to attract new tenants and increase rental revenues from existing tenants by leveraging the leasing and property management skills of the Mitsui Fudosan Group.

We will continue our conservative financing and further strengthen our financial base to capture growth opportunities.

Based on the above, we expect the distribution per unit for the six months ending December 31, 2013 to be ¥17,300.

We will strive to increase unitholder value. We intend to steadily increase our distribution per unit over the medium to long term and expand NAV per unit by making full use of our strengths, including portfolio quality, size, solid financial base and collaboration with our sponsor, Mitsui Fudosan. We are counting on the continued support of our unitholders as we work toward these goals.

Net Asset Value (NAV) per Unit (Period End)

CIO and CFO Message

NBF has outstanding growth potential because it fully leverages the comprehensive strengths of the Mitsui Fudosan Group.

Koji Matsufuji

CIO and CFO of Nippon Building Fund Management Ltd.



Large-scale property acquisition

During the 24th Period, NBF made a large-scale acquisition of properties totaling ¥156.8 billion, including additional acquisitions in existing buildings. We acquired properties from our main sponsor, Mitsui Fudosan, from third parties including Sony Corporation, as well as from another sponsor, Sumitomo Life Insurance Company.

We expect the leasing market to improve and cap rates to compress. Therefore, we believe these acquisitions were a major achievement for the period, in advance of market improvements. The eight properties we acquired are all highly competitive, and the average NOI yield for the seven properties located in central Tokyo is an attractive 4.48 percent. The NOI yield for the eight properties, including the property in Nagoya, is 4.6 percent.

This large-scale acquisition of high-quality properties has increased the size and quality of NBF's portfolio and will support future earnings.

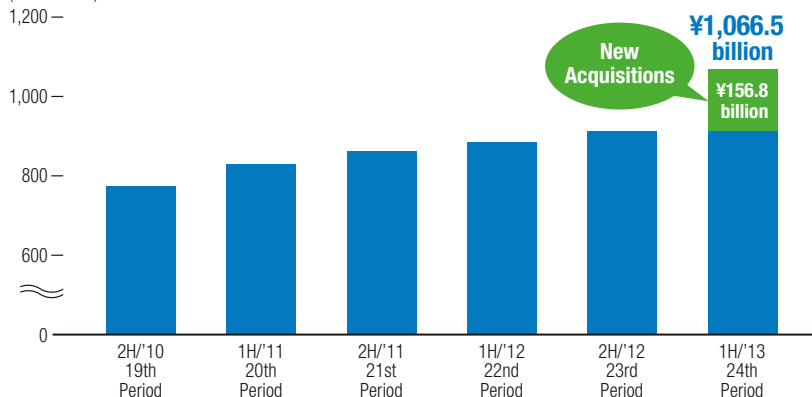
Strategic renovation of existing properties

NBF categorizes its properties into four grades based on current earnings and future potential, and formulates and executes investment plans for each grade.

We make clearly defined, strategic renovations to maintain and improve the competitiveness of each property, while also effectively controlling capital expenditures to maximize future cash flow.

Scale of Managed Assets

(Yen in billions)



Average NOI yield for 8 new acquisitions

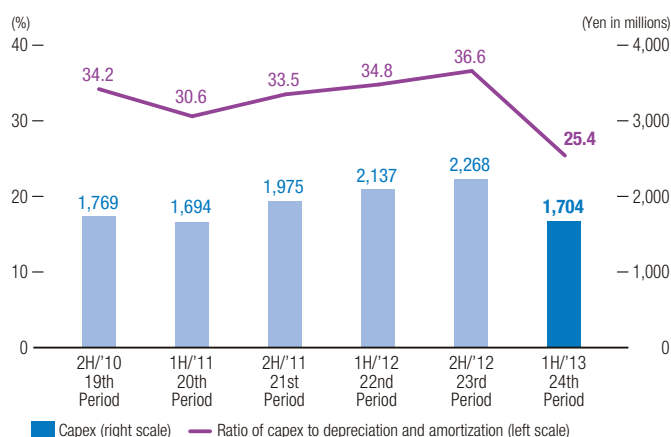
4.6%

Strategic Additional Investment with Clear Objectives

Set property grades based on the current earnings and future potential of each property

Formulate and execute investment plans according to each grade

Capex and Ratio of Capex to Depreciation and Amortization



Flexible property disposals

NBF takes advantage of favorable opportunities and flexibly disposes of properties. We sold 50 percent of NBF Nihonbashi Muromachi Center Building during the 24th Period,

and the remaining 50 percent in August 2013 (during the 25th Period), to Mitsui Fudosan.

This property is located in a redevelopment area. We expected future leasing revenues to decline as a result of progress in the redevelopment. We decided to sell the property because we were able to achieve favorable terms and conditions with a price that was higher than both the appraisal and book values. This disposal generated cash to create additional capacity to acquire other properties. At the same time, profits from the disposition have enabled us to increase our distribution per unit over two periods, while allowing us to lay the groundwork for the future by doubling the reserve for advanced depreciation.

In August 2013, we announced our plans for property dispositions in the 26th Period. We plan to dispose of a portion of the land of the GSK Building to the Tokyo Metropolitan Government, in cooperation with its road-widening program.

Property management strategy

As for NBF's property management strategy, Nippon Building Fund Management, Ltd. is NBF's exclusive asset management company. We use the strengths of our asset

Overview of Dispositions

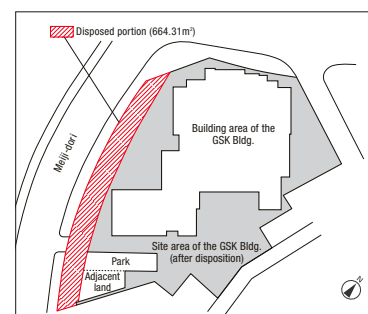
	1H/2013 (24th Period)	2H/2013 (25th Period)	1H/2014 (26th Period)
Delivery	May 2013 (completed)	August 2013 (completed)	January 2014 (planned)
Name of asset	NBF Nihonbashi Muromachi Center Bldg. (50% stake)	NBF Nihonbashi Muromachi Center Bldg. (50% stake)	644.31m ² of 5,335.28m ² of GSK Bldg. site (approx. 12%)
Buyer	Mitsui Fudosan Co., Ltd.	Mitsui Fudosan Co., Ltd.	Tokyo Metropolitan Government (for road widening)
Disposition price	¥14,100 million	¥14,100 million	¥3,084 million
Capital gain	¥2,097 million	¥2,115 million	¥1,902 million
Provision to the reserve for advanced depreciation	¥1,278 million	¥1,313 million (planned)	¥1,213 million (planned)
Accumulated reserve for advanced depreciation	¥1,612 million	¥2,926 million (planned)	¥4,140 million (planned)

Internally Retained Amount (Reserve for advanced depreciation)

Utilized for future stable management and stable distributions



NBF Nihonbashi Muromachi Center Bldg. (Chuo-ku, Tokyo)

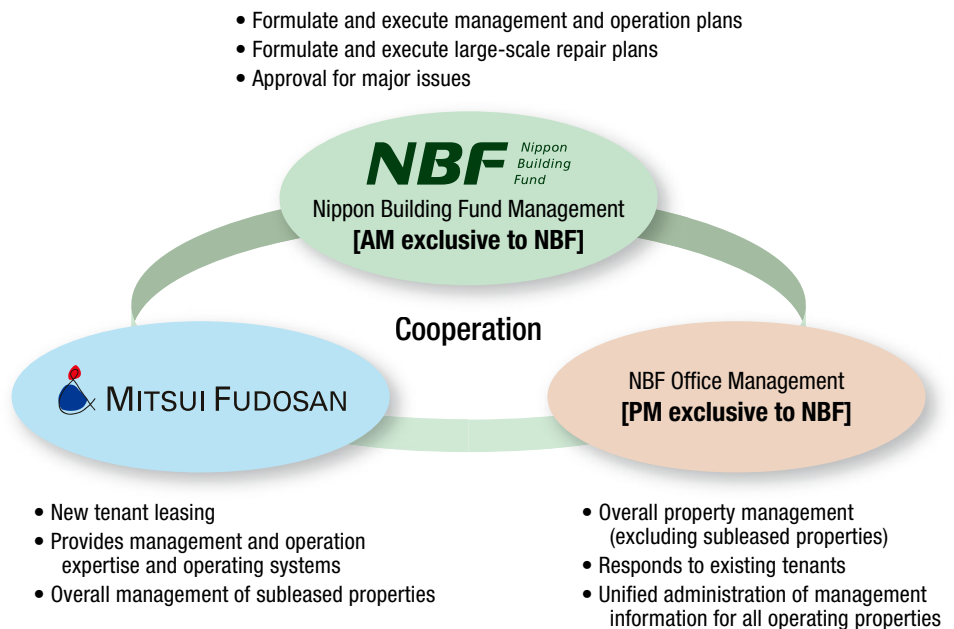


GSK Bldg. (Shibuya-ku, Tokyo)

management company, our main sponsor Mitsui Fudosan, and our exclusive property management company, wholly owned Mitsui Fudosan subsidiary NBF Office Management Co., Ltd., to generate strong performance through close cooperation among the three companies.

NBF Office Management, the property manager exclusive to NBF, is a core component of NBF's property management strategy. NBF Office Management is highly motivated and leverages its expertise in operating and managing Mitsui Fudosan Group buildings to provide high-quality services.

Property Management Structure



Leasing revenues: trends and outlook

Last, the trends and future outlook of NBF's leasing revenues. Since the financial crisis of 2009, we have continuously experienced negative internal growth, with more than 10 percent negative growth when things were at their worst. However, we have seen an improvement since then, and annualized leasing revenues declined only around 3 percent in the 24th Period. We expect a decline of around 4 percent in the 25th Period. As for external growth, we achieved almost none in 2009 and 2010 due to the lack of property acquisitions. However, the progress in property acquisitions since 2011 is now compensating for the negative internal growth. Forecasts for the 25th Period onward only include properties that we have already disclosed.

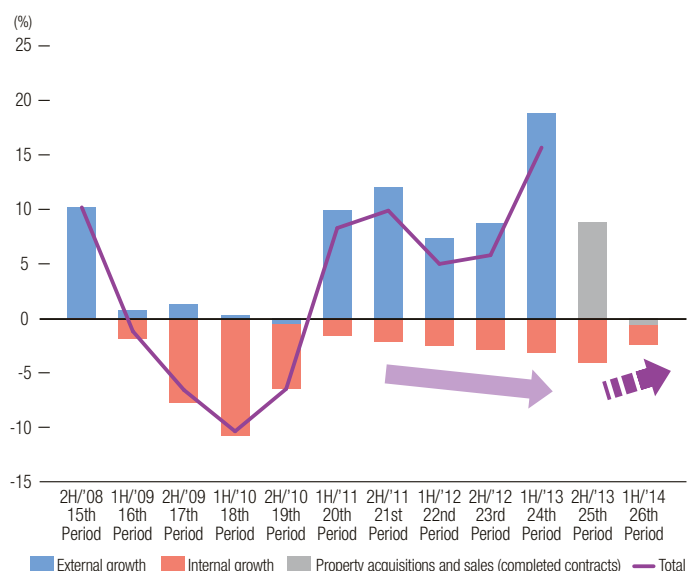
There are two key issues. First, the acquisition of new properties in the 24th Period will drive substantial revenue growth. Second, the decline in leasing revenues for the existing properties will bottom in the 25th Period, and subsequently improve.

As for the revenue growth from the acquisition of new properties, the large-scale acquisition in the 24th Period generated nearly 20 percent growth in leasing revenues. Even if we do not acquire any properties in the 25th Period, our leasing revenues will grow by almost 10 percent due to

the full-year contribution of the properties newly acquired in the 24th Period.

In the future, we plan to achieve external growth by acquiring more properties. We will also work to improve the profitability of our existing buildings by taking steps to increase leasing revenues.

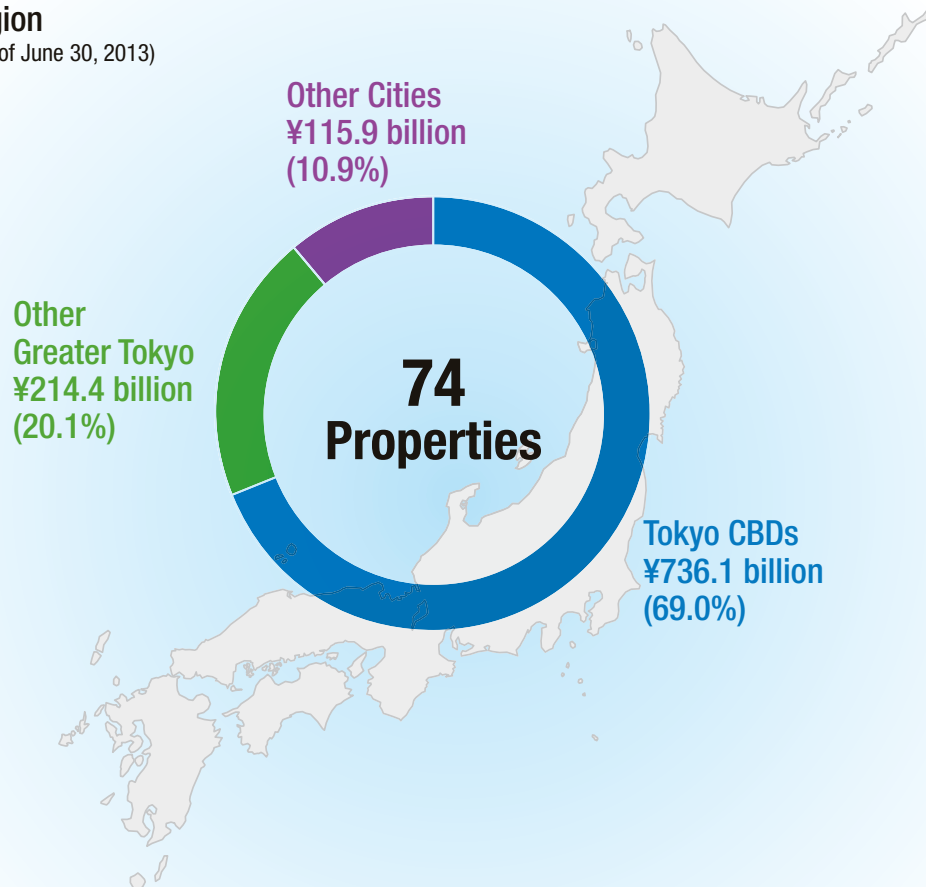
Rental Revenues Composition and Percentage Change (Annualized Period-on-Period Comparison)



