



Second Half of 2013

(25th Period – July to December 2013)

Nippon Building Fund Inc.
http://www.nbf-m.com/nbf_e/

NBF Report



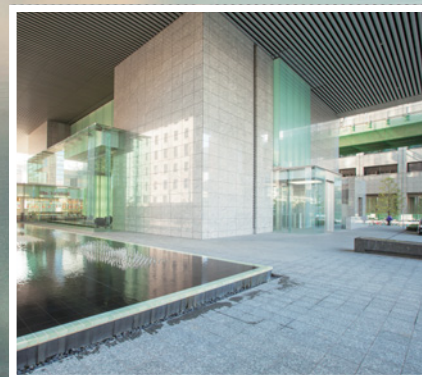
Profile

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.

NAKANOSHIMA CENTRAL TOWER 中之島セントラルタワー





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Introduction

(As of December 31, 2013)

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

NBF Policies

STRATEGIES

Portfolio Strategy

- Make aggressive acquisitions and flexible dispositions
- Focus on highly competitive office buildings, primarily in Tokyo CBDs
- Expand assets
- Use the Mitsui Fudosan Group pipeline

Financial Strategy

- Maintain a conservative LTV of 36-46% and a long-term fixed-rate debt ratio of 90% or higher to enable flexible financing and acquisitions
- Diversify debt to reduce financial risk

Leasing Strategy

- Use the sales capabilities of the Mitsui Fudosan Group for leasing and tenant retention
- Maintain a high occupancy rate

Property Management Strategy

- Use the comprehensive capabilities of the Mitsui Fudosan Group
- Maintain and increase asset value through strategic investment
- Use NBF's exclusive PM company to deliver high-quality management

Increase Unitholder Value

- Stable mid-to-long-term growth in distribution per unit (DPU)
- Expansion of net asset value (NAV) per unit

FEATURES

Portfolio Quality

Portfolio in Tokyo CBDs
(Acquisition price basis)

68.9%

Occupancy rate

97.1%

Unrealized gain

5.8%

Size

The largest J-REIT

Total assets **¥1,022.8 billion**

Market cap **¥847.0 billion**

Properties **71**

Total rentable area **1.03 million m²**

Financial Fundamentals

High credit ratings

R&I (Issuer rating)

AA

S&P (Long-term corporate rating)

A+

Moody's (Issuer rating)

A2

Conservative funding

**Long-term fixed-rate
interest-bearing debt ratio**

99.6%

Average maturity

4.73 years

(Long-term interest-bearing debt)

Sponsor

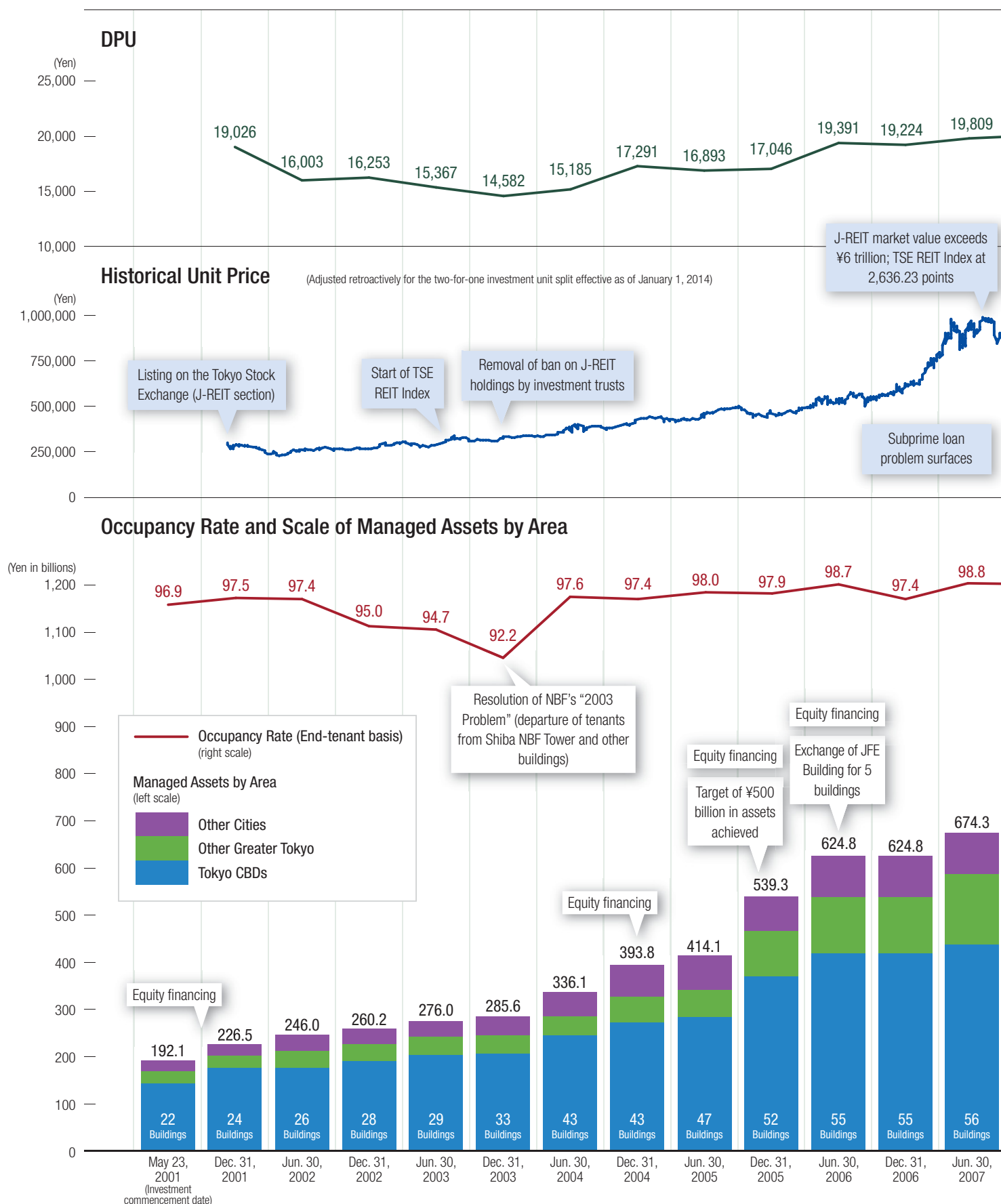
The Mitsui Fudosan Group provides an excellent property acquisition pipeline and supports NBF management.

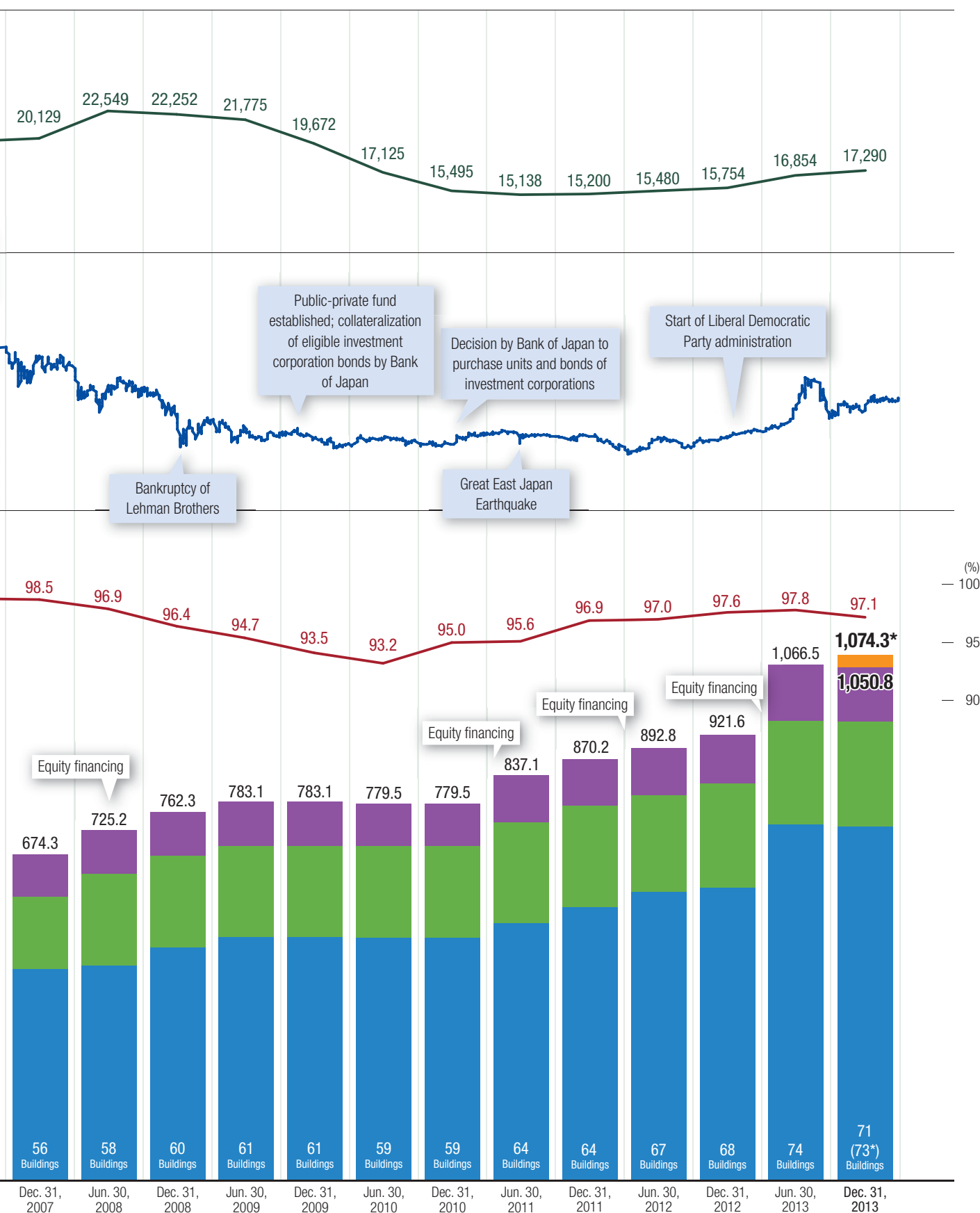
Leasing

Property management

 **MITSUI FUDOSAN**

A Track Record of Steady Growth





*Including acquisitions in the 26th Period, as of March 31, 2014

To Our Unitholders



In 2013, including the 24th and 25th Periods, we succeeded in increasing the size and enhancing the quality of NBF's portfolio.