Portfolio Highlights

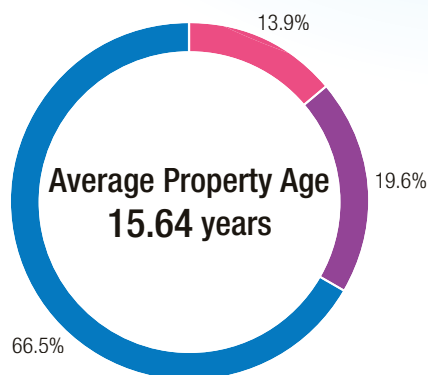
Investment by Region

(Acquisition price basis; as of June 30, 2013)



Property Age

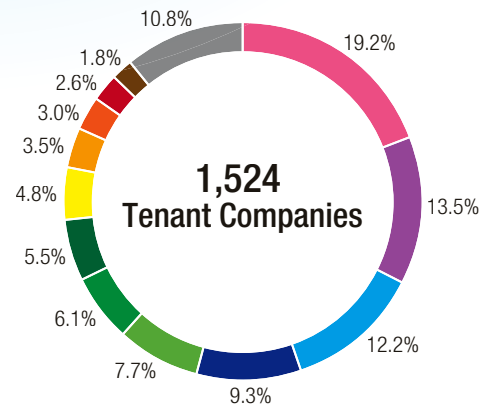
(As of June 30, 2013)



■ Under 5 years
■ Over 5 years but under 10 years
■ 10 years or older

Tenants by Industry

(As of June 30, 2013)



■ Service
■ Information and communications
■ Electrical equipment
■ Wholesale
■ Insurance
■ Machinery
■ Construction
■ Real estate
■ Pharmaceuticals
■ Retail
■ Other products
■ Banking
■ Other

Acquisitions in the 24th Period



Gate City Ohsaki (Additional acquisition)



NBF Osaka Building (The former Sony City Osaka)



Panasonic Tokyo Shiodome Building



Celestine Shiba Mitsui Building



Shibuya Garden Front (Additional acquisition)



Shinbashi M-SQUARE



Ikebukuro East



Sumitomo Mitsui Banking
Nagoya Building

Main Properties



NBF Hibiya Building



Nishi-Shinjuku Mitsui Building



Mitsubishi Heavy Industries
Head Office Building



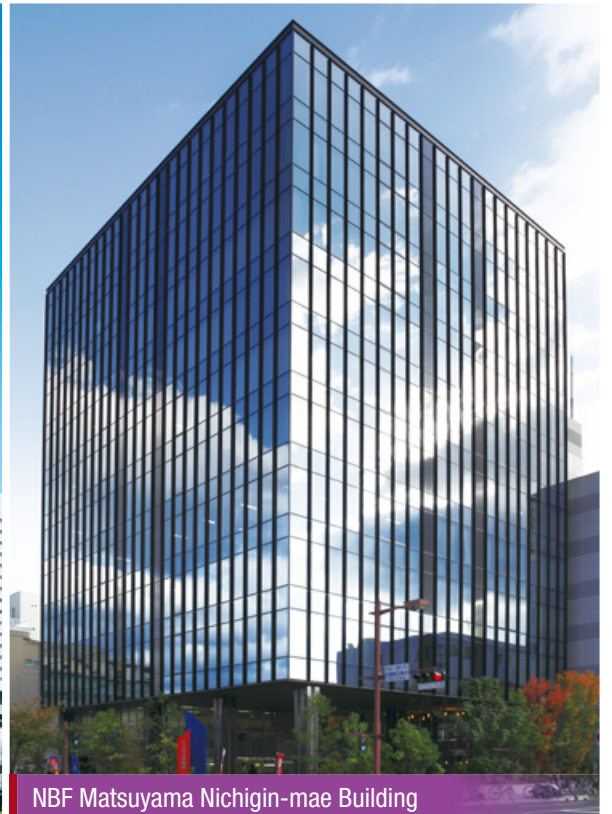
Nakanosakaue Sunbright Twin



Shinanobashi Mitsui Building

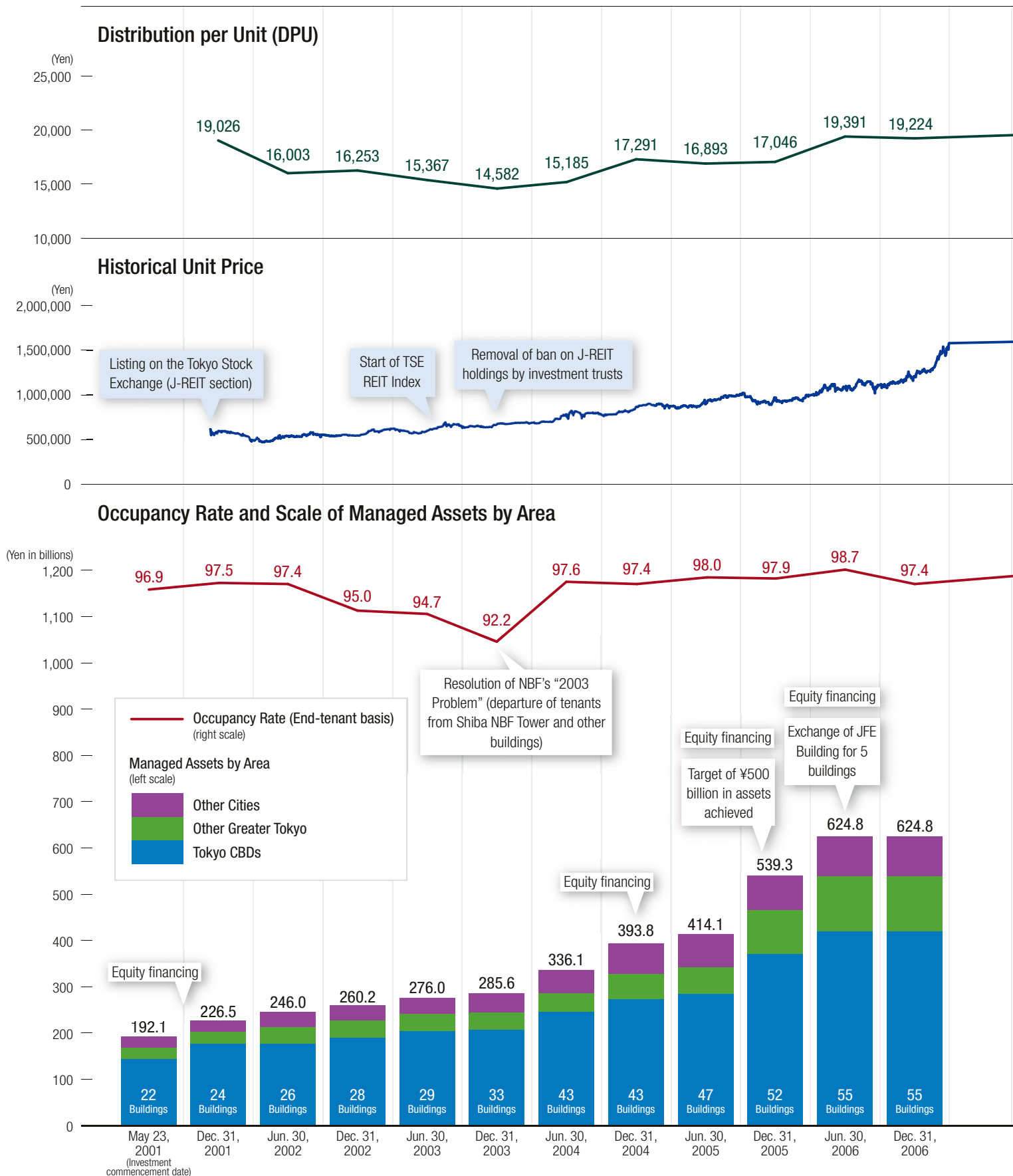


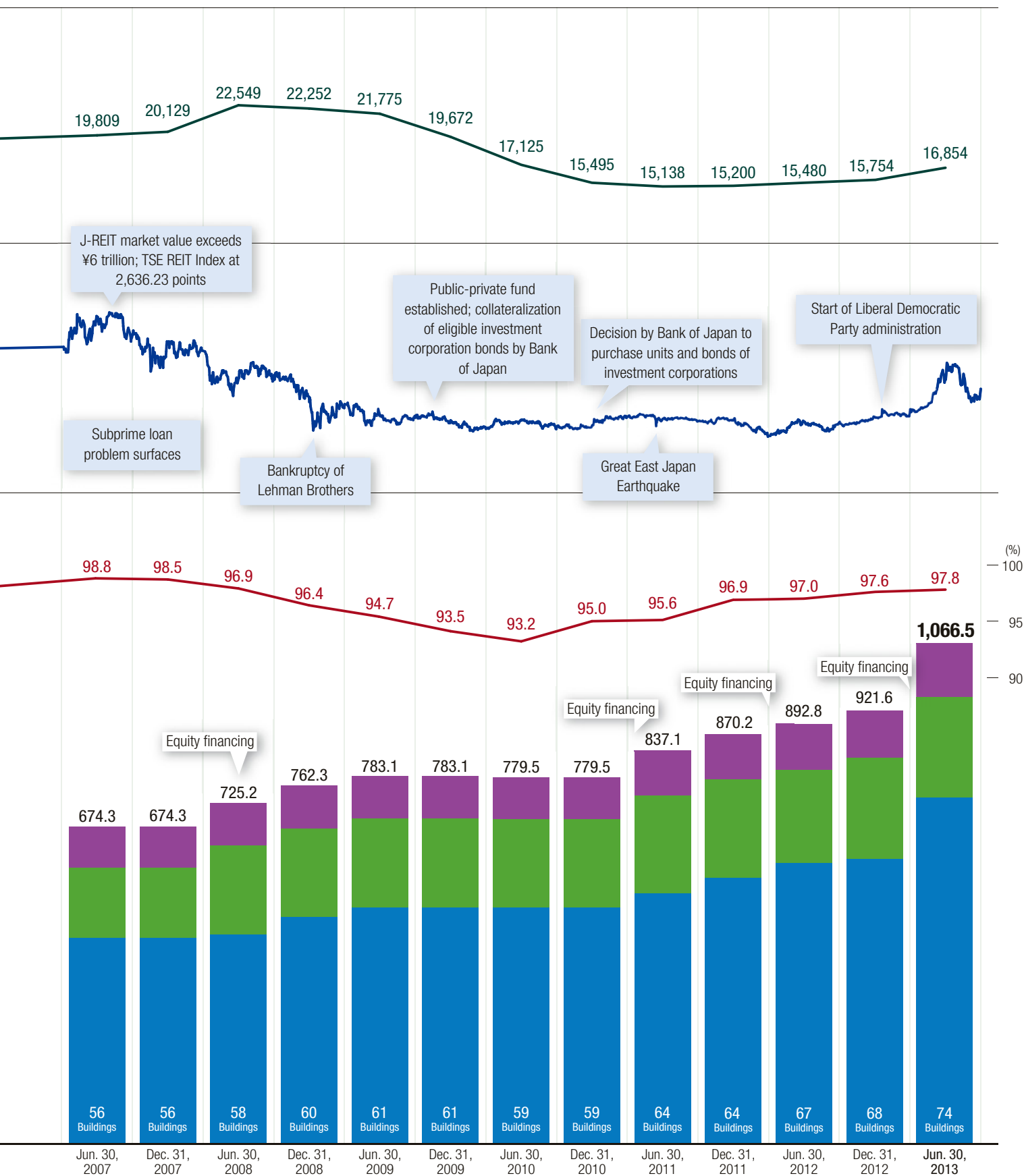
Aqua Dojima NBF Tower and Aqua Dojima East



NBF Matsuyama Nichigin-mae Building

A Track Record of Steady Growth





Management Team and Management Structure

(As of June 30, 2013)

Nippon Building Fund Inc. (NBF) is an investment corporation that takes a medium-to-long-term perspective with the aim of generating steady asset growth and stable profits. NBF continues to do its utmost for investors.

Nippon Building Fund Inc.

Nippon Building Fund Inc. is an investment corporation established with the objective of investing in assets, primarily Designated Assets as defined by the Investment Trust Law of Japan. NBF entrusts the management of its assets to Nippon Building Fund Management Ltd., which is an asset management company.

NBF's primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. NBF achieves this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in the central business districts (CBDs) of Tokyo, other Greater Tokyo and other cities in Japan. NBF also invests in securities, beneficiary certificates representing beneficial interests in trusts and other assets backed by office properties.

General Meeting of Unitholders

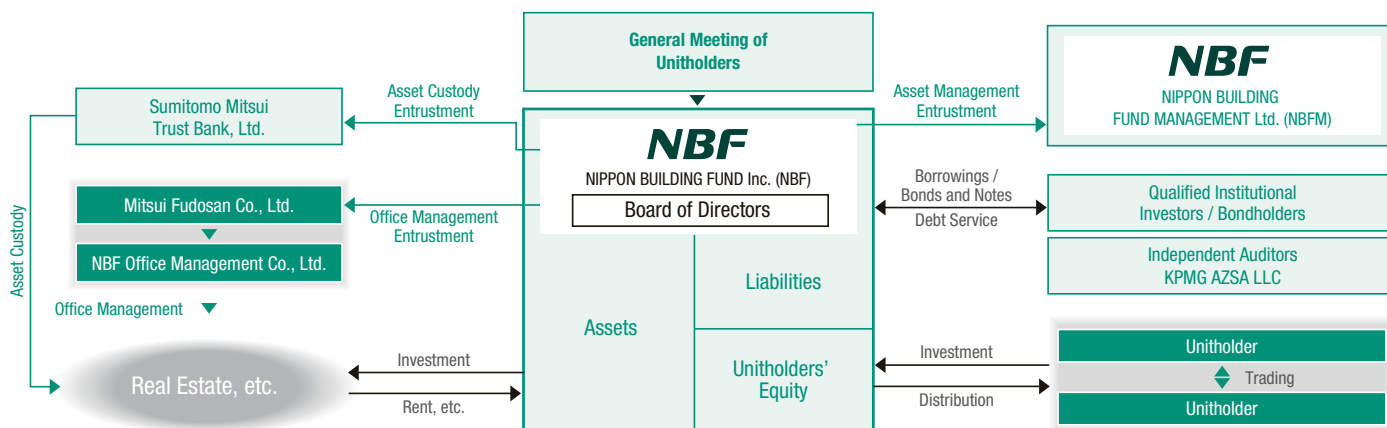
Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Unitholders, which convenes at least once every two years, in principle. The eighth General Meeting of Unitholders convened on March 14, 2013. The date of the next General Meeting of Unitholders has not been set.

The General Meeting of Unitholders adopts or vetoes resolutions on the basis of a simple majority of the voting rights of unitholders in attendance, unless otherwise stipulated by laws, regulations or NBF's articles of incorporation. Decisions on substantive matters such as changes in the articles of incorporation require the attendance of unitholders that control a simple majority of total units issued and outstanding, and a two-thirds majority of the voting rights of such unitholders. In addition, any change in the asset management policies and standards, which are stipulated by NBF's articles of incorporation, requires an extraordinary resolution of unitholders as outlined above.

Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors, but the number of supervisory directors must always be at least one greater than the number of executive directors. As of June 30, 2013, NBF had one executive director and three supervisory directors.

NBF's executive directors are responsible for business execution and have authority for all judicial and extrajudicial proceedings related to the operations of NBF. Supervisory directors are responsible for supervising execution by the executive directors.



Management Team



From left: Tetsuro Tsugawa, Tsutomu Nishikawa, Yoshiyuki Hirai, Yutaka Fukaya

	Name	Career Summary
Executive Director	Tsutomu Nishikawa	Appointed Executive Director of NBF in March 2011 after serving as an executive officer of Mitsui Fudosan Co., Ltd.
Supervisory Directors	Yoshiyuki Hirai	Appointed Supervisory Director of NBF in March 2009 and reappointed in March 2013. Real Estate Appraiser.
	Tetsuro Tsugawa	Appointed Supervisory Director of NBF in March 2013. Attorney.
	Yutaka Fukaya	Appointed Supervisory Director of NBF in March 2013. Certified Public Accountant and Certified Public Tax Accountant.

The Board of Directors consists of the executive and supervisory directors. Its responsibilities include authorizing business execution and supervising the performance of the executive directors. Resolutions by the Board of Directors require a simple majority with more than half of the members of the Board in attendance.

The bylaws of NBF's Board of Directors stipulate that executive and supervisory directors may not participate in decisions in which they have a vested interest. Executive and supervisory directors with such financial interest shall not be included in the number of executive and supervisory directors in attendance for such decisions.

The terms of office of executive directors and supervisory directors are two years from the time they assume office. The terms of executive directors and supervisory directors selected to fill a vacancy or to increase the number of directors expire at the same time as the remaining terms of their predecessors or the current directors.

The executive director serving as of April 1, 2013 was elected with the consent of all unitholders on March 14, 2013. The three supervisory directors and the substitute supervisory director were elected at the General Meeting of Unitholders held on March 14, 2013, and assumed office on March 17, 2013.

Nippon Building Fund Management Ltd.

NBF entrusts asset management to Nippon Building Fund Management Ltd. under an asset management agreement.

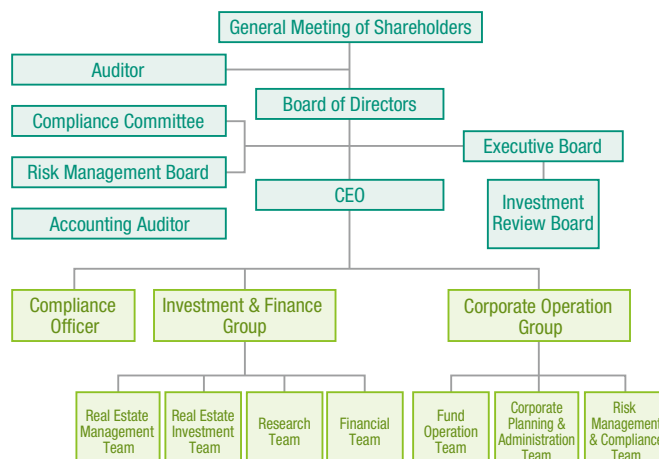
Matters Entrusted to Nippon Building Fund Management Ltd.

As the asset management company required by the Investment Trust Law of Japan, Nippon Building Fund Management Ltd. manages NBF's assets in accordance with the asset management objectives and policies stipulated by NBF's articles of incorporation. In addition, in accordance with the manager of general administration contract designating Nippon Building Fund Management Ltd. as the institutional manager of NBF's assets, Nippon Building Fund Management Ltd. executes certain responsibilities in connection with the operation of the General Meeting of Unitholders and the Board of Directors as manager of general administration.

Management Structure of Nippon Building Fund Management Ltd.

The Board of Directors makes decisions on the basic management policies of Nippon Building Fund Management Ltd. and oversees execution of the duties of the representative director. The president, who is the representative director, supervises and

Management Structure



executes the operations of Nippon Building Fund Management Ltd. The heads of the Investment & Finance Group and the Corporate Operation Group also serve as directors, and oversee their respective divisions under the direction and oversight of the president. Corporate auditors conduct accounting audits and operational audits of Nippon Building Fund Management Ltd. The Compliance Officer oversees compliance for the asset management company and is responsible for internal administration in connection with internal audits at the asset management company.

Nippon Building Fund Management Ltd. Management Team

Name	Title	Career Summary
Kenichi Tanaka	President and CEO	Apr. 1982 Joined Mitsui Fudosan Co., Ltd. Apr. 2007 General Manager, Operating Administration Department of Mitsui Fudosan Co., Ltd. Apr. 2010 General Manager, Residential Leasing Business Department, Accommodations Business Division of Mitsui Fudosan Co., Ltd. Apr. 2012 Appointed President and CEO of Nippon Building Fund Management Ltd. (current position)
Koji Matsufuji	Director, Chief Investment Officer, Chief Financial Officer	Apr. 1987 Joined Mitsui Fudosan Co., Ltd. Apr. 2005 Manager, PM-II, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd. Apr. 2006 Associate General Manager, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd. Apr. 2007 Executive Manager, Development Planning Group, Regional Development Department, Retail Properties Division of Mitsui Fudosan Co., Ltd. Apr. 2010 General Manager of Business Promotion Department of NBF Office Management Co., Ltd. Apr. 2013 Appointed Director, Chief Investment Officer and Chief Financial Officer of Nippon Building Fund Management Ltd. (current position)
Masahiko Misao	Director, Chief Operating Officer	Apr. 1980 Joined Sumitomo Life Insurance Company Apr. 2003 General Manager, Real Property Department of Sumitomo Life Insurance Company Mar. 2008 Director and General Manager, Commercial Operation Department, Shinagawa Intercity Management Co., Ltd. Apr. 2012 Appointed Director and Chief Operating Officer of Nippon Building Fund Management Ltd. (current position)
Hiromu Yamanaka	Director (Part-time)	Apr. 2013 Became Director of Nippon Building Fund Management Ltd. (current position)
Hiroshi Yabuki	Director (Part-time)	Apr. 2013 Became Director of Nippon Building Fund Management Ltd. (current position)
Yasushi Akimoto	Auditor (Part-time)	Apr. 2013 Became Auditor of Nippon Building Fund Management Ltd. (current position)
Kenshi Ueda	Auditor (Part-time)	Apr. 2013 Became Auditor of Nippon Building Fund Management Ltd. (current position)

Compliance Initiatives

The management of NBF and Nippon Building Fund Management Ltd. conduct honest and appropriate business activities while maintaining rigorous compliance by adhering to all relevant laws and regulations, based on a high level of corporate ethics.

The bylaws of NBF's Board of Directors stipulate that Board of Directors' meetings are to be held at least once every three months. In practice, NBF holds such meetings once a month. At Board meetings, executive directors report on the execution of their duties and supervisory directors ensure that oversight and check-and-balance systems are functioning properly.

Nippon Building Fund Management Ltd. views compliance as a management strategy, with a fundamental compliance policy of conducting operations honestly and fairly while maintaining a rigorous compliance system based on a high level of corporate ethics. Specifically, Nippon Building Fund Management Ltd. has established a Compliance Committee, consisting of the Compliance Officer, the president, the head of the Investment & Finance Group, the head of the Corporate Operation Group and an outside committee member. Initiatives to enhance awareness of and adherence to compliance include the establishment of Compliance Rules and a Compliance Manual. In addition, a Compliance Program is formulated each year to verify the progress of the execution plan for that year and identify any problem areas.

Risk Management System

NBF and Nippon Building Fund Management Ltd. have established the following risk management system to avoid and minimize risks related to investments.

NBF

NBF's Risk Management Regulations define risk management policies and procedures. The Risk Management Board convenes once every three months and undertakes deliberation, monitoring and other initiatives to ensure that the entrusted asset managers are conducting their duties with due care in good faith in a manner consistent with its fiduciary duty to the conservation and maintenance of entrusted assets.

Nippon Building Fund Management Ltd.

Nippon Building Fund Management Ltd. formulates a Management Policy, a Medium-to-Long-Term Asset Management Policy and an Annual Management Plan to follow in managing NBF's assets. In addition, Nippon Building Fund Management Ltd. has set Asset Management Guidelines as a set of standards to follow.

The Asset Management Guidelines consist of management guidelines for management, acquisition and sale of assets; financial guidelines for fund procurement and management policies; accounting guidelines for tax accounting and dividend distribution policies; and guidelines on transactions with potential conflicts of interest.

Policy and Management System for Dealing with Conflict of Interest Transactions

Fundamental Policy on Conflict of Interest Transactions

Nippon Building Fund Management Ltd. is constantly aware of its accountability to NBF and NBF's unitholders with regard to any transactions in which the interests of NBF and the interests of Nippon Building Fund Management Ltd. and its related corporations or customers may conflict. Nippon Building Fund Management Ltd. follows voluntary rules stipulated in laws and internal bylaws to proactively prevent conflicts of interest.

All decisions made in executing the management of NBF's assets are subject to the approval of the president, and are made after going through discussions by the Investment Review Board and Executive Board of Nippon Building Fund Management Ltd. Sponsor companies are not permitted to intervene in the decision-making process.

Voluntary Rules for Conflict of Interest Transactions Stipulated in Internal Bylaws

Nippon Building Fund Management Ltd. has set voluntary rules in its internal bylaws to address transactions with parties, including sponsor companies that have interests in Nippon Building Fund Management Ltd.

The voluntary rules require the Investment Division, which initiates the transaction, as well as the Compliance Department, the Asset Management Examination Meeting and other units to protect NBF's managed assets and profits by fully examining the transaction contents according to the voluntary rules set in the internal bylaws in the event of a transaction in which the interests of Nippon Building Fund Management Ltd. and parties that have interests in Nippon Building Fund Management Ltd. may conflict with the interests of NBF. These rules are designed from the standpoint of accountability to NBF and its unitholders.

In examining the transaction contents, Nippon Building Fund Management Ltd. solicits the opinions of attorneys, certified tax accountants and other third-party experts as needed. In addition, when purchasing real estate or other assets from parties that have interests in Nippon Building Fund Management Ltd., the purchase price is strictly set, in principle no higher than the appraised value according to a real estate appraiser with no vested interest.

Management's Discussion and Analysis

Summary of Selected Financial Data

		24th Period from January 1, 2013 to June 30, 2013	23rd Period from July 1, 2012 to December 31, 2012	22nd Period from January 1, 2012 to June 30, 2012	24th Period from January 1, 2013 to June 30, 2013
Yen in millions, except per unit data or where otherwise indicated					U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 35,720	¥ 31,530	¥ 30,244	\$ 360,044
Revenue from property leasing activities		33,623	31,530	30,244	338,905
Profits of dispositions		2,097	—	—	21,139
Operating expenses		19,904	18,909	17,798	200,627
Rental expenses		18,285	17,614	16,525	184,303
Loss on sale of investment property		—	—	—	—
Income before income taxes		12,942	9,658	9,490	130,453
Net income	(a)	12,941	9,657	9,489	130,445
Funds from operations	Note 3	17,542	15,850	15,628	176,817
Net operating income from property leasing activities	Note 3	22,036	20,107	19,857	222,113
Total amount of cash distribution	(b)	11,663	9,657	9,489	117,558
Depreciation and amortization		6,698	6,191	6,139	67,511
Capital expenditures		1,704	2,269	2,137	17,176
Total assets	(c)	1,047,992	899,123	871,140	10,563,369
Interest-bearing debt		473,250	399,625	374,000	4,770,184
Net assets	(d)	517,584	446,004	445,836	5,217,059
Total number of units issued (units)	(e)	692,000	613,000	613,000	
Net assets per unit (Yen/\$)	(d) / (e)	747,954	727,577	727,302	7,539
Distribution per unit (Yen/\$)	(b) / (e)	16,854	15,754	15,480	170
Funds from operations per unit (Yen/\$)	Note 3	25,714	25,854	25,713	259
ROA	Note 3	1.3%	1.1%	1.1%	
(Annual rate)		(2.7%)	2.2%	(2.2%)	
ROE	Note 3	2.7%	2.2%	2.2%	
(Annual rate)		(5.4%)	4.3%	(4.4%)	
Loan to value (LTV)	Note 3	45.2%	44.4%	42.9%	
Capital ratio	(d) / (c)	49.4%	49.6%	51.2%	
Payout ratio	(b) / (a), Note 4	90.1%	100.0%	100.0%	
Number of days		181	184	182	
Number of investment properties	Note 5	74	68	67	
Number of tenants	Note 5	1,524	1,460	1,080	
Total rentable area (m ²)		1,055,729	913,747	893,203	
Occupancy rate (End-tenant basis)	Note 5	97.8%	97.6%	97.0%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥99.21 = U.S.\$1.00, the approximate exchange rate on June 30, 2013.

2. Operating revenues do not include consumption tax.

3. 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 Gain and Loss on sale of investment 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 Gain and Loss on sale of investment properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period

ROA: Income before income taxes / (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

4. Payout ratio figures are calculated to one decimal place only.

5. Number of investment 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 ratio of gross leased area to total rentable area at the end of the period.

Operating Environment and Results

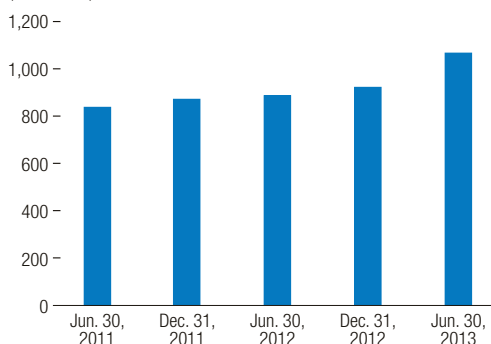
During the six months ended June 30, 2013 (the "24th Period"), the yen weakened and stock prices rose in Japan as a result of emergency measures to revive the domestic economy and bold new monetary easing policies. These trends, coupled with moderate recovery in the U.S. economy, supported increased exports backed by the ongoing depreciation of the yen. Corporate earnings strengthened, mainly in the manufacturing industry. Personal consumption was firm because of an improvement in consumer sentiment stemming from higher stock prices and recovery in employment. Vacancy rates decreased moderately in the office leasing market, where the supply of new large-scale properties was limited during the first half of 2013. Gradual improvement in business sentiment and employment supported demand that included relocations to increase or consolidate office space and expansion of existing space. In the real estate acquisition market, aggressive property acquisition among J-REITs backed by factors such as equity financing in a favorable fund procurement environment drove overall transaction volume. J-REITs substantially increased acquisitions of distribution facilities, while their acquisitions of office buildings during the first half of 2013 alone essentially equaled all J-REIT office building acquisitions during 2012.

Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of location, size and facilities, and are expected to generate stable cash flow from rents. During the 24th Period, NBF acquired Shinbashi M-SQUARE (fee simple ownership, acquisition price of ¥11.9 billion; acquisition prices as well for all properties below), Sumitomo Mitsui Banking Nagoya Building (trust beneficiary interests, ¥14.9 billion), and NBF Osaki Building (the former Sony City Osaki; quasi co-ownership of trust beneficiary interests, ¥66.7 billion) in February 2013. NBF also acquired Panasonic Tokyo Shiodome Building (quasi co-ownership of trust beneficiary interests, ¥5.1 billion), Gate City Ohsaki (additional acquisition, condominium interests and co-ownership interests in condominium interests, ¥15.6 billion), Ikebukuro East (fee simple ownership, ¥8.6 billion), and Shibuya Garden Front (additional acquisition, co-ownership interests, ¥11.6 billion) in March 2013, and Celestine Shiba Mitsui Building (condominium interests and co-ownership interests in condominium interests, ¥22.5 billion) in May 2013. Total acquisition price was ¥156.8 billion. Furthermore, in May 2013 NBF disposed of NBF Nihonbashi Muromachi Center Building (50 percent quasi co-ownership of trust beneficiary interests, disposition price of ¥14.1 billion). For properties already in its portfolio, NBF systematically conducted property management, renovations and new construction to further raise tenant satisfaction. NBF also worked to secure stable rental revenue by setting appropriate rents for new tenants and revising rents for tenants renewing their lease contracts while keeping abreast of market trends.

NBF's real estate portfolio as of June 30, 2013 comprised 74 properties. Total investment on an acquisition price basis was ¥1,066.5 billion. Total rentable area was 1,055,729m². Including subleases, the occupancy rate increased 0.2 percentage points from December 31, 2012 to 97.8 percent and the number of tenants amounted to 1,524.

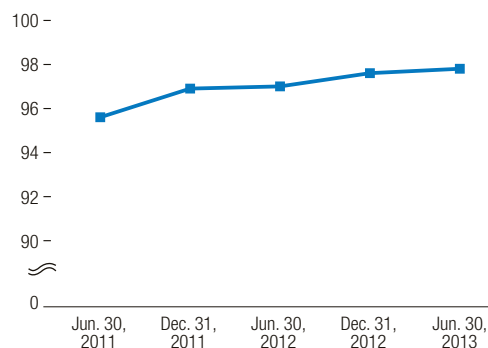
Total Investment

(Yen in billions)



Occupancy Rate

(%)

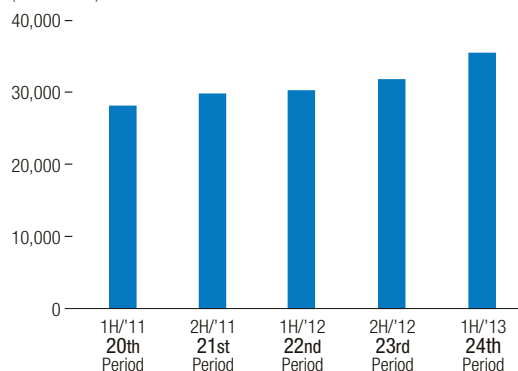


Overview of Performance

New operation of the eight properties acquired during the six months ended June 30, 2013 (including additional acquisitions) and full-period operation of properties acquired in the previous period were major factors that increased earnings. As a result, operating revenues for the six months ended June 30, 2013 increased ¥4,190 million, or 13.3 percent, to ¥35,720 million. Operating income increased ¥3,195 million, or 25.3 percent, to ¥15,816 million. Net income increased ¥3,284 million, or 34.0 percent, to ¥12,941 million. Distribution per unit was ¥16,854.

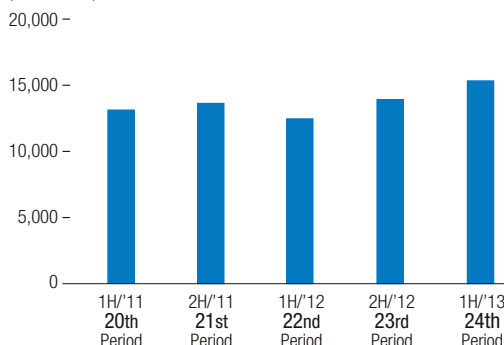
Operating Revenues

(Yen in millions)



Operating Income From Property Leasing Activities

(Yen in millions)



Distribution for the Current Period

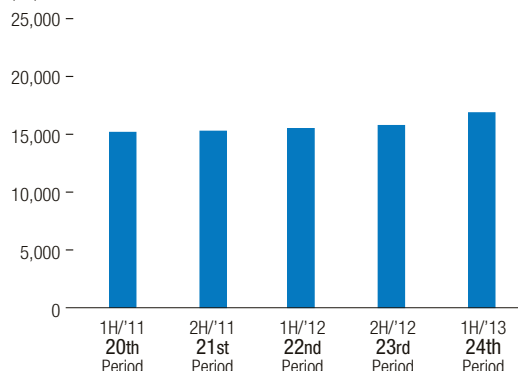
Distribution per unit for the current period was ¥16,854. NBF expects to distribute all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law of Japan to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
(Yen in thousands, except per unit amounts)			
Retained earnings	¥12,941,753	¥9,657,486	¥9,489,337
Undistributed earnings	—	284	97
Reserve for advanced depreciation	1,278,785	—	—
Total cash distribution	11,662,968	9,657,202	9,489,240
(Cash distribution per unit)	16,854	15,754	15,480
Distribution of accumulated earnings	11,662,968	9,657,202	9,489,240
(Distribution of accumulated earnings per unit)	16,854	15,754	15,480
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

Note: Above cash distributions were paid after the period end.

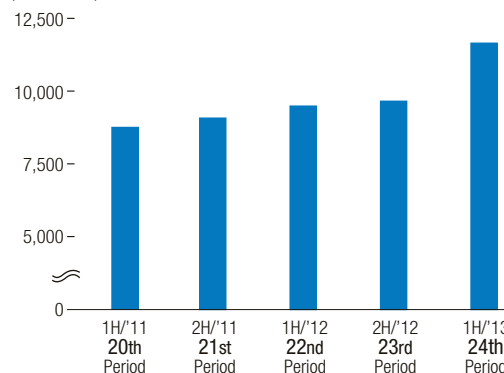
Distribution per Unit

(Yen)



Total Amount of Cash Distribution

(Yen in millions)



Changes in Assets, Liabilities and Net Assets

Assets

As of June 30, 2013, total assets increased by ¥148,869 million to ¥1,047,992 million compared with December 31, 2012. Return on average total assets (ROA) for the six months ended June 30, 2013 increased to 1.33 percent from 1.09 percent for the previous six-month period.

Current assets increased by ¥4,326 million to ¥42,514 million compared with December 31, 2012. Investment properties increased by ¥143,881 million to ¥999,218 million compared with December 31, 2012.

Liabilities

Current liabilities increased by ¥14,356 million to ¥87,516 million compared with December 31, 2012, primarily because of an increase in long-term debt due within one year compared with December 31, 2012.

Long-term debt increased by ¥59,625 million to ¥396,500 million compared with December 31, 2012.

As a result, total interest-bearing liabilities increased by ¥73,625 million to ¥473,250 million compared with December 31, 2012. However, the ratio of long-term fixed-rate debt (for which the redemption period at the time of contract or issuance is more than one year) to total interest-bearing liabilities decreased to 94.7 percent as of June 30, 2013 from 95.0 percent as of December 31, 2012.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, increased to 45.2 percent as of June 30, 2013 from 44.4 percent as of December 31, 2012.

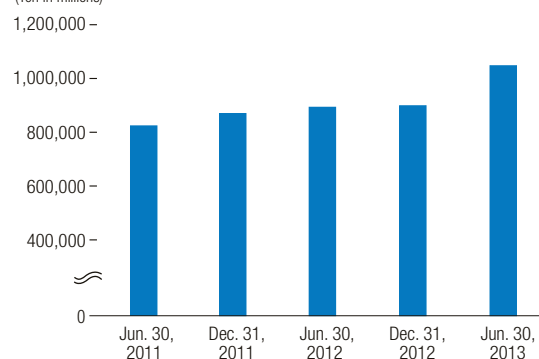
In addition, NBF worked to diversify funding sources. In January 2013, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

Net assets

Net assets increased by ¥71,580 million to ¥517,584 million compared with December 31, 2012.

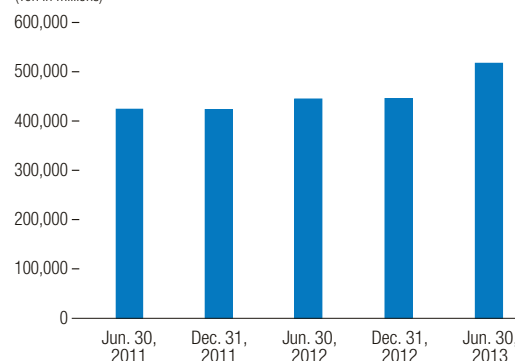
Total Assets

(Yen in millions)



Net Assets

(Yen in millions)



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 June 30, 2013, NBF had issued 692,000 units out of 2,000,000 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	2,942	210,679	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	37,159	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,571	386,176	Note 10
January 26, 2011	Public offering	34,000	576,000	26,957	413,133	Note 11
February 22, 2011	Third party allocation	2,500	578,500	1,982	415,115	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	2,726	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	4,323	504,309	Note 16

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.

Market Price of Units

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

	For the six months ended June 30, 2013	For the six months ended December 31, 2012 (Yen)	For the six months ended June 30, 2012
High	¥1,435,000	¥904,000	¥809,000
Low	892,000	737,000	629,000

Borrowings

Borrowings from financial institutions as of June 30, 2013 are shown below.

Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Sumitomo Mitsui Trust Bank, Limited.	¥10,000	0.2%	July 31, 2013	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
Sumitomo Mitsui Banking Corporation	10,000	0.2%	July 31, 2013			
Mitsubishi UFJ Trust and Banking Corporation	5,000	0.2%	July 31, 2013			
Total short-term loans	¥25,000					

Long-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	(Note 2) (Note 3)		
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
	4,000	2.2%	April 28, 2019			
	8,250	2.2%	August 30, 2019			
	10,000	1.3%	July 2, 2023			
Mitsubishi UFJ Trust and Banking Corporation	3,000	1.8%	July 31, 2014			
	1,000	1.8%	September 30, 2014			
	7,000	1.5%	March 4, 2016			
	15,000	1.1%	March 1, 2019			
	15,000	0.8%	July 31, 2020			
	10,000	0.7%	February 26, 2021			
	5,000	1.0%	June 30, 2021			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,000	1.6%	September 30, 2013			
	4,000	1.8%	September 30, 2014			
	4,000	1.0%	June 1, 2017			
	5,000	0.8%	July 2, 2019			
	10,000	0.6%	February 28, 2020			
	7,000	1.0%	May 29, 2020			
Sumitomo Mitsui Trust Bank, Limited.	5,000	1.6%	September 30, 2013			
	10,000	1.2%	June 1, 2018			
	10,000	1.1%	December 30, 2019			
	5,000	1.2%	March 5, 2021			
Mizuho Bank, Ltd.	8,000	1.7%	July 31, 2013			
	7,000	1.2%	November 30, 2018			
	2,000	0.7%	February 7, 2017			
	10,000	0.9%	February 28, 2022	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
Sumitomo Mitsui Banking Corporation	6,000	1.9%	April 28, 2014			
	1,000	1.8%	June 30, 2014			
	4,000	1.1%	December 30, 2022			
	10,000	1.0%	February 28, 2023			
	5,000	1.0%	April 28, 2023			
Sumitomo Life Insurance Company	7,000	2.1%	May 23, 2018			
	5,000	1.9%	May 23, 2016			
	5,000	1.7%	July 16, 2014			
	3,000	1.8%	February 3, 2016			
	5,000	1.0%	July 19, 2017			
Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
MITSUI LIFE INSURANCE COMPANY, LIMITED	3,000	1.6%	December 13, 2013			
	3,000	1.9%	May 29, 2014			
	2,000	1.1%	February 13, 2020			
	2,000	0.9%	March 29, 2019			
	2,000	1.2%	March 30, 2021			
	2,000	1.0%	November 1, 2022			
	2,000	1.5%	May 30, 2025			
Mizuho Trust Banking Co., Ltd.	10,000	1.0%	February 28, 2023			
THE BANK OF FUKUOKA, Ltd.	2,000	1.0%	June 1, 2017			
	2,000	0.6%	June 30, 2017			
	4,000	0.5%	July 12, 2017			
Resona Bank, Limited.	3,000	2.0%	October 30, 2015			
	1,000	1.0%	June 1, 2017			
	3,000	1.0%	March 8, 2019			
Shinkin Central Bank	3,000	1.0%	June 1, 2017			
	3,000	0.7%	December 30, 2016			
Nippon Life Insurance Company	2,000	1.4%	April 1, 2015			
	2,000	1.3%	October 19, 2018			
	2,000	1.3%	May 31, 2019			
TAIYO LIFE INSURANCE COMPANY	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
	1,000	2.0%	August 31, 2015			
	1,000	1.0%	July 2, 2021			
	1,000	1.0%	May 29, 2020			

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
DAIDO LIFE INSURANCE COMPANY	1,000	2.0%	October 31, 2014	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	1,000	1.4%	October 4, 2013			
	2,000	1.6%	February 3, 2015			
	1,000	0.9%	March 29, 2019			
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014			
	2,000	1.0%	February 25, 2016			
	1,000	1.0%	May 29, 2020			
The Daishi Bank, Ltd.	2,000	0.7%	March 3, 2017			
	2,000	0.6%	June 30, 2017			
	1,000	0.5%	April 27, 2018			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
The Yamaguchi Bank, Ltd.	1,000	0.9%	January 4, 2017			
	1,000	1.1%	May 1, 2019			
	1,000	1.1%	September 4, 2020			
Meiji Yasuda Life Insurance Company	3,000	1.3%	April 27, 2022			
The Joyo Bank, Ltd.	1,000	0.7%	March 3, 2017			
	1,000	0.6%	March 27, 2020			
The Yamanashi Chuo Bank, Ltd.	1,000	0.4%	December 28, 2015			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
The Gunma Bank, Ltd.	1,000	0.7%	May 31, 2018			
Shinsei Bank, Limited	1,000	1.5%	May 30, 2025			
Total long-term loans	¥378,250					
Total borrowings (Note 6)	¥403,250					

- 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. Scheduled for repayment of ¥125 million at six-month intervals and ¥2,625 million at the final maturity date.
3. Scheduled for repayment of ¥250 million at six-month intervals and ¥5,250 million at the final maturity date.
4. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.
5. 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.
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	¥26,750	¥62,750	¥23,750	¥48,750

NBF Bonds

Issue	Issue date	Balance as of June 30, 2013 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Notes 2 and 4
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
No. 11 Unsecured Bonds	January 28, 2010	10,000	1.23%	January 28, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 12 Unsecured Bonds	September 15, 2011	10,000	0.64%	September 15, 2016	Bullet payment	Note 1	Notes 3 and 5
No. 13 Unsecured Bonds	June 26, 2013	10,000	1.17%	June 26, 2023	Bullet payment	Note 1	Notes 3 and 5
Total (Note 6)		¥70,000					

- Notes: 1. Use of funds includes acquisition of real estate, etc., repayment of borrowings and working capital.
2. These bonds are only issued to qualified institutional investors.
3. Rank pari passu with all other publicly and privately issued bonds.
4. Subject to provision of collateral and financial restrictions pursuant to material decline in credit rating.
5. Subject to provision of collateral restrictions.
6. 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	¥10,000	¥10,000	¥10,000	¥20,000	¥10,000

Others

NBF has security deposits totaling ¥46,311 million as of June 30, 2013.