A handwritten signature in white ink, reading "Ken Tanaka".

Kenichi Tanaka

President and CEO of Nippon Building Fund Management Ltd.

Improvement in the Japanese economy and the real estate market

During the six months ended December 31, 2013 (the "25th Period"), the Japanese economy continued to recover as the effects of the government's economic policies and bold monetary easing by the Bank of Japan spread to markets for goods and services. In the office leasing market, demand remained strong for tenant relocations to better sites or higher-grade buildings, reflecting the fading impact of the large supply of new office buildings in central Tokyo in 2012, a limited supply of new office buildings in 2013, and improvement in corporate earnings. This strong demand resulted in a decline in vacancy rates due to the tighter balance between supply and demand. Although asking rents remained low for the overall market, an increase in asking rents for new buildings and other improvements were apparent primarily in the Tokyo central business districts, particularly for competitive office buildings with high specifications.

Increasing the size and enhancing the quality of our portfolio

NBF's policy is to make investments from a medium-to-long-term perspective to generate steady growth in assets under management and stable profits. Our initiatives in the 25th Period were based on this policy. In 2013, including the 24th and 25th Periods, we succeeded in increasing the size and enhancing the quality of NBF's portfolio.

Anticipating the recovery of the office building leasing market, we took the opportunity to invest in nine properties with a total acquisition price of ¥156.9 billion, primarily in the Tokyo central business districts, including the Sony City Osaki Building (now the NBF Osaki Building) in Shinagawa-ku. We also disposed of three properties, enhancing the quality of our portfolio through asset replacement.

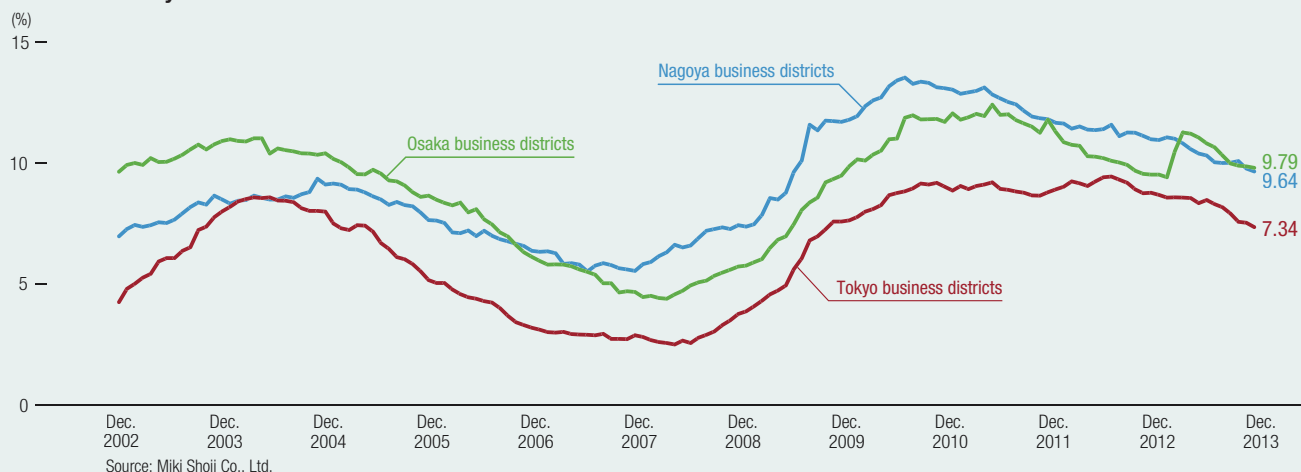
In the office building transaction market, selling prices are on the rise, reflecting increasing demand among investors expecting a full-fledged recovery in the leasing market. Brisk market activity is projected to continue, and NBF intends to make proactive investments in carefully selected properties. From January through March 2014, we have already made three acquisitions, mainly from our sponsors. Two were new properties and one was an additional acquisition at a property already in our portfolio. Moreover, as a result of a capital increase through a public offering in March, we maintain sufficient capacity to make new acquisitions and are prepared for future investment opportunities for external growth.

Increasing unitholder value

NBF will continue to focus on increasing unitholder value by taking full advantage of its features and strengths to achieve mid-to-long-term growth in distribution per unit and expansion of NAV per unit.

Marketing

Market Vacancy Rates in CBDs



Average Asking Rents in Tokyo CBDs



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



CIO and CFO Message

NBF is building a high-quality portfolio by investing aggressively in carefully selected properties while maintaining a sound management base.

Koji Matsufuji

CIO and CFO of Nippon Building Fund Management Ltd.



Steady execution of our portfolio strategy

In 2013, including the 24th and 25th Periods, we increased the size and enhanced the quality of NBF's portfolio. We acquired eight properties in the first half and one in the second half. Seven of the eight properties we acquired in the first half were in Tokyo CBDs. We were able to achieve adequate yields on these acquisitions, with an average NOI yield of 4.48 percent. (The average NOI yield for all eight properties acquired in the first half, including one located in Nagoya, was 4.60 percent.)

The total acquisition price of the nine properties we acquired in 2013, including the one acquired in the second half, was ¥156.9 billion, with an average NOI yield of 4.60 percent. We are proud that we invested in high-quality, large-scale properties primarily in Tokyo CBDs prior to the price increase in the office building market.

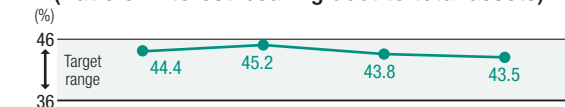
In the first three months of 2014, we took the opportunity to make the following three acquisitions (an additional acquisition at a property already in our portfolio and two new properties).

In January, we acquired condominium interests and co-ownership interests in condominium interests (equivalent to approximately 50.72 percent of the total floor space) in the Sakaisuji-Honmachi Center Building (Chuo-ku, Osaka), a property in which NBF had existing interests, at an acquisition price of ¥6,200 million. With this additional acquisition, NBF now owns the entire property.

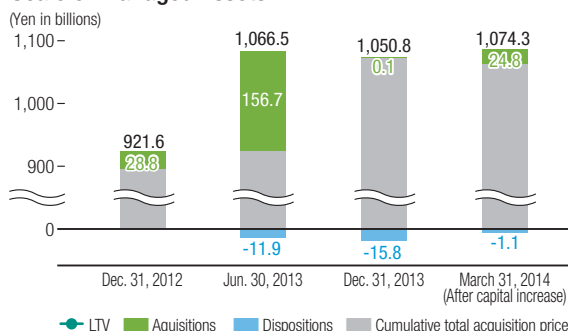
In March, we acquired Jingumae M-SQUARE (Shibuya-ku, Tokyo) from our main sponsor, Mitsui Fudosan, for ¥3,700 million, and Nakanoshima Central Tower (Kita-ku, Osaka) from our second major sponsor, Sumitomo Life Insurance Company, for ¥14,900 million.

We expect these three acquisitions with an average NOI yield of 5.55 percent to boost the NOI yield of our overall portfolio, which was 4.67 percent in the 25th Period. Nakanoshima Central Tower (built in 2005) is located in the Nakanoshima area of Osaka, where a large number of office buildings are concentrated. Jingumae M-SQUARE (built in 2009) is located in Shibuya-ku, where vacancy rates are

LTV (Ratio of interest-bearing debt to total assets)



Scale of Managed Assets



Effect of Property Acquisitions and Capital Increase

		December 31, 2013	March 31, 2014
Portfolio	Properties	71	73
	Scale of Managed Assets (Cumulative total acquisition price)	¥1,050.8 billion	¥1,074.3 billion
	Average NOI yield	4.67%	4.70%
	Average NOI yield after depreciation	3.26%	3.26%
Funding	LTV	43.8%	43.5%
	Acquisition capacity*	approx. ¥42.0 billion	approx. ¥48.5 billion
Net assets	NAV per unit	¥407,432	¥412,274

* The amount of additional interest-bearing debt that can be assumed, calculated within an LTV of 46 percent at period end

relatively low even for central Tokyo. We believe the significance of these acquisitions is that all of the properties are competitive in their locations and relatively new, and we predict that the Sakaisuji-Honmachi Center Building will become even more competitive since we now have 100-percent ownership.

In addition to these acquisitions, we also made property dispositions. In the 24th Period, we disposed of one property for ¥11.9 billion (acquisition price). In the 25th Period, we disposed of a total of three properties for ¥15.8 billion (acquisition price), including a property in which occupancy rates are expected to drop due to redevelopment as well as two smaller-scale properties in the Kansai area. These dispositions enhanced the quality of our portfolio through asset replacement and generated capital gains of approximately ¥4.1 billion (approximately ¥2.1 billion for the 24th Period and ¥2.0 billion for the 25th Period), of which ¥2.6 billion (¥1.3 billion each in the 24th Period and 25th Period) has been retained internally in the reserve for advanced depreciation to be used for future stable operations and distribution to unitholders.

In January 2014, we sold a portion of the site area of the GSK Building to the Tokyo Metropolitan Government. For this disposal, we recorded a capital gain of ¥1.9 billion, of which we plan to retain ¥1.2 billion in the reserve for advanced depreciation.