Capital Expenditures

1. Planning

As of June 30, 2013, 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 January 1, 2013 to June 30, 2013))	Cumulative amount paid
Ikebukuro East	Renovation of air conditioning	From January 2014 to June 2014	¥441	¥ —	¥ —
Yokohama ST Bldg.	Renovation of air conditioning	From January 2014 to June 2014	262	—	—
Yokohama ST Bldg.	Renovation of air conditioning	From July 2013 to December 2013	225	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (West Building)	From February 2014 to June 2014	195	—	—
NBF Shinkawa Bldg.	Renovation of power generation facilities (West Building)	From July 2013 to December 2013	194	—	—
NBF Shinkawa Bldg.	Renovation of power generation facilities (East Building)	From July 2013 to December 2013	188	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (East Building)	From February 2014 to June 2014	185	—	—
Ryukakusan Bldg.	Renovation of air conditioning	From September 2013 to November 2013	171	—	—
Shibuya Garden Front	Renovation of air conditioning	From March 2014 to June 2014	166	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (East Building)	From July 2013 to December 2013	139	—	—
GSK Bldg.	Renovation of air conditioning	From July 2013 to December 2013	116	—	—
GSK Bldg.	Renovation of air conditioning	From January 2014 to June 2014	116	—	—
NBF Shin-Urayasu Tower	Earthquake resistance improvement of emergency elevator	From August 2013 to November 2013	109	—	—
NBF Matsudo Bldg.	Renovation of air conditioning	From September 2013 to November 2013	107	—	—
NBF Matsudo Bldg.	Renovation of air conditioning	From January 2014 to March 2014	87	—	—
NBF Niigata Telecom Bldg.	Renovation of disaster prevention equipment	From April 2014 to June 2014	68	—	—
Sumitomo Densetsu Bldg.	Renovation of restroom	From August 2013 to November 2013	63	—	—
Sumitomo Densetsu Bldg.	Renovation of restroom	From February 2014 to May 2014	58	—	—
Parale Mitsui Bldg.	Renovation of air conditioning	From October 2013 to December 2013	52	—	—
NBF Utsunomiya Bldg.	Renovation of exterior	From July 2013 to August 2013	43	—	—
NBF Sakai-Higashi Bldg.	Renovation of access control system	From April 2014 to June 2014	42	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of restroom	From October 2013 to December 2013	42	—	—
NBF Atsugi Bldg.	Renovation of restroom	From July 2013 to December 2013	41	—	—
NBF Hiroshima Tatemachi Bldg.	Renovation of elevator	From February 2014 to June 2014	40	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of restroom	From January 2014 to March 2014	36	—	—
NBF Sakai-Higashi Bldg.	Renovation of air conditioning	From September 2013 to December 2013	34	—	—
NBF Matsudo Bldg.	Renovation of lighting equipment	From March 2014 to May 2014	29	—	—
NBF Shijo Karasuma Bldg.	Renovation of access control system	From March 2014 to June 2014	23	—	—
NBF Shijo Karasuma Bldg.	Renovation of exterior	From March 2014 to April 2014	16	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,704 million in capital expenditures together with ¥1,085 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning, renovation of restroom, renovation of lighting equipment and emergency lighting equipment, etc.	From January 2013 to June 2013	¥ 176
Aqua Dojima NBF Tower	Renovation of wall through air conditioning, exchange of tenant entrance key, wiring maintenance, renovation of emergency rectifier, etc.		173
Nakanosakaue Sunbright Twin	Leasehold improvement, raised floor laying, renovation of rooftop cooling tower fan, etc.		120
NBF Hibiya Bldg.	Renovation of air conditioning, renovation of water supply pipe, renovation of calorimeter, etc.		104
NBF Sakai-Higashi Bldg.	Renovation of air conditioning, renovation of watt-hour meter, renovation of restroom wash basin, etc.		63
Ryukakusan Bldg.	Renovation of air conditioning, renovation of air supply and exhaust fan for parking, installation of rooftop equipment foundation, etc.		55
NBF Unix Bldg.	Renovation of air conditioning, improvement of cold/warm water pump and cooling water pump, renovation of heater for private power generator fuel tank, etc.		40
NBF Shijo Karasuma Bldg.	Renovation of all heat exchanges, compartment alteration work, extension of drive way surveillance camera, etc.		14
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		959
Total			¥1,704

3. Cash Reserve for Capital Improvements

NBF accumulates cash reserves from cash flows to prepare for large-scale mid-term to long-term capital improvements and repairs and maintenance that will be conducted in accordance with NBF's business plan for each property.

	As of June 30, 2013	As of December 31, 2012
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,710	¥1,177
Amount accumulated in the current period	3,432	2,907
Withdrawal from reserves in the current period	4,629	2,374
Amount carried forward	¥2,907	¥1,710

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.
2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥5,599 million as of June 30, 2013.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
	(Yen in millions)		
Asset management fees	¥1,241	¥1,087	¥1,050
Asset custody fees	42	42	40
Agent fees (stock transfer, accounting and administrative)	52	47	47
Directors' remuneration	12	12	14
Auditor's fees	14	14	14
Other expenses	258	93	108
Total	¥1,619	¥1,295	¥1,273

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 by NBF in the current period.

(Yen in millions)

Name of building	Date	Acquisitions
		Acquisition price (Note 1)
Shinbashi M-SQUARE	February 1, 2013	¥ 11,900
Sumitomo Mitsui Banking Nagoya Bldg.	February 1, 2013	14,900
NBF Osaki Bldg.	February 28, 2013	66,660
Panasonic Tokyo Shiodome Bldg.	March 12, 2013	5,075
Gate City Ohsaki (Additional Acquisition)	March 22, 2013	15,550
Ikebukuro East	March 25, 2013	8,630
Shibuya Garden Front (Additional Acquisition)	March 29, 2013	11,569
Celestine Shiba Mitsui Bldg.	May 31, 2013	22,500
Total		¥156,784

Note: 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 and Transactions with Major Shareholders of Asset Management Company

(1) Ongoing Transactions

Category	Amount of purchase price, etc. (Note 2) (Note 3)	
	Purchase price, etc. (Yen in millions)	Sale price, etc. (Yen in millions)
Total amount	¥156,784	¥14,100
	Amount of purchases from related parties, etc.	Amount of sales from related parties, etc.
	¥ 78,646 (50.2)	¥14,100 (100.0)
Breakdown of transactions with related parties, etc.		
Mitsui Fudosan Co., Ltd.	¥ 49,950 (31.9)	¥14,100 (100.0)
Daisetsu Properties Godo Kaisha (LLC)	14,900 (9.5)	— (—)
Sumitomo Life Insurance Company	13,796 (8.8)	— (—)
Total	¥ 78,646 (50.2)	¥14,100 (100.0)

(2) Fees Paid for the Period from January 1, 2013 to June 30, 2013

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)	
Property intermediary fees	¥2,273	Mitsui Fudosan Co., Ltd.	¥ 129	5.7%
		Mitsui Fudosan Realty Co., Ltd.	129	5.7%
Office management fees, etc. (Note 4)	1,402	Mitsui Fudosan Co., Ltd.	1,360	97.0%
		NBF Office Management Co., Ltd.	37	2.6%
Property maintenance fees	3,358	Mitsui Fudosan Facilities Co., Ltd.	544	16.2%
		Mitsui Fudosan Co., Ltd.	390	11.6%
		Mitsui Fudosan Building Management Co., Ltd.	225	6.7%
		First Facilities West Co., Ltd.	122	3.6%
		First Facilities Yokohama Co., Ltd.	5	0.2%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.0%
Leasing related service fees	58	NBF Office Management Co., Ltd.	15	25.5%
		Mitsui Fudosan Co., Ltd.	12	19.8%
		Mitsui Fudosan Realty Co., Ltd.	0	0.3%

- Notes: 1. "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. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period from January 1, 2013 to June 30, 2013, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., First Facilities Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities West Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd. and Mitsui Fudosan Realty Co., Ltd. which meet either of the said definitions, are as described above.
2. Figures indicate contractual sales prices.
3. Figures indicate percentages of total prices.
4. In terms of properties for which NBF has not entrusted office management businesses to Mitsui Fudosan Co., Ltd. due to its master leasing (12 properties: Gate City Ohsaki, Nishi-Shinjuku Mitsui Bldg., Toranomon Kotohira Tower, Nakameguro GT Tower, Celestine Shiba Mitsui Bldg., Higashi Gotanda Square, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.), NBF has entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
5. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

(Yen in millions)	
Mitsui Fudosan Facilities Co., Ltd.	¥547
First Facilities West Co., Ltd.	363
Mitsui Fudosan Building Management Co., Ltd.	219
Mitsui Fudosan Co., Ltd.	165
Uniliving Co., Ltd.	12
Mitsui Designtec Co., Ltd.	11
Mitsui Fudosan Housing Lease Co., Ltd.	9
Mitsui Fudosan Retail Management Co., Ltd.	3
Mitsui Fudosan Realty Co., Ltd.	2
Daiichi Engei Co., Ltd.	0

6. On April 1, 2013, First Facilities Co., Ltd and LaLaport Management Co., Ltd. have changed each company name to Mitsui Fudosan Facilities Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd.

Balance Sheets

NIPPON BUILDING FUND INC.
As of June 30, 2013 and December 31, 2012

	As of June 30, 2013	As of December 31, 2012
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents (Note 3)	¥ 39,760	¥ 37,265
Tenant receivables	400	321
Other current assets	2,354	602
Total current assets	42,514	38,188
Investment Properties:		
Land including trust accounts (Notes 4, 13)	663,456	564,252
Buildings and improvements including trust accounts (Notes 4, 13)	387,595	338,515
Other tangible assets (Notes 4, 13)	12,265	10,839
Less: accumulated depreciation (Notes 4, 13)	(99,801)	(93,917)
Leasehold rights in trust accounts and other intangible assets (Note 13)	35,703	35,648
Total investment properties, net	999,218	855,337
Other Assets	6,260	5,598
Total Assets	¥1,047,992	¥899,123
Liabilities		
Current Liabilities:		
Short-term loans (Notes 3, 6)	¥ 25,000	¥ 20,000
Long-term debt due within one year (Notes 3, 6)	51,750	42,750
Accounts payable	4,861	4,691
Rents received in advance	4,392	3,950
Accrued expenses and other liabilities	1,513	1,769
Total current liabilities	87,516	73,160
Long-term Debt (Notes 3, 6)	396,500	336,875
Tenant Security Deposits Including Trust Accounts (Note 3)	46,311	43,005
Other Liabilities	81	79
Total Liabilities	530,408	453,119
Net Assets (Note 5)		
Unitholders' Equity		
Unitholders' capital	504,309	436,013
Units authorized: 2,000,000 units		
Units issued and outstanding: 692,000 units as of June 30, 2013 and 613,000 units as of December 31, 2012		
Retained earnings	13,275	9,991
Total Net Assets	517,584	446,004
Total Liabilities and Net Assets	¥1,047,992	¥899,123

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

Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2013, December 31, 2012 and June 30, 2012

	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
	(Yen in millions)		
Operating Revenues and Expenses			
Operating Revenues:			
Rental (Note 7)	¥30,752	¥28,516	¥27,710
Other revenues related to property leasing (Note 7)	2,871	3,014	2,534
Gain on sale of investment property (Note 8)	2,097	—	—
Total Operating Revenues	35,720	31,530	30,244
Operating Expenses:			
Property management fees (Note 7)	4,741	4,518	4,346
Real estate taxes (Note 7)	2,900	2,738	2,785
Repairs and maintenance (Note 7)	1,085	1,046	732
Insurance (Note 7)	37	35	34
Other rental expenses (Note 7)	2,824	3,086	2,489
Depreciation and amortization (Note 7)	6,698	6,191	6,139
Asset management fees	1,241	1,087	1,050
Other operating expenses	378	208	223
Total Operating Expenses	19,904	18,909	17,798
Operating Income	15,816	12,621	12,446
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	4	3	4
Property tax refund and interest on tax refund	255	—	—
Non-Operating Expenses:			
Interest expense	(3,001)	(2,917)	(2,863)
Amortization of bond issuance costs	(11)	(11)	(11)
New investment units issuance costs	(85)	—	(47)
Other non-operating expenses, net	(36)	(38)	(39)
Ordinary Income	12,942	9,658	9,490
Income before Income Taxes	12,942	9,658	9,490
Current and deferred income taxes (Note 9)	(1)	(1)	(1)
Net Income	¥12,941	¥ 9,657	¥ 9,489

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

Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2013, December 31, 2012 and June 30, 2012

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of December 31, 2011	578,500	¥415,115	¥ 9,127	¥424,242
Cash dividends declared	—	—	(8,793)	(8,793)
Issuance of new units through public offering as of January 25, 2012	30,000	18,172	—	18,172
Issuance of new units through allocation to a third party as of February 21, 2012	4,500	2,726	—	2,726
Net income	—	—	9,489	9,489
Balance as of June 30, 2012	613,000	436,013	9,823	445,836
Cash dividends declared	—	—	(9,489)	(9,489)
Net income	—	—	9,657	9,657
Balance as of December 31, 2012	613,000	436,013	9,991	446,004
Cash dividends declared	—	—	(9,657)	(9,657)
Issuance of new units through public offering as of January 23, 2013	74,000	63,973	—	63,973
Issuance of new units through allocation to a third party as of January 31, 2013	5,000	4,323	—	4,323
Net income	—	—	12,941	12,941
Balance as of June 30, 2013	692,000	¥504,309	¥13,275	¥517,584

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

Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2013, December 31, 2012 and June 30, 2012

	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 12,942	¥ 9,658	¥ 9,490
Depreciation and amortization	6,698	6,191	6,139
Amortization of bond issuance costs	11	11	11
Interest expense	3,001	2,917	2,863
Increase in tenant receivables	(79)	(24)	(2)
Increase in accounts payable	62	554	304
Increase in rents received in advance	442	119	35
Decrease in investment properties due to sale	11,998	—	—
Cash payments of interest expense	(2,773)	(2,887)	(2,937)
Decrease in consumption tax refund receivable	(1,875)	—	—
Others, net	(285)	329	(381)
Net Cash Provided by Operating Activities	30,142	16,868	15,522
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(162,268)	(31,095)	(25,276)
Payments for purchases of intangible assets	(56)	—	—
Proceeds from tenant security deposits	6,465	2,362	2,113
Payments for tenant security deposits	(3,159)	(1,221)	(1,759)
Payments for security deposits paid to lessors	(6)	(9)	(10)
Others, net	(752)	(260)	(275)
Net Cash Used in Investing Activities	(159,776)	(30,223)	(25,207)
Cash Flows from Financing Activities:			
Net proceeds from (repayment of) short-term loans	5,000	(9,000)	7,000
Proceeds from long-term debt	85,000	46,000	21,000
Repayment of long-term debt	(16,375)	(11,375)	(31,375)
Proceeds from issuance of new units	68,210	—	20,851
Payments for bond issuance costs	(51)	—	—
Payment of dividends	(9,655)	(9,489)	(8,793)
Net Cash Provided by Financing Activities	132,129	16,136	8,683
Net Change in Cash and Cash Equivalents	2,495	2,781	(1,002)
Cash and Cash Equivalents at the Beginning of Period	37,265	34,484	35,486
Cash and Cash Equivalents at the End of Period	¥ 39,760	¥ 37,265	¥ 34,484

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2013, December 31, 2012 and June 30, 2012

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 43% of NBFM while Sumitomo Life Insurance Company owns 35% and the remaining 22% 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 June 30, 2013, NBF had ownership or beneficiary interests in 74 office properties containing approximately 1,055,729 square meters of rentable office space. As of June 30, 2013, NBF had leased office space to 1,160 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 98.2%.