As a result of these new property acquisitions and property disposals, as of March 31, 2014 we own 73 properties valued at ¥1,074.3 billion on an acquisition price basis and expect the NOI yield of our overall portfolio to be 4.70 percent.

Securing acquisition capacity by controlling LTV

We continue to practice conservative financial management and maintain a sound financial base that allows us to

respond flexibly to changes in financial market conditions and property acquisition opportunities. We have kept the LTV ratio within a target range of 36 to 46 percent to maintain a constant level of acquisition capacity. Our LTV ratio after acquiring three properties from January through March 2014 for a total of ¥24.8 billion was approximately 43.5 percent, on par with the 43.8 percent at the end of the 25th Period due to the capital increase implemented in March 2014. As a result, we expect our acquisition capacity to reach approximately ¥48.5 billion within an LTV of 46 percent. NBF intends to use this acquisition capacity to generate further growth.

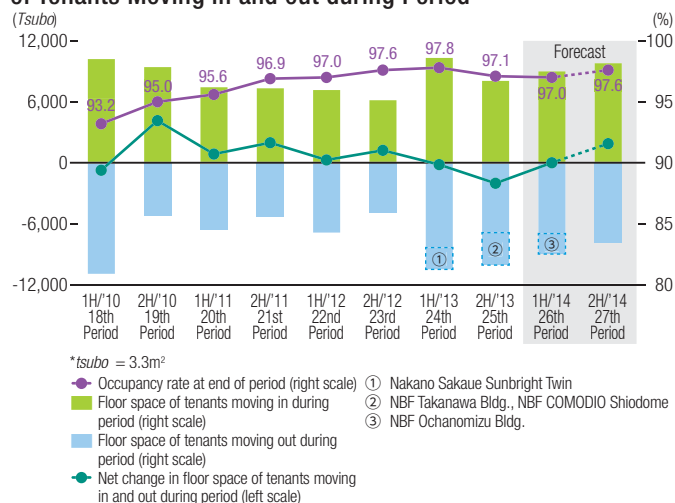
Leasing revenues: trends and outlook

As for the trends and future outlook of leasing revenues from existing properties, internal growth has remained negative since 2009, following the financial crisis. However, the rate of decrease leveled out after the decrease of more than 10 percent when things were at their worst. In the 25th Period, the rate worsened to around negative 4 percent (period-on-period, annualized), but this was mainly due to the departure of a major tenant from a few particular buildings. As of the end of March 2014, we are close to securing a replacement tenant.

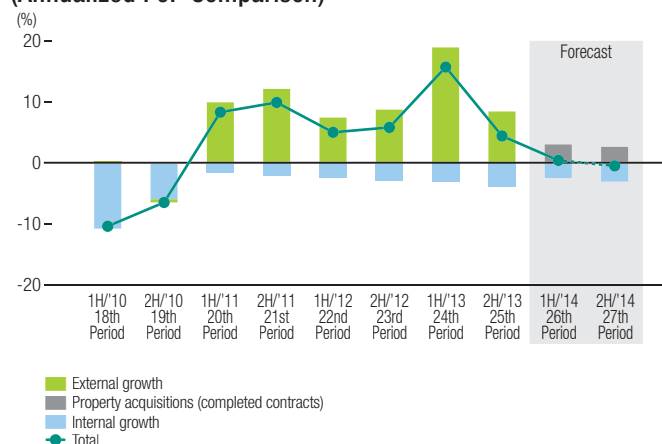
On the other hand, we expect external growth to offset negative internal growth in the 26th and 27th Periods due to the effect of the three properties acquired from January to March 2014.

As I mentioned, with the additional acquisition capacity we secured from the capital increase in March 2014, we plan to increase revenues through external growth by acquiring new assets. At the same time, we will work to increase profit from existing properties by maximizing their advantages.

NBF's Occupancy Rate at End of Period, and Floor Space of Tenants Moving in and out during Period



Rental Revenue Composition and Percentage Change (Annualized PoP Comparison)

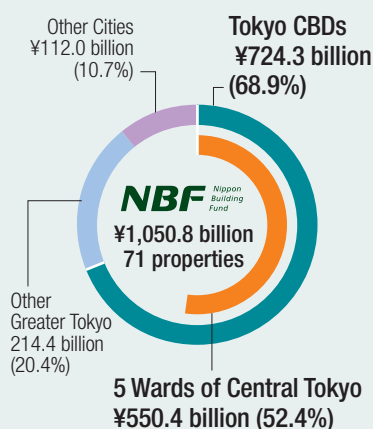


Strategies

Portfolio

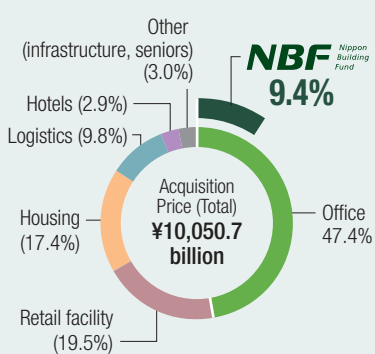
- Make aggressive acquisitions and flexible dispositions
- Focus on highly competitive office buildings, primarily in Tokyo CBDs
- Expand assets
- Use the Mitsui Fudosan Group pipeline

Investment by Region



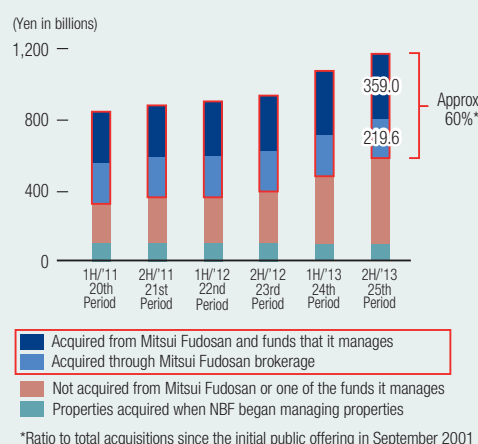
NBF's J-REIT Market Share

(Acquisition price basis; as of December 31, 2013)



Source: Asset management companies, compiled from publicly available information

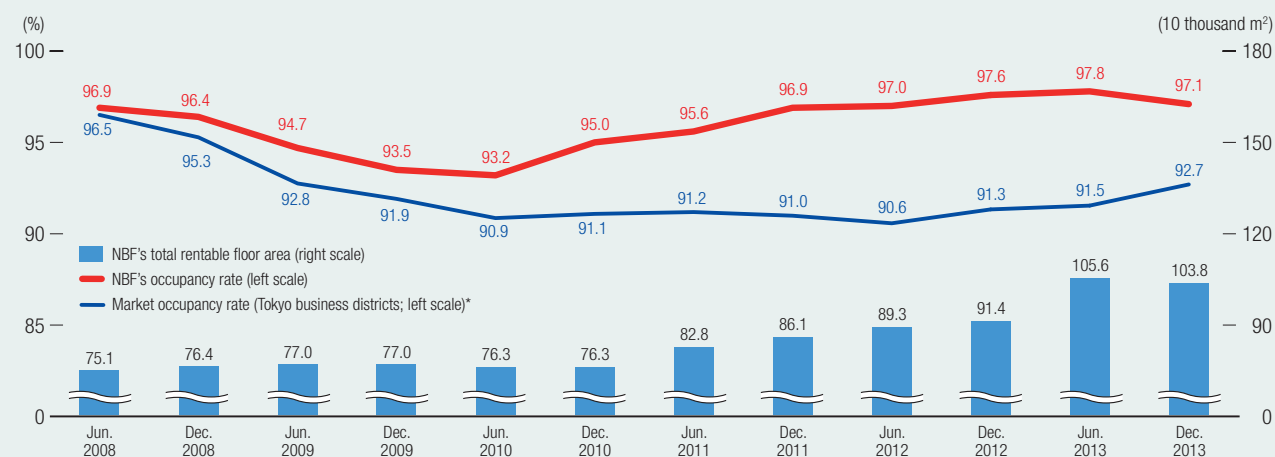
Total Acquisitions by Seller



Leasing

- Use the sales capabilities of the Mitsui Fudosan Group for leasing and tenant retention
- Maintain a high occupancy rate

Occupancy Rate and Total Rentable Area



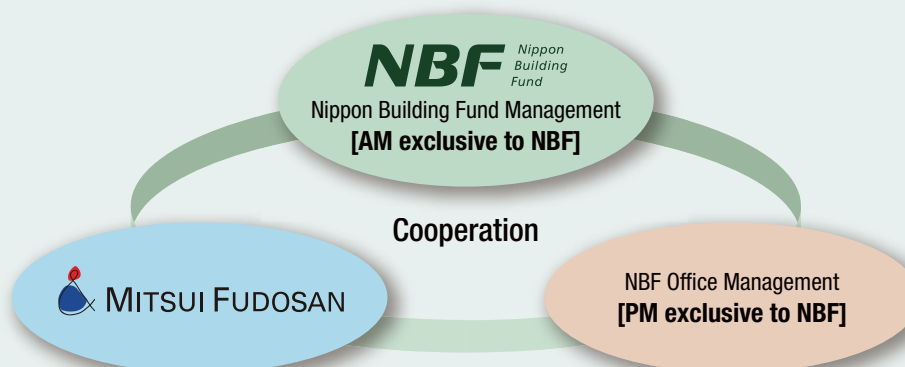
*Source: Miki Shoji Co., Ltd.

Property Management

- Use the comprehensive capabilities of the Mitsui Fudosan Group
- Maintain and increase asset value through strategic investment
- Use NBF's exclusive PM company to deliver high-quality management

Property Management Structure

- Formulate and execute management and operation plans
- Formulate and execute large-scale repair plans
- Approval for major issues



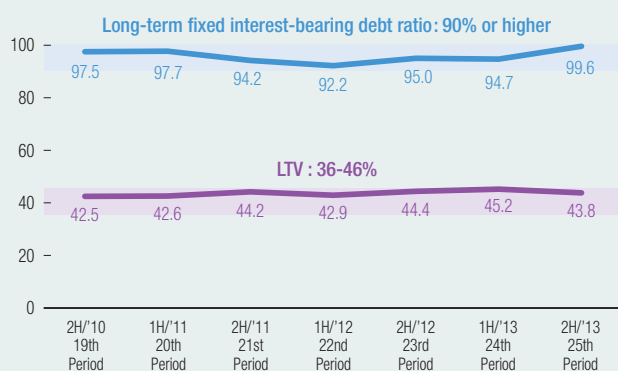
- New tenant leasing
- Provides management and operation expertise and operating systems
- Overall management of subleased properties

- Overall property management (excluding subleased properties)
- Responds to existing tenants
- Unified administration of management information for all operating properties

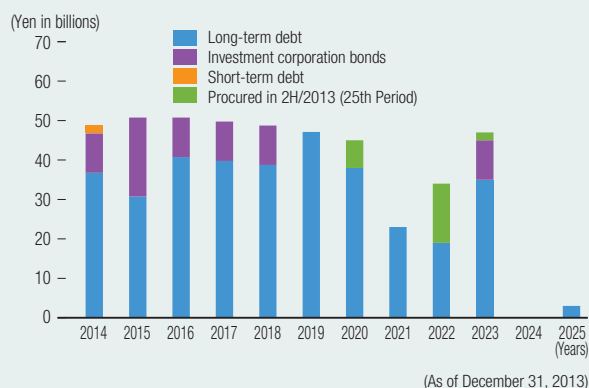
Financial

- Maintain a conservative LTV of 36-46% and a long-term fixed-rate debt ratio of 90% or higher to enable flexible financing and acquisitions
- Diversify debt to reduce financial risk

LTV and Long-Term Fixed Interest-Bearing Debt Ratio



Debt Maturity Schedule



Highlights

Operations

Acquisitions from January to March 2014

We made three acquisitions from January to March 2014, for ¥24.8 billion.



Sakaisuji-Honmachi Center Building
(Additional acquisition)

Acquisition price	¥6,200 million
NOI yield	5.60%



Nakanoshima Central Tower

Acquisition price	¥14,900 million
NOI yield	5.13%



Jingumae M-SQUARE

Acquisition price	¥3,700 million
NOI yield	7.17%

Equity Offering

We conducted an equity offering in March 2014 for ¥15,284 million. Proceeds were primarily used for property acquisitions.

Number of units offered	Primary units offered	26,500 units
	Third party allocation	1,500 units
	Total	28,000 units
Total offering size	¥15,284 million	
Total proceeds	¥14,816 million	
Launch date	March 5, 2014	
Pricing date	March 12, 2014	
Closing date	March 19 / March 28, 2014	

Performance

Total Operating Revenues

¥37,135 million
+4.0%

Net Income

¥13,277 million
+2.6%

Total Assets

¥1,023 billion
-2.4%

Occupancy Rate

97.1%
-0.7 points

Distribution per Unit

¥17,290*
+¥436

NAV per Unit

¥814,865*
+¥13,084

*Effective January 1, 2014, NBF implemented a 2-for-1 unit split of the units held by unitholders registered on the register of unitholders as of December 31, 2013.

Management Team and Management Structure

(As of December 31, 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

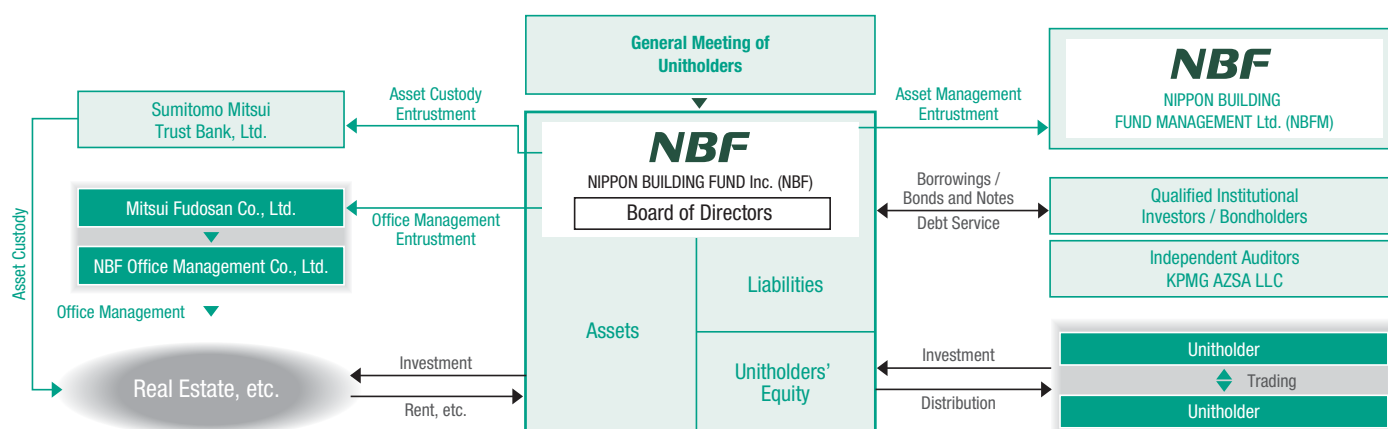
Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Unitholders, which convenes at least once every two years, in principle. The eighth General Meeting of Unitholders convened 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 December 31, 2013, NBF had one executive director and three supervisory directors.

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



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. Reappointed in March 2013.
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 director. 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 the executive director 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 December 31, 2013 was elected with the consent of all unitholders on March 14, 2013. The three supervisory directors and the substitute executive 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.

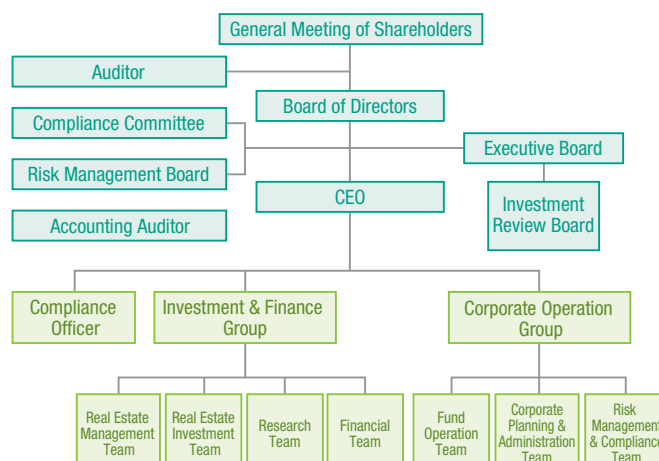
Matters Entrusted to Nippon Building Fund Management Ltd.

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, the executive director reports on the execution of his 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

		25th Period from July 1, 2013 to December 31, 2013	24th Period from January 1, 2013 to June 30, 2013	23rd Period from July 1, 2012 to December 31, 2012	25th Period from July 1, 2013 to December 31, 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	¥ 37,135	¥ 35,720	¥ 31,530	\$ 352,824
Revenue from property leasing activities		34,845	33,623	31,530	331,068
Profits of dispositions		2,290	2,097	—	21,756
Operating expenses		20,737	19,904	18,909	197,026
Rental expenses		18,910	18,285	17,614	179,669
Loss on sale of investment property		286	—	—	2,718
Income before income taxes		13,278	12,942	9,658	126,153
Net income	(a)	13,277	12,941	9,657	126,144
Funds from operations	Note 3	18,203	17,542	15,850	172,947
Net operating income from property leasing activities	Note 3	22,864	22,036	20,107	217,240
Total amount of cash distribution	(b)	11,965	11,663	9,657	113,672
Depreciation and amortization		6,930	6,698	6,191	65,841
Capital expenditures		1,981	1,704	2,269	18,822
Total assets	(c)	1,022,812	1,047,992	899,123	9,717,926
Interest-bearing debt		447,875	473,250	399,625	4,255,344
Net assets	(d)	519,198	517,584	446,004	4,932,999
Total number of units issued (Units)*	(e)	692,000	692,000	613,000	
Net assets per unit (Yen/\$)*	(d) / (e)	750,286	747,954	727,577	7,129
Distribution per unit (Yen/\$)*	(b) / (e)	17,290	16,854	15,754	164
Funds from operations per unit (Yen/\$)*	Note 3	26,304	25,714	25,854	250
ROA	Note 3	1.3%	1.3%	1.1%	
(Annual rate)		(2.6%)	(2.7%)	(2.2%)	
ROE	Note 3	2.6%	2.7%	2.2%	
(Annual rate)		(5.1%)	(5.4%)	(4.3%)	
Loan to value (LTV)	Note 3	43.8%	45.2%	44.4%	
Capital ratio	(d) / (c)	50.8%	49.4%	49.6%	
Payout ratio	(b) / (a), Note 4	90.1%	90.1%	100.0%	
Number of days		184	181	184	
Number of investment properties	Note 5	71	74	68	
Number of tenants	Note 5	1,481	1,524	1,460	
Total rentable area (m ²)		1,038,549	1,055,729	913,747	
Occupancy rate (End-tenant basis)	Note 5	97.1%	97.8%	97.6%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥105.25 = U.S.\$1.00, the approximate exchange rate on December 31, 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.

* Effective January 1, 2014, NBF implemented a 2-for-1 unit split of the units held by unitholders registered on the register of unitholders as of December 31, 2013.

Operating Environment and Results

During the six months ended December 31, 2013 (the “25th Period”), the Japanese economy continued to recover as the effects of the government’s economic policies and bold monetary easing by the Bank of Japan spread to markets for goods and services. Domestic demand led the economic rebound. Personal consumption was firm due to a gradual improvement in employment conditions and the start of a surge in demand, mainly for durable goods, ahead of the consumption tax increase scheduled for April 2014. In addition, public works projects shifted into high gear and corporate capital expenditures rose.