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 subsidiaries.

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.

Investment Properties

Investment 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	2-50 years
Structures	2-50 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-19 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 as 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.

New Investment Units Issuance Cost

The issuance costs of new investment units are expensed when incurred.

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.

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 ¥741 million for the period ended June 30, 2013, ¥56 million for the period ended December 31, 2012 and ¥133 million for the period ended June 30, 2012.

Revenue Recognition

NBF operates office properties that are rented to tenants on lease terms of generally two years, with monthly payments due in advance. Rental and other property income is recorded when due from tenants and is recognized monthly as it is earned. Common area charges provided for in tenant leases are recognized as income when earned and their amounts can be reasonably estimated.

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.

Short-term loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the debt-asset ratio 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

The fair value of financial instruments is based on their observable market value, if available. When there is no observable market value available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, 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 June 30, 2013 are as follows.

The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2. below).

	(Yen in millions)		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 39,760	¥ 39,760	¥ —
Total	¥ 39,760	¥ 39,760	¥ —
Liabilities			
(1) Short-term loans	¥ 25,000	¥ 25,000	¥ —
(2) Long-term debt due within one year	51,750	52,142	392
(3) Long-term debt	396,500	403,882	7,382
Total	¥473,250	¥481,024	¥7,774

Notes: 1. Methods to Estimate Fair Value of Financial Instruments

Assets:

(1) Cash and cash equivalents

Book values of those instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short term period.

Liabilities:

(1) Short-term loans

Book values of those instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short term period.

(2) 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.

	(Yen in millions)		
	Book value	Fair value	Difference
(1) Investment corporation bonds	¥10,000	¥10,123	¥123
(2) Long-term loans	41,750	42,019	269
Total	¥51,750	¥52,142	¥392

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 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) Long-term debt

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

	(Yen in millions)		
	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 60,000	¥ 61,691	¥1,691
(2) Long-term loans	336,500	342,191	5,691
Total	¥396,500	¥403,882	¥7,382

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 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.

Book value, fair value and difference between the two as of December 31, 2012 are as follows.

The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2. below).

	(Yen in millions)		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 37,265	¥ 37,265	¥ —
Total	¥ 37,265	¥ 37,265	¥ —
Liabilities			
(1) Short-term loans	¥ 20,000	¥ 20,000	¥ —
(2) Long-term debt due within one year	42,750	43,045	295
(3) Long-term debt	336,875	348,761	11,886
Total	¥399,625	¥411,806	¥12,181

Notes: 1. Methods to Estimate Fair Value of Financial Instruments

Assets:

(1) Cash and cash equivalents

Book values of those instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short term period.

Liabilities:

(1) Short-term loans

Book values of those instruments are used to determine their fair values, as the book values are considered to approximate fair values because these instruments are settled within a short term period.

(2) Long-term debt due within one year

Fair values of 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) Long-term debt

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

	(Yen in millions)		
	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 60,000	¥ 61,985	¥ 1,985
(2) Long-term loans	276,875	286,776	9,901
Total	¥336,875	¥348,761	¥11,886

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 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. Financial Instruments for Which It Is Very Difficult to Estimate the Fair Value.

	(Yen in millions)	
	As of June 30, 2013	As of December 31, 2012
Tenant security deposits including trust accounts	¥46,311	¥43,005

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, that makes a reasonable estimate of future cash flows difficult.

3. Redemption Schedule for Monetary Claims as of June 30, 2013

	(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
Cash and cash equivalents	¥39,760	—	—	—	—	—

Redemption Schedule for Monetary Claims as of December 31, 2012

	(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
Cash and cash equivalents	¥37,265	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2013

	(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
Short-term loans	¥25,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	10,000	10,000	10,000	20,000	10,000	10,000
Long-term loans	41,750	26,750	62,750	23,750	48,750	174,500
Total	¥76,750	¥36,750	¥72,750	¥43,750	¥58,750	¥184,500

Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2012

(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
Short-term loans	¥20,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	—	10,000	20,000	10,000	10,000	10,000
Long-term loans	42,750	36,750	30,750	40,750	39,750	128,875
Total	¥62,750	¥46,750	¥50,750	¥50,750	¥49,750	¥138,875

Note 4 Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2013 and December 31, 2012 consisted of the following:

	As of June 30, 2013			As of December 31, 2012		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 309,480	¥ —	¥309,480	¥257,640	¥ —	¥257,640
Land in trust	353,976	—	353,976	306,612	—	306,612
Land including trust total	663,456	—	663,456	564,252	—	564,252
Buildings and improvements	203,175	(41,963)	161,212	183,251	(38,702)	144,549
Buildings and improvements in trust	184,420	(52,398)	132,022	155,264	(50,158)	105,106
Building and improvements including those in trust total	387,595	(94,361)	293,234	338,515	(88,860)	249,655
Structures	3,026	(1,260)	1,766	2,830	(1,189)	1,641
Machinery and equipment	1,721	(826)	895	1,568	(750)	818
Tools, furniture and fixtures	1,368	(638)	730	1,265	(575)	690
Structures in trust	2,797	(900)	1,897	2,139	(840)	1,299
Machinery and equipment in trust	1,779	(1,004)	775	1,655	(939)	716
Tools, furniture and fixtures in trust	1,574	(812)	762	1,367	(764)	603
Construction in process	—	—	—	11	—	11
Construction in process in trust	—	—	—	4	—	4
Other tangible assets total	12,265	(5,440)	6,825	10,839	(5,057)	5,782
Total	¥1,063,316	¥(99,801)	¥963,515	¥913,606	¥(93,917)	¥819,689

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 June 30, 2013 and December 31, 2012 ranged from 0.23% to 0.45%. Long-term debt is at fixed rates and as of June 30, 2013 and December 31, 2012 consisted of the following:

	As of June 30, 2013	As of December 31, 2012
	(Yen in millions)	
Unsecured loans due 2013 to 2025 principally from banks and insurance companies with interest rates mainly ranging from 0.4% to 2.4%	¥378,250	¥319,625
1.74% unsecured bonds due 2014 (Note 1)	10,000	10,000
1.23% unsecured bonds due 2015 (Note 1)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 1)	10,000	10,000
0.64% unsecured bonds due 2016 (Note 1)	10,000	10,000
2.04% unsecured bonds due 2017 (Note 1)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 2)	10,000	10,000
1.17% unsecured bonds due 2023 (Note 1)	10,000	—
	448,250	379,625
Less: amount due within one year	51,750	42,750
	¥396,500	¥336,875

Notes: 1. Subject to provision of collateral restrictions.

2. Subject to provision of collateral and financial restrictions pursuant to material decline in credit rating.

The annual maturities of long-term debt as of June 30, 2013 were as follows:

	(Yen in millions)
Due after one to two years	¥ 36,750
Due after two to three years	72,750
Due after three to four years	43,750
Due after four to five years	58,750
Due after five years	184,500

During the period ended June 30, 2013, NBF obtained committed credit lines of ¥60 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion on June 30, 2013.

Note 7 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2013, December 31, 2012, and June 30, 2012 were as follows:

	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
	(Yen in millions)		
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥27,727	¥25,551	¥24,957
Common area charges	2,910	2,849	2,640
Others	115	116	113
Subtotal	30,752	28,516	27,710
Other revenues related to property leasing:			
Parking lots	648	604	578
Facility charge	222	184	181
Incidental income	1,893	2,064	1,636
Cancellation fees	52	105	46
Miscellaneous income	56	57	93
Subtotal	2,871	3,014	2,534
Total revenues from property leasing	33,623	31,530	30,244
Rental Expenses:			
Property management fees	4,741	4,518	4,346
Real estate taxes	2,900	2,738	2,785
Repairs and maintenance	1,085	1,046	732
Insurance	37	35	34
Other rental expenses	2,824	3,086	2,489
Depreciation and amortization	6,698	6,191	6,139
Total rental expenses	18,285	17,614	16,525
Operating Income from Property Leasing Activities	¥15,338	¥13,916	¥13,719

Note 8 Gain on Sale of Investment Property

Gain on sale of investment property for the period ended June 30, 2013 was as follows. No investment properties were sold during the periods ended December 31, 2012 and June 30, 2012.

NBF Nihonbashi Muromachi Center Bldg.	(Yen in millions)
Proceeds from sale of investment property	¥14,100
Cost of sale of investment property	11,998
Other related sale expenses	5
Gain on sale of investment property	¥ 2,097

Note 9 Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.01% for the periods ended June 30, 2013, December 31, 2012 and June 30, 2012. 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 June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
Statutory tax rate	36.59%	36.59%	39.33%
Deductible dividends	(32.97)	(36.59)	(39.33)
Reserve for advanced depreciation	(3.62)	—	—
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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.

The Act to Revise the Income Tax Act, etc., in Order to Construct a Tax System Addressing Changes in the Socio-Economic Structure (Act No. 114 of 2011) and the Act on Special Measures for Securing Necessary Financial Resources to Implement Measures to Rebuild Areas Devastated by the Great East Japan Earthquake (Act No. 117 of 2011) were promulgated on December 2, 2011. In accordance with the promulgation, the corporation tax rate fell and special corporate tax for reconstruction was imposed at the fiscal period beginning April 1, 2012. These changes had little impact on the deferred tax assets and the income taxes-deferred.

Note 10 Per Unit Information

Information about earnings per unit for the periods ended June 30, 2013, December 31, 2012 and June 30, 2012 and net assets per unit as of June 30, 2013, December 31, 2012 and June 30, 2012 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 each period end.

	For the six months ended June 30, 2013	For the six months ended December 31, 2012	For the six months ended June 30, 2012
	(Yen)		
Earnings per Unit:			
Net income per unit (Yen)	¥18,970	¥15,754	¥15,613
Weighted average number of units outstanding	682,177	613,000	607,783
	As of June 30, 2013	As of December 31, 2012	As of June 30, 2012
Net Assets per Unit (Yen)	¥747,954	¥727,577	¥727,302

Note 11 Leases

As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2013 and December 31, 2012, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2013	As of December 31, 2012
	(Yen in millions)	
Due within one year	¥23,604	¥17,849
Due after one year	39,073	24,072
Total	¥62,677	¥41,921

As Lessee

NBF leases some of its investment properties from outside parties under non-cancelable operating leases. As of June 30, 2013 and December 31, 2012, future minimum rental expenses under the non-cancelable operating leases are as follows:

	As of June 30, 2013	As of December 31, 2012
	(Yen in millions)	
Due within one year	¥2	¥1
Due after one year	1	2
Total	¥3	¥3

Note 12 Transactions with Related Parties**(1) Parent Company and Major Corporate Unitholders**

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(2) Affiliates

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(3) Sister Companies

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(4) Directors and Major Individual Unitholders

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction Yen in millions	Account	Balance at end of period Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM (Note 1) (Note 3)	Payment of asset management fees to NBFM (Note 1)	¥1,163 (Note 2) (Note 4)	Accounts payable	¥314 (Note 4)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 3)	¥2 (Note 4)	Accounts payable	¥1 (Note 4)

- Notes: 1. Koichi Nishiyama resigned from this investment company's corporate executive officer on March 31, 2012. He entered into this transaction as a former representative (retirement as of March 31, 2012) of a third party (NBFM), and the fee amount is subject to the conditions set forth in the by-laws of NBF.
2. The amount of asset management fees includes ¥113 million for management related to acquisition of properties included in the book value of each investment property, etc.
3. Koichi Nishiyama resigned from this investment company's corporate executive officer on March 31, 2012. He entered into this transaction as a former representative (retirement as of March 31, 2012) of a third party (NBFM), and the fee amount is set forth in the "General Administration Agreement Regarding the Management of Institutions" concluded between NBF and NBFM.
4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

Note 13 Investment and Rental Property

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 June 30, 2013	For the six months ended December 31, 2012
Carrying amount		
Balance at beginning of the Fiscal Period	¥ 855,360	¥830,226
Amount of increase (decrease) during current period	143,909	25,134
Balance at end of the Fiscal Period	999,269	855,360
Fair value at end of the period	¥1,048,180	¥896,740

Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.

2. The major increase in the fiscal period ended June 30, 2013 was mainly due to the acquisitions of 8 properties (Shinbashi M-SQUARE, Sumitomo Mitsui Banking Nagoya Bldg., NBF Osaka Bldg., Panasonic Tokyo Shiodome Bldg., Gate City Ohsaki (Additional Acquisition), Ikebukuro East, Shibuya Garden Front (Additional Acquisition) and Celestine Shiba Mitsui Bldg., ¥160,799 million) and the major decrease was mainly due to sale of NBF Nihonbashi Muromachi Center Bldg. (50% quasi co-ownership) which amounted to ¥11,998 million and recognition of depreciation costs.