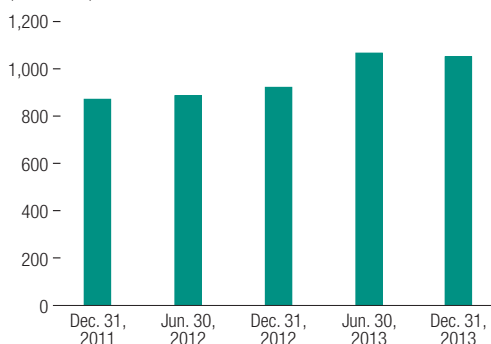
In the office building leasing market, vacancy rates slowly declined as the supply of properties remained limited in the second half of 2013 and strong demand continued for relocations to better sites or higher-grade buildings. The improved supply-demand balance led to an upturn in asking rents, especially for prime properties with high specifications. Brisk activity continued in the office building transaction market, driven by a favorable fund procurement environment and expectations of long-term improvement in the office market. Moreover, the limited supply of the prime office buildings targeted for investment was reflected in declining cap rates and an upward trend in selling prices.

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 25th period, NBF acquired the Nishi Shinjuku Mitsui Building (additional acquisition, co-ownership interests in condominium interests, acquisition price of ¥135 million) in December 2013. In addition, NBF disposed of the NBF Nihonbashi Muromachi Center Building (50 percent quasi co-ownership of trust beneficiary interests, disposition price of ¥14.1 billion) in August 2013, and the NBF Shijo Karasuma Building (trust beneficiary interests, ¥1.6 billion) in October 2013 and NBF Sakai-Higashi Building (trust beneficiary interests, ¥1.8 billion) in November 2013. 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 December 31, 2013 comprised 71 properties. Total investment on an acquisition price basis was ¥1,050.8 billion. Total rentable area was 1,038,549 m². The occupancy rate decreased 0.7 percentage points from June 30, 2013 to 97.1 percent and the total number of tenants was 1,116.

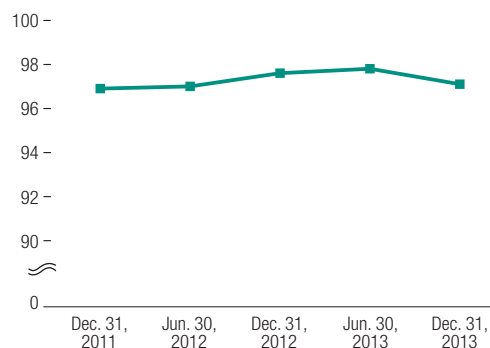
Total Investment

(Yen in billions)



Occupancy Rate

(%)

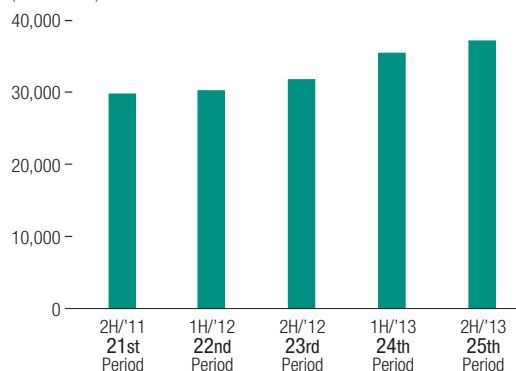


Overview of Performance

Full-period contribution by properties acquired during the first half of 2013 increased operating revenues, income and distribution per unit for the six months ended December 31, 2013. Operating revenues increased ¥1,415 million, or 4.0 percent, to ¥37,135 million. Operating income increased ¥582 million, or 3.7 percent, to ¥16,398 million. Net income increased ¥336 million, or 2.6 percent, to ¥13,277 million. Distribution per unit was ¥17,290.

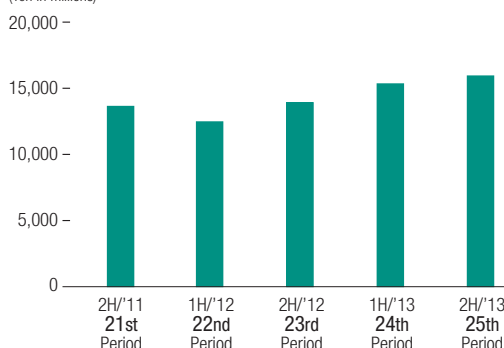
Operating Revenues

(Yen in millions)



Operating Income From Property Leasing Activities

(Yen in millions)



Distribution for the Current Period

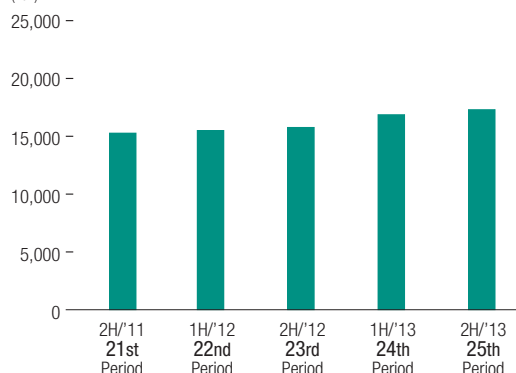
Distribution per unit for the current period was ¥17,290. NBF expects to distribute all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures 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 December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
(Yen in thousands, except per unit amounts)			
Retained earnings	¥13,276,613	¥12,941,753	¥9,657,486
Undistributed earnings	—	—	284
Reserve for advanced depreciation	1,311,933	1,278,785	—
Total cash distribution	11,964,680	11,662,968	9,657,202
(Cash distribution per unit)	17,290	16,854	15,754
Distribution of accumulated earnings	11,964,680	11,662,968	9,657,202
(Distribution of accumulated earnings per unit)	17,290	16,854	15,754
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

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

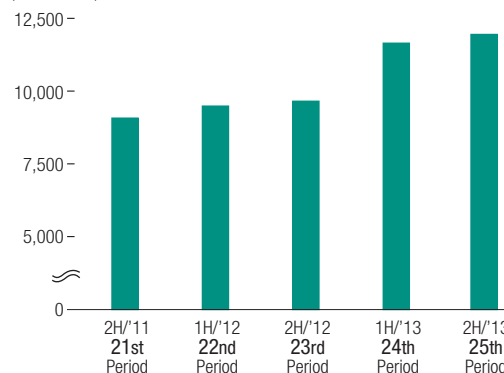
Distribution per Unit

(Yen)



Total Amount of Cash Distribution

(Yen in millions)



Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2013, total assets decreased by ¥25,180 million to ¥1,022,812 million compared with June 30, 2013. Return on average total assets (ROA) for the six months ended December 31, 2013 decreased to 1.28 percent from 1.33 percent for the previous six-month period.

Current assets decreased by ¥5,166 million to ¥37,348 million compared with June 30, 2013. Investment properties decreased by ¥20,048 million to ¥979,170 million compared with June 30, 2013.

Liabilities

Current liabilities decreased by ¥27,466 million to ¥60,050 million compared with June 30, 2013, primarily because of a decrease in short-term loans compared with June 30, 2013.

Long-term debt increased by ¥2,625 million to ¥399,125 million compared with June 30, 2013.

As a result, total interest-bearing liabilities decreased by ¥25,375 million to ¥447,875 million compared with June 30, 2013. And, 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 increased to 99.6 percent as of December 31, 2013 from 94.7 percent as of June 30, 2013.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, decreased to 43.8 percent as of December 31, 2013 from 45.2 percent as of June 30, 2013.

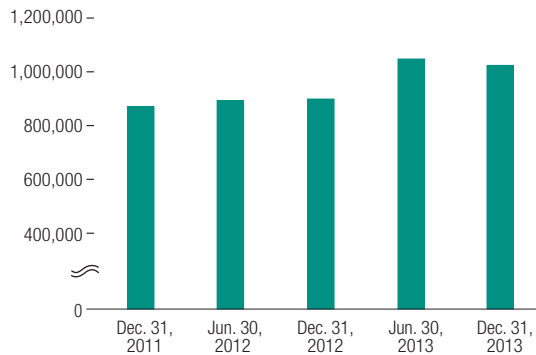
In addition, NBF worked to diversify funding sources. In January 2013, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

Net assets

Net assets increased by ¥1,614 million to ¥519,198 million compared with June 30, 2013.

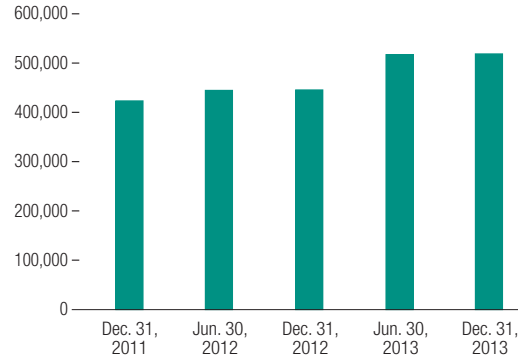
Total Assets

(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 December 31, 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 December 31, 2013	For the six months ended June 30, 2013 (Yen)	For the six months ended December 31, 2012
High	¥623,000	¥717,500	¥452,000
Low	533,000	446,000	368,500

Note: As of January 1, 2014 NBF implemented a 2-for-1 unit split of its investment units. The above prices before ex-date (December 26, 2013) have been adjusted to reflect the split for comparative purposes, dividing the price by two.