The major increase in the fiscal period ended December 31, 2012 was mainly due to the acquisitions of 2 properties (NBF COMODIO Shiodome and Nishi-Shinjuku Mitsui Bldg. (Additional Acquisition), ¥28,961 million) and the major decrease was mainly due to 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 7 (Rental Revenues and Expenses).

Note 14 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 June 30, 2013)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line that 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) Investment properties

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

3. Information on Major Tenants

(Yen in millions)		
Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥7,228	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, 2012)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line that 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) Investment properties

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

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,982	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, 2012)

1. Information by Products and Services

Disclosure of this information has been omitted as NBF has a single product/service line that 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) Investment properties

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

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,727	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 15 Significant Subsequent Events

None applicable.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Building Fund Inc.(a Japanese Real Estate Investment Trust), which comprise the balance sheets as at June 30, 2013 and December 31, 2012, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended June 30, 2013, December 31, 2012 and June 30, 2012, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as at June 30, 2013 and December 31, 2012, and their financial performance and cash flows for each of the six months ended June 30, 2013, December 31, 2012 and June 30, 2012 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

October 15, 2013
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 June 30, 2013, 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 Fees 1

The amount equivalent to 2.5% effective from July 1, 2003 of the amount of the revenue arising from Real Estate, etc. as calculated on each closing date (provided, however, that revenues from the sale of Real Estate, etc. and other Managed Assets will be excluded) will be payable.

Management Fees 2

The amount equivalent to 3% of income before income tax (provided, however, that in the event a loss is carried forward, then the amount of income before income taxes remaining after such loss has been covered) prior to deduction of Management Fees 2 as calculated on each closing date will be payable.

Management Fees 3

In the event that Real Estate, etc. is newly acquired, compensation equivalent to the total amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings, and in the event of the simultaneous acquisition of multiple units of Real Estate, etc., the acquisition price of each item, provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition are excluded) multiplied by the following percentage rates will, in principle, be payable, provided, however, that with the approval of the 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 "Office Building Fund Management Japan Limited")
June 16, 2001	Increased capital from ¥198 million to ¥495 million
March 14, 2003	Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")
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, 2013)

Name	Number of Shares Owned	Percent
Mitsui Fudosan Co., Ltd.	4,257	43.0%
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
Mitsui Life Insurance Company Limited	297	3.0
Britel Fund Trustees Limited	297	3.0
Total	9,900	100.0%

Directors and Staff

As of June 30, 2013, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 21 persons.

Name of Directors and Auditors	Title
Kenichi Tanaka	President & CEO (standing)
Koji Matsufuji	Director, Head of Investment & Finance Group (standing)
Masahiko Misao	Director, Head of Administration Group (standing)
Hiromu Yamanaka	Director
Hiroshi Yabuki	Director
Yasushi Akimoto	Corporate Auditor
Kenshi Ueda	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, 2013	(Yen in millions)
Total Assets	¥2,411
Total Liabilities	518
Total Net assets	1,893

Profit and loss for the most recent fiscal year:

Year ended March 31, 2013	(Yen in millions)
Operating Income	¥2,661
Ordinary Profit	1,918
Net Income	1,185

Investment and Distribution Policies

Investment Policies of NBF

A. Basic Policies

NBF's primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. NBF achieves this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in the Tokyo central business districts (hereinafter "CBDs"), Other Greater Tokyo and Other Cities in Japan as well as securities, beneficiary certificates representing beneficial interests in trusts (hereinafter "beneficiary certificates") and other assets backed by office properties (collectively hereinafter "Real Estate, etc.") ("Investment Objectives and Policies," Articles of Incorporation). (Reference to laws, legal documents, etc. used as the basis or sources hereof are set forth in parenthesis herein.)

B. Investment Strategy

Nippon Building Fund Management Ltd. ("NBFM"), based on the investment strategy of NBF set forth below, invests and manages the assets of NBF. NBFM has established asset management guidelines based on the Articles of Incorporation of NBF and in accordance with the investment strategy of NBF.

(1) Strategy for Creation of the Portfolio

The goal of the portfolio is to generate steady growth and stable profits on a medium-to-long-term basis. The selection criteria of investment assets is based on the composition of investment assets in the portfolio and on consideration of a quantitative proportion of the office stock located in the various regions of Japan.

Area Diversification

The investment strategy of NBF divides the investment area into three areas consisting of Tokyo CBDs, Other Greater Tokyo and Other Cities in such manner that 70% or more of total investment assets (Real Estate, etc.) are allocated to Tokyo CBDs and Other Greater Tokyo and 30% or less to Other Cities. The purpose of this area diversification is to mitigate cash flow risks such as earthquakes, risk of vacancies and so forth ("Investment Objectives and Policies," Articles of Incorporation).

The following table sets forth above said area diversification strategy.

Area and Allocation Ratio	Area Analysis
Tokyo CBDs 9 central wards in Tokyo: Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro	<ul style="list-style-type: none"> Relatively high rent levels and low vacancy rates compared to Other Cities; also, relatively large market scale (both leasing and purchase/sale) with high growth rates. Relatively low yearly NOI yields. Relatively high liquidity at the time of sale.
Other Greater Tokyo Other 14 wards of Tokyo and neighboring cities (see Note 1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama, etc.	<ul style="list-style-type: none"> Basic special characteristics are between those of Tokyo CBDs and Other Cities.

Total of above two areas: 70% or more

Other Cities Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto, etc.	<ul style="list-style-type: none"> Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs, with some variance by each area's characteristics; also, relatively small market scale and low growth rates. Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
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Total of above area: 30% or less

Notes: 1. "Neighboring cities" refers to the metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi.
 2. Due to unforeseeable events, such as extreme fluctuations in macroeconomic trends, financial trends, real estate market trends and so forth, it may not always be possible to operate in accordance with each of the above criteria ("Investment Objectives and Policies," Articles of Incorporation).

(2) Acquisition Strategy

a) Ratio of Real Estate Assets

NBF will maintain a ratio of 75% or more with respect to the "Designated Real Estate Ratio" ("Investment Objectives and Policies," Articles of Incorporation). As of December 31, 2012, NBF satisfied the criteria.

The "Designated Real Estate Ratio" means the ratio of the total amount of Designated Real Estate to the total amount of Designated Assets owned by NBF.

Note: Designated Real Estate includes real estate, real estate leasehold rights, superficies and beneficiary certificates backed by real estate, land leasehold rights and superficies (as designated under Article 83.4.3.1 of the Special Taxation Measures Law of Japan).

b) Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from the acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of measures responding to risks of deterioration and obsolescence, insurability and so forth of the relevant office properties (or Beneficiary

Certificates backed by such office properties) ("Investment Objectives and Policies," Articles of Incorporation). The details of the relevant criteria are set forth in the following table.

Though such consideration will involve the study of the criteria included in the following table, it is possible that when NBF acquires or intends to acquire operating assets, not all of the following criteria will be satisfied.

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m² (approximately 500 <i>tsubo</i>) or more. Desired standard net rentable area per floor is 330m² (approximately 100 <i>tsubo</i>) or more.
Construction type and specifications of facilities	<ul style="list-style-type: none"> Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.
Earthquake resistance	<ul style="list-style-type: none"> Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto (obtain structural appraisal/assessment (appraisal/assessment of the building structure pursuant to the Building Standards Law conducted by The Building Center of Japan), etc.).
Measures regarding status of legal title	<ul style="list-style-type: none"> In cases such as co-ownership, divided condominium ownership, a building erected on leased land, etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated. Measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans. Appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner's interest, etc.
Tenancy characteristics	<ul style="list-style-type: none"> Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.
Environmental: condition of land, etc.	<ul style="list-style-type: none"> Absence of harmful substances such as asbestos (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.

c) Uncompleted or Unleasable Properties

In principle, NBF acquires Real Estate, etc. which are leased/leasable assets at the time of closing. NBF may acquire a property which is not yet leasable at the time of closing based on consideration of the impact on NBF's asset management activities after taking into account the investment amount, the date of completion or of becoming leasable, estimated revenue and so forth, provided, however, that the contract amount of any such unleasable asset combined with the total contract amount of previously acquired unleasable assets (but excluding

unleasable assets which thereafter become operational) will not exceed 10% of the total assets indicated on the most recent balance sheet of NBF. For this purpose, "leased/leasable assets" shall mean property with respect to which the construction of the building has been completed and such building is leased or leasable. Properties which are owned by NBF and have become operational at some point shall be deemed "leasable" thereafter (including such cases as reconstruction or large-scale renovation of a building) ("Investment Objectives and Policies," Articles of Incorporation).

(3) Management and Disposition Policies

Regarding acquired Real Estate, etc., the goal is to obtain steady growth of operating profits on a medium-to-long-term basis by planning to maintain and improve asset value and competitive ability through investment in facilities and by expanding income (increasing rents, etc., increasing occupancy rates, extending the term of leases and rendering them more stable, etc.) and reducing property-related expenses.

NBF will, in principle, for the purpose of assuring stable income on a medium-to-long-term basis, lease out all Real Estate, etc. included in operating assets (including installation of parking lots, billboards, etc.). When conducting such leasing, security deposits, etc. and other similar monies may be received and said monies will be managed in accordance with the requirements of the Articles of Incorporation ("Investment Objectives and Policies," Articles of Incorporation).

NBF is entitled to establish reserves for long-term renovations required to maintain and enhance the value of operating properties, reserves for payables, reserves for cash distributions and any other similar reserves, etc. (Article 14.1 (2) of the Articles of Incorporation).

a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of June 30, 2013, foreseen reserves provided from July 2013 to June 2014 are as follows:

Item	Reason
Reserves for long-term renovations	<ul style="list-style-type: none"> Average annual amount over an approximately 10-year period based on engineering reports
Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)	<ul style="list-style-type: none"> Expenses of providing "free access floor" Expenses for other move-in construction costs (partitions, etc.)

Total Foreseen Amount (annual basis): ¥3,954 million

Notes: 1. In addition to the above-mentioned amount, certain amounts are set aside as cash reserves for renovation pursuant to the administrative rules of the buildings in which NBF owns condominium interests, etc.

2. The amount of reserves set forth above is the total amount of reserves with respect to the 74 properties owned by NBF as of June 30, 2013.

b) Measures to Avoid Reductions and Fluctuations in Operating Income

In order to avoid large-scale reductions and fluctuations in operating income due to fire damage, withdrawal of tenants and so forth, efforts, such as area diversification and obtaining adequate fire and casualty insurance, etc., will be exerted.

c) Disposition

In disposing of individual operating properties, selections will be made through comprehensive research and analysis based on the forecasted income, actual and predicted fluctuations in asset value, future prospects and stability of the area of location, risks of deterioration and obsolescence of real estate and predicted costs thereof as well as the composition of the portfolio, etc. Sell/hold studies will be periodically undertaken with respect to all operating properties ("Investment Objectives and Policies," Articles of Incorporation).

(4) Financial Policies

a) Issuance of Units

NBF may issue units in order to undertake acquisition and renovation and so forth of assets and to provide allowance for funds required for working capital as well as for the repayment of debt (including security deposits, borrowings and repayment of obligations regarding NBF bonds, etc.).

b) Debt Financing

NBF may raise capital (including use of the call loan market) and issue bonds in order to undertake acquisition and renovation and so forth of assets and to provide allowance for funds required for working capital as well as for the repayment of debt (including security deposits, borrowings and repayment of obligations regarding NBF bonds, etc.) ("Investment Objectives and Policies," Articles of Incorporation).

Borrowings are limited to those from Qualified Institutional Investors as specified in the Financial Instruments and Exchange Law of Japan, in case capital is borrowed. Further, the total limit on all such borrowings and issues of NBF bonds will be ¥1,000,000 million. When undertaking borrowings or when issuing NBF bonds, NBF may provide operating assets as collateral (Article 15 of the Articles of Incorporation).

c) Loan-to-Value Ratio

The ratio of the total amount of borrowings, issues of NBF bonds and lease deposits under management to the total amount of assets of NBF (loan-to-value ratio) is envisioned to be limited to 60%, but may

temporarily exceed 60% when acquiring certain assets, etc. (medium-to-long-term operating asset management policy and annual management plan established by the Asset Management Company).

d) Derivative Transactions

NBF purchases rights in derivatives transactions solely to hedge against risks, including risks of fluctuation in interest rates for debt, as set out in Article 2.20 of the Financial Instruments and Exchange Law of Japan ("Investment Objectives and Policies," Articles of Incorporation).

(5) Disclosure Policy

NBF's policy on disclosure is to earn recognition from society by showing itself to be an open and transparent investment company. It also works at all times to engender an environment in which it can disseminate fair and unbiased information to all its investors without delay. In addition to conducting disclosure in the style required by the Investment Trust and Investment Corporation Law of Japan, the Financial Instruments and Exchange Law of Japan, the Tokyo Stock Exchange, the Investment Trusts Association and other laws and organizations, NBF also voluntarily discloses information it deems necessary for investor decision-making.

a) Appraisal Value, etc.

In the event that NBF undertakes asset valuation for the purpose of disclosure in Performance Information Reports, etc. using methods and standards different from those it has set forth, (a) the disclosure value to be used for real estate, real estate leasehold rights and superficies will, in principle, be the appraised valuation provided by a certified real estate appraiser, and (b) the disclosure value to be used for beneficiary certificates, equity interests of *tokumei kumiai* and equity interests of partnerships for which respective assets are real estate, real estate leasehold rights or superficies will be the calculated value of equity interests of each based on the value of their respective assets as determined in (a) plus the fair value of any financial assets as determined in conformity with generally accepted accounting principles, less trust and total *tokumei kumiai* liabilities (Articles of Incorporation).

The appraisal value of property with respect to the period commencing on the acquisition thereof and ending on the date of disclosure of such value with respect to the next following closure of NBF's accounting term shall be the acquisition price of the said property (excluding miscellaneous acquisition costs, fixed assets tax, city-planning tax and consumption tax) as stated in the sale and purchase contract, etc. for the said property.

Investment Objectives of NBF

Investment Restrictions in Articles of Incorporation

The Investment Objectives of NBF specified in the Articles of Incorporation are as follows. Please also refer to “B. Investment Strategy” of “Investment Policies of NBF” herein.

A. Principal Investment Objectives among Designated Assets

NBF will principally invest in the below-listed Designated Assets with the objective of assuring steady growth and stable profits from the Managed Assets.