Borrowings

Borrowings from financial institutions as of December 31, 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 Banking Corporation	¥1,000	0.2%	January 31, 2014	Bullet payment	(Note 4)	Unsecured /unguaranteed/pari passu, See (Note 5)
Sumitomo Mitsui Trust Bank, Limited.	1,000	0.2%	January 31, 2014			
Total short-term loans	¥2,000					

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			
	3,875	2.2%	April 28, 2019			
	8,000	2.2%	August 30, 2019			
	10,000	1.3%	July 2, 2023	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
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.	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			
Mizuho Bank, Ltd.	7,000	1.2%	November 30, 2018			
	2,000	0.7%	February 7, 2017			
	10,000	0.9%	February 28, 2022			
	8,000	1.1%	July 29, 2022			
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 Mitsui Trust Bank, Limited.	10,000	1.2%	June 1, 2018			
	10,000	1.1%	December 30, 2019			
	5,000	1.2%	March 5, 2021			
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	1.9%	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			
	2,000	1.0%	December 13, 2023			
Mizuho Trust Banking Co., Ltd.	10,000	1.0%	February 28, 2023			
	4,000	0.9%	September 30, 2022			
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			
	3,000	0.9%	September 30, 2022			
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			
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)						
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	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			
DAIDO LIFE INSURANCE COMPANY	1,000	2.0%	October 31, 2014			
	2,000	1.6%	February 3, 2015			
	1,000	0.9%	March 29, 2019			
	1,000	0.7%	October 2, 2020			
The Norinchukin Bank	5,000	0.7%	September 30, 2020			
The Hachijuni Bank, Ltd.	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
	1,000	0.6%	December 2, 2020			
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 Gunma Bank, Ltd.	1,000	0.7%	May 31, 2018			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
Shinsei Bank, Limited	1,000	1.5%	May 30, 2025			
Total long-term loans	¥375,875					
Total borrowings (Note 6)	¥377,875					

- 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	¥30,750	¥40,750	¥39,750	¥38,750

NBF Bonds

Issue	Issue date	Balance as of December 31, 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, investment corporation bonds 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	¥20,000	¥10,000	¥10,000	¥10,000

Others

NBF has security deposits totaling ¥44,363 million as of December 31, 2013.

Capital Expenditures

1. Planning

As of December 31, 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	Cumulative amount paid
				(from July 1, 2013 to December 31, 2013)	
(Yen in millions)					
Tsukuba Mitsui Bldg.	Renovation of air conditioning	From July 2014 to December 2014	¥660	¥—	¥—
Yokohama ST Bldg.	Renovation of air conditioning	From January 2014 to June 2014	277	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of emergency power generation facilities	From July 2014 to November 2014	240	—	—
Ikebukuro East	Renovation of air conditioning	From September 2014 to December 2014	221	—	—
Aqua Dojima NBF Tower	Renovation of heating equipment	From September 2014 to December 2014	214	—	—
GSK Bldg.	Renovation of exterior	From March 2014 to September 2014	200	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (West Building)	From July 2014 to December 2014	195	—	—
NBF Shinkawa Bldg.	Renovation of power generation facilities (West Building)	From July 2014 to December 2014	194	—	—
NBF Shinkawa Bldg.	Renovation of power generation facilities (East Building)	From July 2014 to December 2014	188	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (East Building)	From July 2014 to December 2014	185	—	—
GSK Bldg.	Renovation of air conditioning	From July 2014 to December 2014	166	—	—
GSK Bldg.	Renovation of air conditioning	From January 2014 to June 2014	166	—	—
NBF Hibiya Bldg.	Renovation of main controllers of disaster prevention equipment	From September 2014 to December 2014	158	—	—
NBF Shinkawa Bldg.	Renovation of air conditioning (East Building)	From February 2014 to June 2014	139	—	—
Yokohama ST Bldg.	Renovation of air conditioning	From July 2014 to December 2014	120	—	—
Sumitomo Densetsu Bldg.	Renovation of restroom	From July 2014 to December 2014	112	—	—
Ikebukuro East	Renovation of lighting equipment	From January 2014 to March 2014	103	—	—
NBF Shin-Urayasu Tower	Renovation of air conditioning	From August 2014 to November 2014	100	—	—
NBF Matsudo Bldg.	Renovation of air conditioning	From September 2014 to November 2014	88	—	—
NBF Matsudo Bldg.	Renovation of air conditioning	From January 2014 to May 2014	87	—	—
NBF Hiroshima Tatemachi Bldg.	Renovation of elevator	From July 2014 to December 2014	41	—	—
Aqua Dojima East	Renovation of restroom	From October 2014 to October 2014	23	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,981 million in capital expenditures together with ¥733 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Yokohama ST Bldg.	Renovation of air conditioning, replacement of fan coil units, renovation of mechanical parking lot facilities, etc.	From July 2013 to December 2013	¥ 255
Nakanosakaue Sunbright Twin	Renovation of automatic control, renovation of air circuit breaker, leasehold improvement, etc.		138
Ryukakusan Bldg.	Renovation of air conditioning, measures against harmonic for electric equipment, installation of rooftop equipment foundation, etc.		131
Shiba NBF Tower	Renovation of air conditioning, renovation of air supply and exhaust fan for parking, repair of storage pump, etc.		118
Shinjuku Mitsui Bldg. No. 2	Renovation of restroom, renovation of water tank, renovation of power control panel, etc.		112
NBF Matsudo Bldg.	Renovation of air conditioning, renovation of lighting equipment, renovation of all heat exchanges, etc.		70
NBF Sakai-Higashi Bldg.	Renovation of air conditioning, raised floor laying, installation of satellite phone, etc.		37
NBF Atsugi Bldg.	Renovation of restroom and office kitchenette, renovation of bicycle parking area with parking lot, installation of satellite phone, etc.		36
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction, etc.		1,084
Total			¥1,981

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 December 31, 2013	As of June 30, 2013
	(Yen in millions)	
Reserve balance at the beginning of the period	¥2,907	¥1,710
Amount accumulated in the current period	5,152	4,629
Withdrawal from reserves in the current period	3,590	3,432
Amount carried forward	¥4,469	¥2,907

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 ¥5,663 million as of December 31, 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 December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
	(Yen in millions)		
Asset management fees	¥1,282	¥1,241	¥1,087
Asset custody fees	50	42	42
Agent fees (stock transfer, accounting and administrative)	48	52	47
Directors' remuneration	13	12	12
Auditor's fees	14	14	14
Other expenses	134	258	93
Total	¥1,541	¥1,619	¥1,295

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	Acquisitions	
	Date	Acquisition price (Note 1)
Nishi-Shinjuku Mitsui Bldg. (additional acquisition)	December 16, 2013	¥135
Total		¥135

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

(Yen in millions)

Name of building	Sale	
	Date	Sale price
NBF Nihonbashi Muromachi Center Bldg. (50% quasi co-ownership)	August 14, 2013	¥14,100
NBF Shijo Karasuma Bldg.	October 31, 2013	1,600
NBF Sakai-Higashi Bldg.	November 28, 2013	1,800
Total		¥17,500

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	¥135	¥17,500
	Amount of purchases from related parties, etc.	Amount of sales from related parties, etc.
	¥ — (—)	¥14,100 (80.6)
Breakdown of transactions with related parties, etc.		
Mitsui Fudosan Co., Ltd.	¥ — (—)	¥14,100 (80.6)
Total	¥ — (—)	¥14,100 (80.6)

(2) Fees Paid for the Period from July 1, 2013 to December 31, 2013

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A (%)
Office management fees, etc. (Note 4)	¥1,399	Mitsui Fudosan Co., Ltd.	¥1,357	97.0%
		NBF Office Management Co., Ltd.	41	2.9
Property maintenance fees	3,571	Mitsui Fudosan Facilities Co., Ltd.	580	16.3
		Mitsui Fudosan Co., Ltd.	464	13.0
		Mitsui Fudosan Building Management Co., Ltd.	248	6.9
		First Facilities West Co., Ltd.	118	3.3
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.1
		Mitsui Fudosan Co., Ltd.	28	41.0
Leasing related service fees	69	NBF Office Management Co., Ltd.	15	22.1
		Mitsui Fudosan Building Management Co., Ltd.	1	1.2
		Mitsui Fudosan Realty Chugoku Co., Ltd.	0	0.4

- 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 July 1, 2013 to December 31, 2013, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., Mitsui Fudosan 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.	¥534
Mitsui Fudosan Building Management Co., Ltd.	385
Mitsui Fudosan Co., Ltd.	275
First Facilities West Co., Ltd.	103
Mitsui Fudosan Housing Lease Co., Ltd.	5
Mitsui Designtec Co., Ltd.	1
Daiichi Engei Co., Ltd.	1
Uniliving Co., Ltd.	0
Mitsui Fudosan Realty Co., Ltd.	0
Mitsui Fudosan Retail Management Co., Ltd.	0
Mitsui Home Linkage Co., Ltd.	0

Balance Sheets

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

	As of December 31, 2013	As of June 30, 2013
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents (Note 3)	¥ 36,510	¥ 39,760
Tenant receivables	349	400
Other current assets	489	2,354
Total current assets	37,348	42,514
Investment Properties:		
Land including trust accounts (Notes 4, 13)	651,605	663,456
Buildings and improvements including trust accounts (Notes 4, 13)	384,412	387,595
Other tangible assets (Notes 4, 13)	12,207	12,265
Less: accumulated depreciation (Notes 4, 13)	(104,826)	(99,801)
Leasehold rights in trust accounts and other intangible assets (Note 13)	35,772	35,703
Total investment properties, net	979,170	999,218
Other Assets	6,294	6,260
Total Assets	¥1,022,812	¥1,047,992
Liabilities		
Current Liabilities:		
Short-term loans (Notes 3, 6)	¥ 2,000	¥ 25,000
Long-term debt due within one year (Notes 3, 6)	46,750	51,750
Accounts payable	4,370	4,861
Rents received in advance	4,273	4,392
Accrued expenses and other liabilities	2,657	1,513
Total current liabilities	60,050	87,516
Long-term Debt (Notes 3, 6)	399,125	396,500
Tenant Security Deposits Including Trust Accounts (Note 3)	44,363	46,311
Other Liabilities	76	81
Total Liabilities	503,614	530,408
Net Assets (Note 5)		
Unitholders' Equity		
Unitholders' capital	504,309	504,309
Units authorized: 2,000,000 units		
Units issued and outstanding: 692,000 units		
Retained earnings	14,889	13,275
Total Net Assets	519,198	517,584
Total Liabilities and Net Assets	¥1,022,812	¥1,047,992

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 December 31, 2013, June 30, 2013 and December 31, 2012

	For the six months ended December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
	(Yen in millions)		
Operating Revenues and Expenses			
Operating Revenues:			
Rental (Note 7)	¥31,424	¥30,752	¥28,516
Other revenues related to property leasing (Note 7)	3,421	2,871	3,014
Gain on sale of investment property (Note 8)	2,290	2,097	—
Total Operating Revenues	37,135	35,720	31,530
Operating Expenses:			
Property management fees (Note 7)	4,950	4,741	4,518
Real estate taxes (Note 7)	2,786	2,900	2,738
Repairs and maintenance (Note 7)	739	1,085	1,046
Insurance (Note 7)	39	37	35
Other rental expenses (Note 7)	3,466	2,824	3,086
Depreciation and amortization (Note 7)	6,930	6,698	6,191
Loss on sale of investment property (Note 8)	286	—	—
Asset management fees	1,282	1,241	1,087
Other operating expenses	259	378	208
Total Operating Expenses	20,737	19,904	18,909
Operating Income	16,398	15,816	12,621
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	4	4	3
Property tax refund and interest on tax refund	—	255	—
Non-Operating Expenses:			
Interest expense	(3,080)	(3,001)	(2,917)
Amortization of bond issuance costs	(13)	(11)	(11)
New investment units issuance costs	—	(85)	—
Other non-operating expenses, net	(31)	(36)	(38)
Ordinary Income	13,278	12,942	9,658
Income before Income Taxes	13,278	12,942	9,658
Current and deferred income taxes (Note 9)	(1)	(1)	(1)
Net Income	¥13,277	¥12,941	¥ 9,657

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 December 31, 2013, June 30, 2013 and December 31, 2012

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
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
Cash dividends declared	—	—	(11,663)	(11,663)
Net income	—	—	13,277	13,277
Balance as of December 31, 2013	692,000	¥504,309	¥ 14,889	¥519,198

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 December 31, 2013, June 30, 2013 and December 31, 2012

	For the six months ended December 31, 2013	For the six months ended June 30, 2013 (Yen in millions)	For the six months ended December 31, 2012
Cash Flows from Operating Activities:			
Income before income taxes	¥ 13,278	¥ 12,942	¥ 9,658
Depreciation and amortization	6,930	6,698	6,191
Amortization of bond issuance costs	13	11	11
Interest expense	3,080	3,001	2,917
(Increase) Decrease in tenant receivables	51	(79)	(24)
Increase (Decrease) in accounts payable	(383)	62	554
Increase (Decrease) in rents received in advance	(119)	442	119
Decrease in investment properties due to sale	15,382	11,998	—
Cash payments of interest expense	(3,221)	(2,773)	(2,887)
(Increase) Decrease in consumption tax refund receivable	1,875	(1,875)	—
Others, net	1,274	(285)	329
Net Cash Provided by Operating Activities	38,160	30,142	16,868
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(2,109)	(162,268)	(31,095)
Payments for purchases of intangible assets	(75)	(56)	—
Proceeds from tenant security deposits	1,588	6,465	2,362
Payments for tenant security deposits	(3,536)	(3,159)	(1,221)
Payments for security deposits paid to lessors	(4)	(6)	(9)
Others, net	(237)	(752)	(260)
Net Cash Used in Investing Activities	(4,373)	(159,776)	(30,223)
Cash Flows from Financing Activities:			
Net proceeds from (repayment of) short-term loans	(23,000)	5,000	(9,000)
Proceeds from long-term debt	24,000	85,000	46,000
Repayment of long-term debt	(26,375)	(16,375)	(11,375)
Proceeds from issuance of new units	—	68,210	—
Payments for bond issuance costs	(3)	(51)	—
Payment of dividends	(11,659)	(9,655)	(9,489)
Net Cash (Used in) Provided by Financing Activities	(37,037)	132,129	16,136
Net Change in Cash and Cash Equivalents	(3,250)	2,495	2,781
Cash and Cash Equivalents at the Beginning of Period	39,760	37,265	34,484
Cash and Cash Equivalents at the End of Period	¥ 36,510	¥ 39,760	¥ 37,265

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 December 31, 2013, June 30, 2013 and December 31, 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 December 31, 2013, NBF had ownership or beneficiary interests in 71 office properties containing approximately 1,038,549 square meters of rentable office space. As of December 31, 2013, NBF had leased office space to 1,116 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.7%.

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 Costs

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 ¥2 million for the period ended December 31, 2013, ¥741 million for the period ended June 30, 2013 and ¥56 million for the period ended December 31, 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 December 31, 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	¥ 36,510	¥ 36,510	¥ —
Total	¥ 36,510	¥ 36,510	¥ —
Liabilities			
(1) Short-term loans	¥ 2,000	¥ 2,000	¥ —
(2) Long-term debt due within one year	46,750	47,108	358
(3) Long-term debt	399,125	408,094	8,969
Total	¥447,875	¥457,202	¥9,327

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	¥10,060	¥ 60
(2) Long-term loans	36,750	37,048	298
Total	¥46,750	¥47,108	¥358

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	¥ 61,833	¥1,833
(2) Long-term loans	339,125	346,261	7,136
Total	¥399,125	¥408,094	¥8,969

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 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.

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

(Yen in millions)

	As of December 31, 2013	As of June 30, 2013
Tenant security deposits including trust accounts	¥44,363	¥46,311

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 December 31, 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	¥36,510	—	—	—	—	—

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	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 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	¥ 2,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	10,000	20,000	10,000	10,000	10,000	10,000
Long-term loans	36,750	30,750	40,750	39,750	38,750	189,125
Total	¥48,750	¥50,750	¥50,750	¥49,750	¥48,750	¥199,125

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

Note 4 Schedule of Tangible Assets of Investment Properties

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

	As of December 31, 2013			As of June 30, 2013		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥ 309,607	¥ —	¥309,607	¥ 309,480	¥ —	¥309,480
Land in trust	341,998	—	341,998	353,976	—	353,976
Land including trust total	651,605	—	651,605	663,456	—	663,456
Buildings and improvements	203,960	(45,382)	158,578	203,175	(41,963)	161,212
Buildings and improvements in trust	180,452	(53,742)	126,710	184,420	(52,398)	132,022
Building and improvements including those in trust total	384,412	(99,124)	285,288	387,595	(94,361)	293,234
Structures	3,037	(1,329)	1,708	3,026	(1,260)	1,766
Machinery and equipment	1,738	(901)	837	1,721	(826)	895
Tools, furniture and fixtures	1,437	(702)	735	1,368	(638)	730
Structures in trust	2,746	(943)	1,803	2,797	(900)	1,897
Machinery and equipment in trust	1,688	(987)	701	1,779	(1,004)	775
Tools, furniture and fixtures in trust	1,561	(840)	721	1,574	(812)	762
Other tangible assets total	12,207	(5,702)	6,505	12,265	(5,440)	6,825
Total	¥1,048,224	¥(104,826)	¥943,398	¥1,063,316	¥(99,801)	¥963,515

Note 5 Net Assets

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

Note 6 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on December 31, 2013 and June 30, 2013 were at 0.23% respectively. Long-term debt is at fixed rates and as of December 31, 2013 and June 30, 2013 consisted of the following:

	As of December 31, 2013	As of June 30, 2013
	(Yen in millions)	
Unsecured loans due 2014 to 2025 principally from banks and insurance companies with interest rates mainly ranging from 0.4% to 2.4%	¥375,875	¥378,250
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	10,000
	445,875	448,250
Less: amount due within one year	46,750	51,750
	¥399,125	¥396,500

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 December 31, 2013 were as follows:

(Yen in millions)

Due after one to two years	¥ 50,750
Due after two to three years	50,750
Due after three to four years	49,750
Due after four to five years	48,750
Due after five years	199,125

During the period ended December 31, 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 December 31, 2013.

Note 7 Rental Revenues and Expenses

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

	For the six months ended December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
	(Yen in millions)		
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥28,440	¥27,727	¥25,551
Common area charges	2,872	2,910	2,849
Others	112	115	116
Subtotal	31,424	30,752	28,516
Other revenues related to property leasing:			
Parking lots	656	648	604
Facility charge	239	222	184
Incidental income	2,358	1,893	2,064
Cancellation fees	111	52	105
Miscellaneous income	57	56	57
Subtotal	3,421	2,871	3,014
Total revenues from property leasing	34,845	33,623	31,530
Rental Expenses:			
Property management fees	4,950	4,741	4,518
Real estate taxes	2,786	2,900	2,738
Repairs and maintenance	739	1,085	1,046
Insurance	39	37	35
Other rental expenses	3,466	2,824	3,086
Depreciation and amortization	6,930	6,698	6,191
Total rental expenses	18,910	18,285	17,614
Operating Income from Property Leasing Activities	¥15,935	¥15,338	¥13,916

Note 8 Gain and Loss on Sale of Investment Properties

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

For the six months ended June 30, 2013

NBF Nihonbashi Muromachi Center Bldg. (50% quasi co-ownership)		(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

For the six months ended December 31, 2013

NBF Nihonbashi Muromachi Center Bldg. (50% quasi co-ownership)		(Yen in millions)
Proceeds from sale of investment property		¥14,100
Cost of sale of investment property		11,978
Other related sale expenses		4
Gain on sale of investment property		¥ 2,118

NBF Shijo Karasuma Bldg.		(Yen in millions)
Proceeds from sale of investment property		¥1,600
Cost of sale of investment property		1,376
Other related sale expenses		52
Gain on sale of investment property		¥ 172

NBF Sakai-Higashi Bldg.		(Yen in millions)
Proceeds from sale of investment property		¥1,800
Cost of sale of investment property		2,028
Other related sale expenses		58
Loss on sale of investment property		¥ 286

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 December 31, 2013, June 30, 2013 and December 31, 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 December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
Statutory tax rate	36.59%	36.59%	36.59%
Deductible dividends	(32.97)	(32.97)	(36.59)
Reserve for advanced depreciation	(3.62)	(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.