- (1) Real estate, real estate leasehold interests and superficies
- (2) Beneficiary Certificates backed by real estate, real estate leasehold rights and superficies, including inclusive trusts consisting of funds appurtenant to real estate
- (3) *Tokumei kumiai* ownership interests as defined by Article 535 of the Commercial Code of Japan (provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (4) Equity interests in partnerships as defined by Article 667 of the Civil Code of Japan (limited to leased, operating and managed partnership assets primarily referred to in paragraphs (1) and (2) above that are specified in Article 2.2.5 of the Financial Instruments and Exchange Law of Japan)
- (5) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.8 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (6) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.13 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (7) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.10 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)

(8) Investment Securities (meaning those specified in Article 2.1.11 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)

(9) Beneficiary Certificates of Money Trust (limited to those the trust assets of which are primarily invested and Managed Assets referred to in paragraph (1), (3) or (4) above, provided, however, that those that are deemed securities are excluded)

B. Other Investment Objectives among Designated Assets

NBF may, in the course of efficiently managing funds or in other cases as necessary, invest in the following Designated Assets.

- (1) Bank deposits
- (2) Certificates of deposit issued by Japanese legal entities
- (3) Call loans
- (4) Japanese government bonds, notes and bills (meaning those specified in Article 2.1.1 of the Financial Instruments and Exchange Law of Japan)
- (5) Regional treasury bonds, notes and bills (meaning those specified in Article 2.1.2 of the Financial Instruments and Exchange Law of Japan)
- (6) Commercial paper (meaning that specified in Article 2.1.15 of the Financial Instruments and Exchange Law of Japan)
- (7) Designated bonds of Special Purpose Companies (meaning those specified in Article 2.1.4 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to asset-backed securities principally referred to in paragraphs (1) and (2) of section A above)
- (8) Monetary claims (limited to those claims that are deemed Designated Assets under the Investment Trust Law of Japan other than those referred to in section A and above)
- (9) Securities (other than those listed in section A and above)
- (10) Rights to financial derivative transactions (limited to those specified in Article 2.20 of the Financial Instruments and Exchange Law of Japan)

C. Assets Other than Designated Assets

NBF may, in the course of efficiently managing funds or in other cases as necessary, invest in the following assets.

- (1) Equity interests of partnerships, excluding assets in section A, paragraph (4)
- (2) Easements
- (3) Trademark rights
- (4) Copyrights

- (5) Chattels
- (6) Requisite ancillary rights to Designated Assets referred to in section A

Distribution Policies of NBF

A. Distributions of Profits

A registered investment corporation may deduct its cash dividends of profits from taxable income under Japanese tax regulations if it distributes to its unitholders in excess of 90% of its taxable income and complies with other organizational and operational requirements. NBF intends to make dividend distributions that ensure that NBF satisfies those requirements.

NBF will, in principle, effect distributions in accordance with the following policies (Article 14.1 of the Articles of Incorporation).

- (1) NBF's earnings available for distributions are based on accounting of profits prepared in accordance with the Investment Trust Law and in conformity with generally accepted accounting principles in Japan.

The distributable amount which results from operation of managed assets of NBF (hereinafter, "Distributable Amount") shall be the amount of profit (the amount of net assets on the balance sheet less the amount of total expenses, capital surplus reserves and estimated or equivalent variances) calculated on each closing date.

- (2) The amount of cash distributions will be determined by NBF, such amount being in excess of 90% of earnings available for dividends of NBF set forth in Article 67.15 of the Special Taxation Measures Law of Japan (hereinafter "Distributable Earnings"), provided, however, that the maximum amount of distributions will be the Distributable Amount. NBF has the right to allow for long-term reserve for renovations, reserve for payables, reserve for cash distributions and other reserves and allowances similar thereto which are deemed necessary for maintaining or enhancing the assets of NBF.

- (3) Earnings retained and not allocated to cash distributions or otherwise available for distribution as of the closing date will be managed in accordance with "Investment Objectives and Policies" in the Articles of Incorporation.

B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its unitholders in excess of the Distributable Amount under the Financial

Instruments and Exchange Law of Japan, although the Investment Trusts Association of Japan has established rules such that a corporate-style J-REIT may pay out the excess of retained earnings for the period up to a maximum of 60% of depreciation for the period. NBF is entitled to make cash distributions of the amounts described below in excess of the Distributable Amount in the following cases, provided, however, that the maximum amount of such distributions will be the amount set forth in the rules of the Investment Trusts Association of Japan (Article 14.2 of the Articles of Incorporation).

- (1) Amount determined by NBF as being eligible for the requirements of Article 39.32.3 of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Amount being less than the Taxable Income Available for Dividends.
- (2) Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macroeconomic environments, real estate markets and leasing markets.

As for cash distributions in excess of profits, as long as the current Japanese taxation treatment applicable to NBF's unitholders in Japan to whom such distributions are paid requires them to calculate capital gain or loss at the time of each distribution, NBF will not make distributions in excess of profits.

Notwithstanding the above, NBF may make distributions in excess of profits in accordance with the distribution policies stated above in order to meet "Requirement for Deduction from Taxable Income of Dividends of Profit, etc.," and if such distributions in excess of profits are deemed necessary by the Board of Directors of NBF.

C. Method of Distributions

Distributions will be made in cash, in principle, within three months from the closing date, to such unitholders or registered pledgees as are listed or recorded in the latest Unitholder Registry as of the closing date, in proportion to the number of units owned by or pledged to them (Article 14.3 of the Articles of Incorporation).

D. Prescription for Cash Distributions, etc.

NBF will be discharged from the obligation to pay distributions of profits three calendar years from the date of commencing payment. Interest will not accrue on unpaid distributions (Article 14.4 of the Articles of Incorporation).

Investment Restrictions

A. Investment Restrictions in Articles of Incorporation

The investment restrictions specified in the Articles of Incorporation and the asset management guidelines applicable to NBF. Please also refer to “Investment Policies of NBF, B. Investment Strategy” herein.

(1) Investment Location and Currencies

NBF will invest neither in real estate located outside of Japan nor in assets denominated in non-Japanese currencies (“Investment Objectives and Policies,” Articles of Incorporation).

(2) Borrowing

See “Investment Policies of NBF, B. Investment Strategy, (4) Financial Policies.”

(3) Concentration of Investment

There is no limitation on concentration of investment. See “Investment Policies of NBF, B. Investment Strategy, (1) Strategy for Creation of the Portfolio.”

(4) Investment Objectives

NBF does not invest aggressively in the Monetary Claims and Securities referred to in “Investment Objectives, B. Other Investment Objectives among Designated Assets.” Rather, NBF takes into account their stability and liquidity based on the extent of their relationship with Designated Assets referred to in “Investment Objectives, A. Principal Investment Objectives among Designated Assets.” NBF invests in rights to financial derivatives transactions solely to hedge against risks, including risks of fluctuation in interest rates for debt (“Investment Objectives and Policies,” Articles of Incorporation).

Moreover, investment in other funds (investment securities or Beneficiary Certificates) is limited mainly to those the assets of which are referred to in “Investment Objectives of NBF, A. Principal Investment Objectives among Designated Assets,” paragraphs (1) and (2).

The real estate held by such funds may not include any real estate located outside of Japan (Articles of Incorporation).

(5) Compliance with Laws and Regulations

The Managed Assets of NBF will be managed in compliance with the Financial Instruments and Exchange Law of Japan and related regula-

tions, the rules stipulated by the Investment Trusts Association (as amended), as well as “Investment Objectives and Policies” of the Articles of Incorporation.

B. Compliance with the Financial Instruments and Exchange Law and the Investment Trust Law of Japan

NBF is subject to restrictions on investment under the Financial Instruments and Exchange Law and the investment Trust Law of Japan. Main restrictions are as follows.

(1) Pursuant to Article 198.1 of the Investment Trust Law of Japan, a registered investment corporation must entrust business related to asset management to an asset management company registered as a financial instrument firm, but an asset management company is prohibited from performing certain acts related to the business of managing the assets of said investment corporation. As a result, an investment corporation is subject to certain investment restrictions (all references in parentheses below are to the provisions of the Financial Instruments and Exchange Law of Japan, except where stated otherwise) besides restrictions applied to a registered investment corporation. NBF will naturally comply with such investment restrictions, a general overview of which follows.

a) Internal Transactions (§ 42.2.1)

Transactions between an asset management company and its directors or officers are prohibited except for certain cases specified in Article 128 of the government ordinance regarding the Financial Instruments and Exchange Law that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

b) Reciprocal Transactions with Managed Assets (§ 42.2.2)

Transactions between asset management companies of investment corporation assets are prohibited except for certain cases specified in the provisions of the government ordinance regarding the Financial Instruments and Exchange Law of Japan that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

c) Transactions for the Benefit of Third Parties (§ 42.2.3)

An asset management company may not undertake transactions in certain financial instruments, indices or options based on fluctuations in the

price, index, value, or amount of consideration related to transactions in the assets of an investment corporation, without a legally valid reason, with the objective of benefiting a third party other than NBF or said investment.

d) Transactions Harmful to the Interests of NBF (§ 42.2.4)

An asset management company may not undertake transactions that are other than upon normal terms and conditions for such transactions, and further, such transactions upon said conditions would be harmful to the interests of the investment.

e) Other Transactions Defined by Cabinet

Office Ordinances

In addition to the above, the following activities are prohibited (§42.2.7 of the Financial Instruments and Exchange Law, Cabinet Office Ordinance §130).

- (i) Transactions among the auditors, officers and employees of an asset management company
- (ii) Transactions for the benefit of the investment management company or third parties that would be harmful to the interests of the investment corporation
- (iii) Transactions for the benefit of third parties that are not necessary according to investment management policies, the financial condition of assets under management, or market conditions
- (iv) Asset management that introduces unfair restrictions or other limitations from external entities
- (v) The sale or purchase of investment securities, or similar transactions, with the objective of unfairly inflating transaction amounts or artificially inflating prices
- (vi) Transactions between third parties and their agents (excluding specific transactions to which rights holders have agreed pursuant to advance explanation of the rationale for the transaction)
- (vii) When entities as specified below engage in underwriting investment securities or other transactions, requested tenders or acquisitions of investment securities when the subject investment securities to be acquired by or the amount subscribed under the tender agreement by the said underwriter differ from the planned amounts
 - (a) foreign entities including corporations for their own account (as stipulated by Cabinet Office Ordinance §126.3)
 - (b) entities that hold more than 50/100 of the total amount of investment securities representing underlying managed assets issued in the two most recent fiscal years, as defined by §2.8.1-3, §2.8.8 and §2.8.9 of the Financial Instruments and Exchange Law (limited to investment securities that give holders rights in the said managed assets and such rights)
- (viii) Other activities prohibited by Cabinet Office Ordinance 130

(2) Limitation on Acquisition of the Same Issue of Units (§ 194 of the Investment Trust Law)

An investment corporation may not acquire the same units issued by a corporation in excess of 50/100 of total number of said issued and outstanding units.

(3) Restriction on Acquisition of Own Units and Acceptance of Pledge (§ 80.1 of the Investment Trust Law)

An investment corporation may not acquire units issued by itself, or accept them for the purpose of pledge, unless it acquires units issued by itself in the following cases:

- when acquired from another investment corporation as the surviving entity of a merger;
- when purchasing units pursuant to the provisions of the Investment Trust Law of Japan; or
- when purchasing units pursuant to a government ordinance regarding the Investment Trust Law of Japan.

(4) Restriction on Acquisition of Parent Corporation's Units by Subsidiary Corporation (§ 81.1.2)

An investment corporation (subsidiary), a majority of the units of which is owned by another investment corporation (parent), may not acquire the units of such parent investment corporation except in the following cases:

- when acquired from another investment corporation as the surviving entity of a merger; or
- when purchasing units pursuant to a government ordinance regarding the Investment Trust Law of Japan.

C. Other Restrictions

Subscription and Margin Trading of Securities

Pursuant to the guidelines set by its asset management company, NBF may not subscribe to, or conduct margin trading of, securities.

Corporate Data

(As of June 30, 2013)

Corporate Office	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 http://www.nbf-m.com/nbf_e/
Date of Inception	March 16, 2001
Capital	Contributed capital and units issued and outstanding: ¥504,308 million 692,000 units
Unitholders	16,138
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Business Office of the Transfer Agent	Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank, Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan +81-3-3323-7111
Independent Auditors	KPMG AZSA LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan
Investor Relations	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 27, 2013 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2013 to June 30, 2013, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

This English-language document was prepared solely for the convenience of and reference by overseas investors. It neither corresponds to the original Japanese documents nor is intended to constitute a disclosure document. The Japanese-language Securities Report and the Financial Statements and the Performance Information Report for the aforementioned period should always be referred to as originals of this document.

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The financial statements of Nippon Building Fund Inc. have been prepared in accordance with generally accepted accounting principles in Japan (Japanese GAAP), which may materially differ in certain respects from generally accepted accounting principles in other jurisdictions.

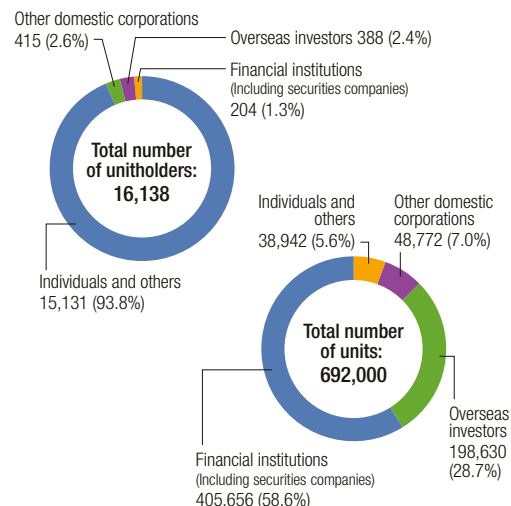
Many provisions of this document contain forward-looking statements and information. We base these statements on our beliefs as well as our assumptions based solely on certain limited information currently available to us. Because these statements reflect our current views concerning future events, these statements involve known and unknown risks, uncertainties and assumptions. Our future performance could materially differ from those set out in these forward-looking statements. We do not undertake and will not undertake to release revisions of forward-looking statements to reflect future events or circumstances or of any other statements or information contained herein.

(As of June 30, 2013)

Six months ending June 30 and December 31

24th Period (From January 1, 2013 to June 30, 2013)	692,000 units
23rd Period (From July 1, 2012 to December 31, 2012)	613,000 units

Expected distribution for the 25th Period	
For the operating period from July 1, 2013 to December 31, 2013 (6 months)	¥17,300 per unit
Confirmed distribution for the 24th Period	
For the operating period from January 1, 2013 to June 30, 2013 (6 months)	¥16,854 per unit



Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	119,295	17.2%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	54,043	7.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	41,771	6.0
The Nomura Trust and Banking Co., Ltd. (Trust Account)	41,732	6.0
Mitsui Fudosan Co., Ltd.	22,815	3.3
Nomura Bank (Luxembourg) SA	19,271	2.8
Sumitomo Life Insurance Company	12,256	1.8
Nomura Securities Co., Ltd.	8,640	1.2
State Street Bank West Client-Treaty	8,356	1.2
State Street Bank-West Pension Fund Clients-Exempt	8,179	1.2





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Tokyo 100-6738, Japan

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