Note 10 Per Unit Information

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

Effective January 1, 2014, NBF implemented a 2-for-1 unit split of the units held by unitholders registered on the register of unitholders as of December 31, 2013. Net assets per unit and net income per unit have been adjusted to reflect the unit split as if it had been effective on July 1, 2012.

	For the six months ended December 31, 2013	For the six months ended June 30, 2013	For the six months ended December 31, 2012
	(Yen)		
Earnings per Unit:			
Net income per unit (Yen)	¥9,592	¥9,485	¥7,877
Weighted average number of units outstanding	1,384,000	1,364,354	1,226,000
	As of December 31, 2013	As of June 30, 2013	As of December 31, 2012
Net Assets per Unit (Yen)	¥375,143	¥373,977	¥363,788

Note 11 Leases

As Lessor

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

	As of December 31, 2013	As of June 30, 2013
	(Yen in millions)	
Due within one year	¥23,066	¥23,604
Due after one year	35,815	39,073
Total	¥58,881	¥62,677

As Lessee

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

	As of December 31, 2013	As of June 30, 2013
	(Yen in millions)	
Due within one year	¥2	¥2
Due after one year	0	1
Total	¥2	¥3

Note 12 Transactions with Related Parties

(1) Parent Company and Major Corporate Unitholders

(For the six months ended December 31, 2013)

None applicable.

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(2) Affiliates

(For the six months ended December 31, 2013)

None applicable.

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(3) Sister Companies

(For the six months ended December 31, 2013)

None applicable.

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable.

(4) Directors and Major Individual Unitholders

(For the six months ended December 31, 2013)

None applicable.

(For the six months ended June 30, 2013)

None applicable.

(For the six months ended December 31, 2012)

None applicable

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 December 31, 2013	For the six months ended June 30, 2013
Carrying amount		
Balance at beginning of the Fiscal Period	¥ 999,269	¥ 855,360
Amount of increase (decrease) during current period	(20,052)	143,909
Balance at end of the Fiscal Period	979,217	999,269
Fair value at end of the period	¥1,035,870	¥1,048,180

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

2. The major decrease in the fiscal period ended December 31, 2013 was mainly due to sale of NBF Nihonbashi Muromachi Center Bldg. (50% quasi co-ownership), NBF Sakai-Higashi Bldg. and NBF Shijo Karasuma Bldg. which amounted to ¥15,382 million and recognition of depreciation costs.

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 Osaki 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.

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 December 31, 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.	¥8,208	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, 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.

Note 15 Significant Subsequent Events

1. Unit Split

Effective January 1, 2014, NBF implemented a 2-for-1 unit split of the units held by unitholders registered on the register of unit-holders as of December 31, 2013.

(1) Purpose of Split

In connection with the introduction of the individual savings account system of Japan ("NISA") from January 1, 2014, NBF implemented this split of its investment units in order to create an environment for investors to make investments more easily by reducing the amount of each investment unit.

(2) Method of Split

As of December 31, 2013 as record date, each of the investment units owned by the unitholders who are registered or recorded in the latest register of unitholders were divided on a two-for-one basis.

(3) Number of investment units etc. to be increased through split

(I) Number of issued and outstanding investment units before split	692,000 units
(II) Number of investment units to be increased through split	692,000 units
(III) Number of issued and outstanding investment units following split	1,384,000 units
(IV) Total number of issuable investment units following split	4,000,000 units

Per unit information based on the assumption that the unit split was implemented on July 1, 2012, is disclosed in Note 10, "Per Unit Information".

2. Issuance of New Units

At meetings of the Board of Directors held on March 5, 2014 and March 12, 2014, NBF resolved the issuance of new units. Payments for the new issuance were made on March 19, 2014 and March 28, 2014, and the new units were issued under the conditions described below.

As a result, the total amount of stated capital increased to ¥519,125 million and the number of units issued and outstanding increased to 1,412,000 units.

A. Issuance of New Units through Public Offering

(I) Number of units issued	26,500 units
(II) Offering price per unit	¥545,860
(III) Total offering price	¥14,465 million
(IV) Issue price per unit	¥529,150
(V) Total issue price	¥14,022 million
(VI) Payment date	March 19, 2014

B. Issuance of New Units through Third Party Allotment

(I) Number of units issued	1,500 units
(II) Issue price per unit	¥529,150
(III) Total issue price	¥794 million
(IV) Payment date	March 28, 2014
(V) Allottee	Nomura Securities Co., Ltd.

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 December 31, 2013 and June 30, 2013, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended December 31, 2013, June 30, 2013 and December 31, 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 December 31, 2013 and June 30, 2013, and their financial performance and cash flows for each of the six months ended December 31, 2013, June 30, 2013 and December 31, 2012 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 15 to the financial statements, which states that Nippon Building Fund Inc. issued new units.

KPMG AZSA LLC

April 11, 2014
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 December 31, 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 December 31, 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 December 31, 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. <ul style="list-style-type: none"> 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 December 31, 2013, foreseen reserves provided from January 2014 to December 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): ¥4,356 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 71 properties owned by NBF as of December 31, 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 December 31, 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: ¥504,309 million 692,000 units
Unitholders	14,893
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, 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 March 28, 2014 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2013 to December 31, 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.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation. None of Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, unitholders/shareholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English

translations or the selection of the portions of any documents translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, unitholders/shareholders, agents or affiliates.

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.

Investors' Information

(As of December 31, 2013)

Fiscal Periods

Six months ending June 30 and December 31

Total Number of Units Issued

25th Period (From July 1, 2013 to December 31, 2013)	692,000 units
24th Period (From January 1, 2013 to June 30, 2013)	692,000 units

Distributions per Unit

Confirmed distribution for the 25th Period

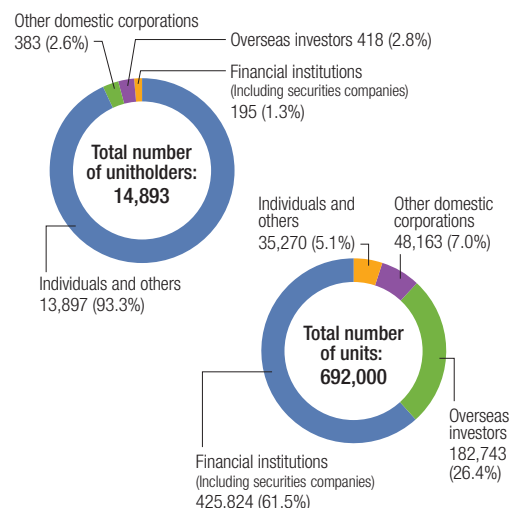
For the operating period from July 1, 2013 to December 31, 2013 (6 months) **¥17,290** per unit

Expected distribution for the 26th Period

For the operating period from January 1, 2014 to June 30, 2014 (6 months) **¥8,000** per unit

As of January 1, 2014, NBF implemented a 2-for-1 split of the units held by unitholders registered on the register of unitholders as of December 31, 2013.

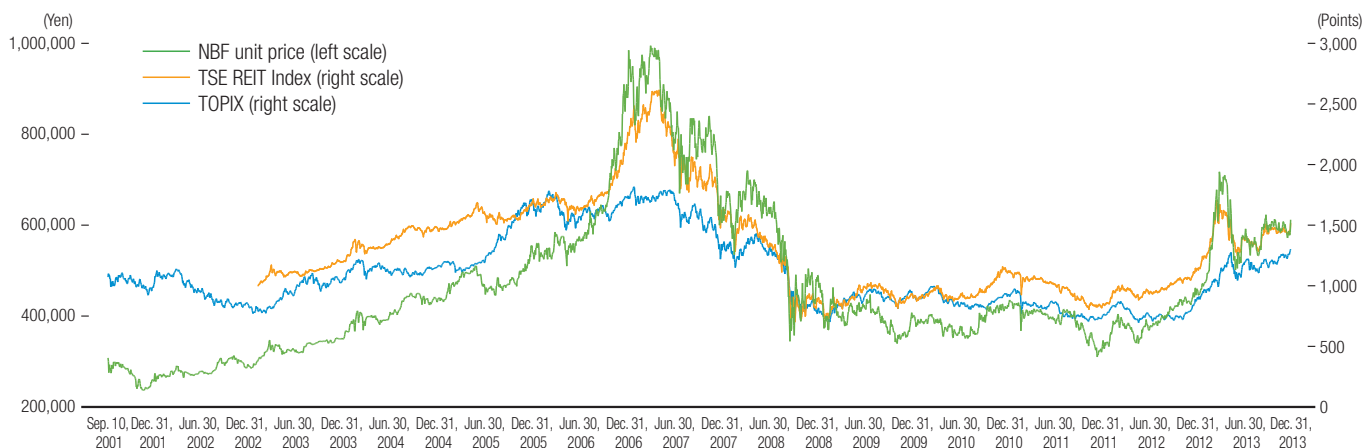
Unitholders



Major Unitholders

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	142,650	20.6%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	55,034	8.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	50,705	7.3
The Nomura Trust and Banking Co., Ltd. (Trust Account)	39,753	5.7
Mitsui Fudosan Co., Ltd.	22,815	3.3
Nomura Bank (Luxembourg) SA	13,541	2.0
Nomura Securities Co., Ltd.	12,707	1.8
Sumitomo Life Insurance Company	12,256	1.8
State Street Bank West Client-Treaty	9,549	1.4
The Bank of New York, Non-Treaty Jaspec Account	8,963	1.3

Historical Unit Price





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