



Nippon Building Fund Inc.

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http://www.nbf-m.com/nbf_e/



Second Half of 2014

(27th Period – July to December 2014)

NBF Report

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

Profile

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

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

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





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Introduction

(As of December 31, 2014)

NBF is 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 loan-to-value (LTV) ratio of 36-46% and a long-term fixed-rate interest-bearing 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

Focused investment in highly competitive prime office buildings

Ratio of investment in 5 wards of central Tokyo 51.5%

(Share of investment in 23 wards of Tokyo 78.0%)
(Acquisition price basis)

High occupancy rate

Average occupancy rate during the period* 97.6%
(2H/2014 (27th Period))

Appraisal value

Unrealized gain ratio 8.5%

*Average occupancy rate during the period: weighted average of month-end occupancy rate on a floor space basis

Financial Fundamentals

Sound LTV control

LTV (Interest-bearing debt to asset* ratio) 41.9%

Diversified long-term fixed-rate debt

Long-term fixed-rate interest-bearing debt ratio 97.7%

Average maturity 4.29 years
(Long-term interest-bearing debt)

Maintain high credit ratings

JCR **AA+** R&I **AA** S&P **A+**

*Book value basis

Size

The largest J-REIT

Total assets* ¥1,023.0 billion

Market cap ¥852.8 billion

Properties 73

Total rentable area 1.07 million m²

Sponsor

Property acquisition pipeline from the Mitsui Fudosan Group

Leverage the comprehensive strengths of the Mitsui Fudosan Group

Leasing capabilities

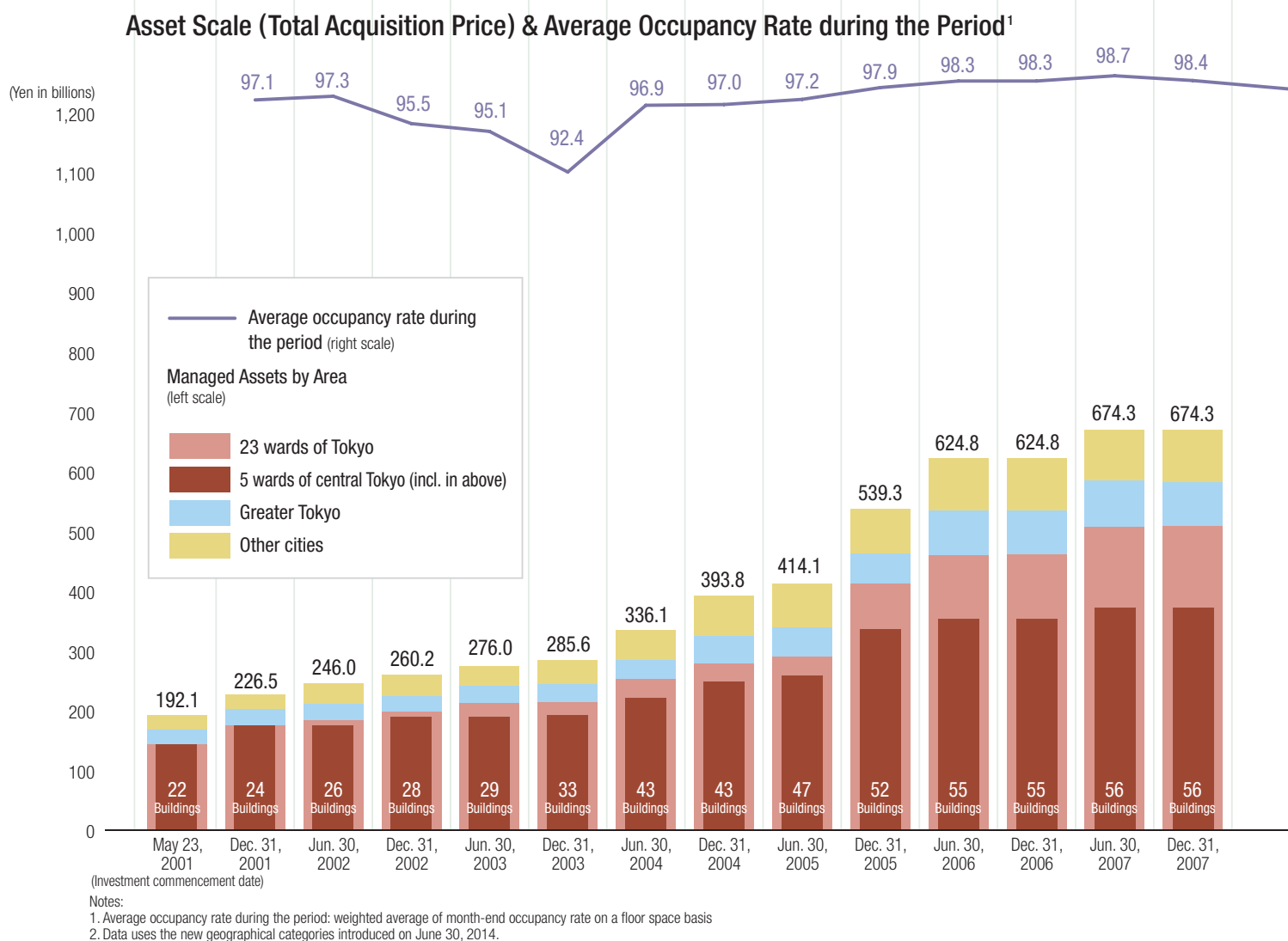
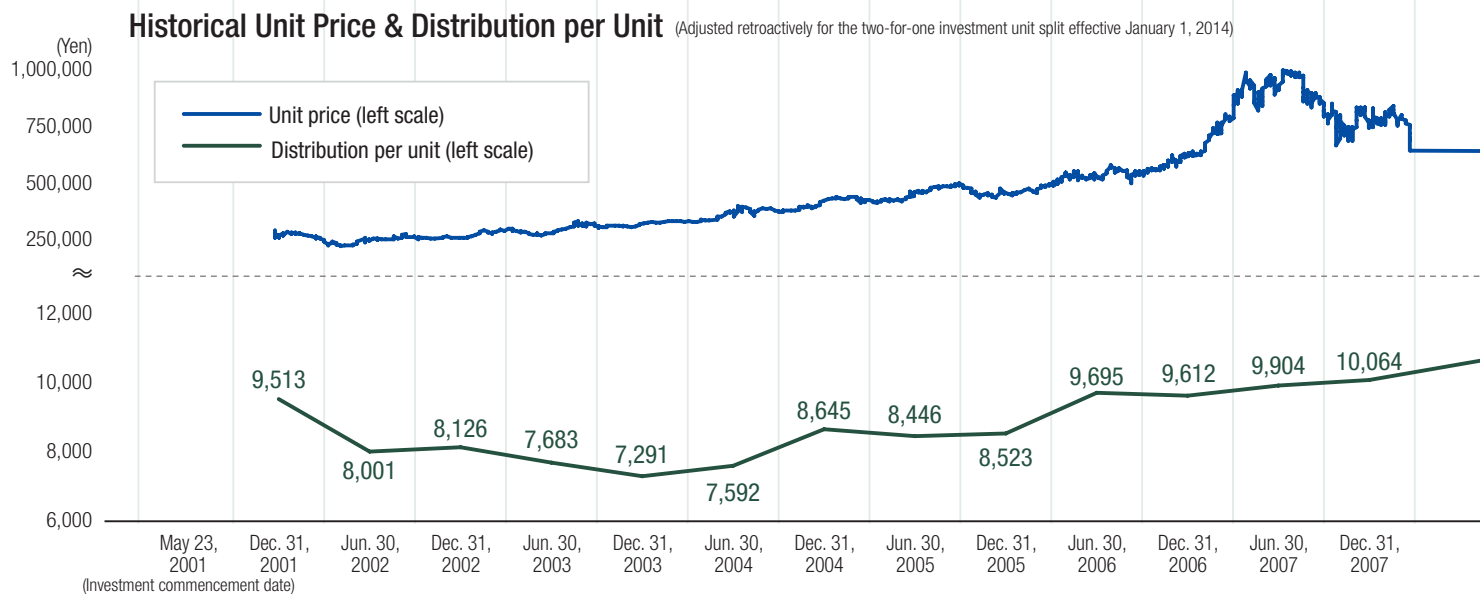
Property management capabilities

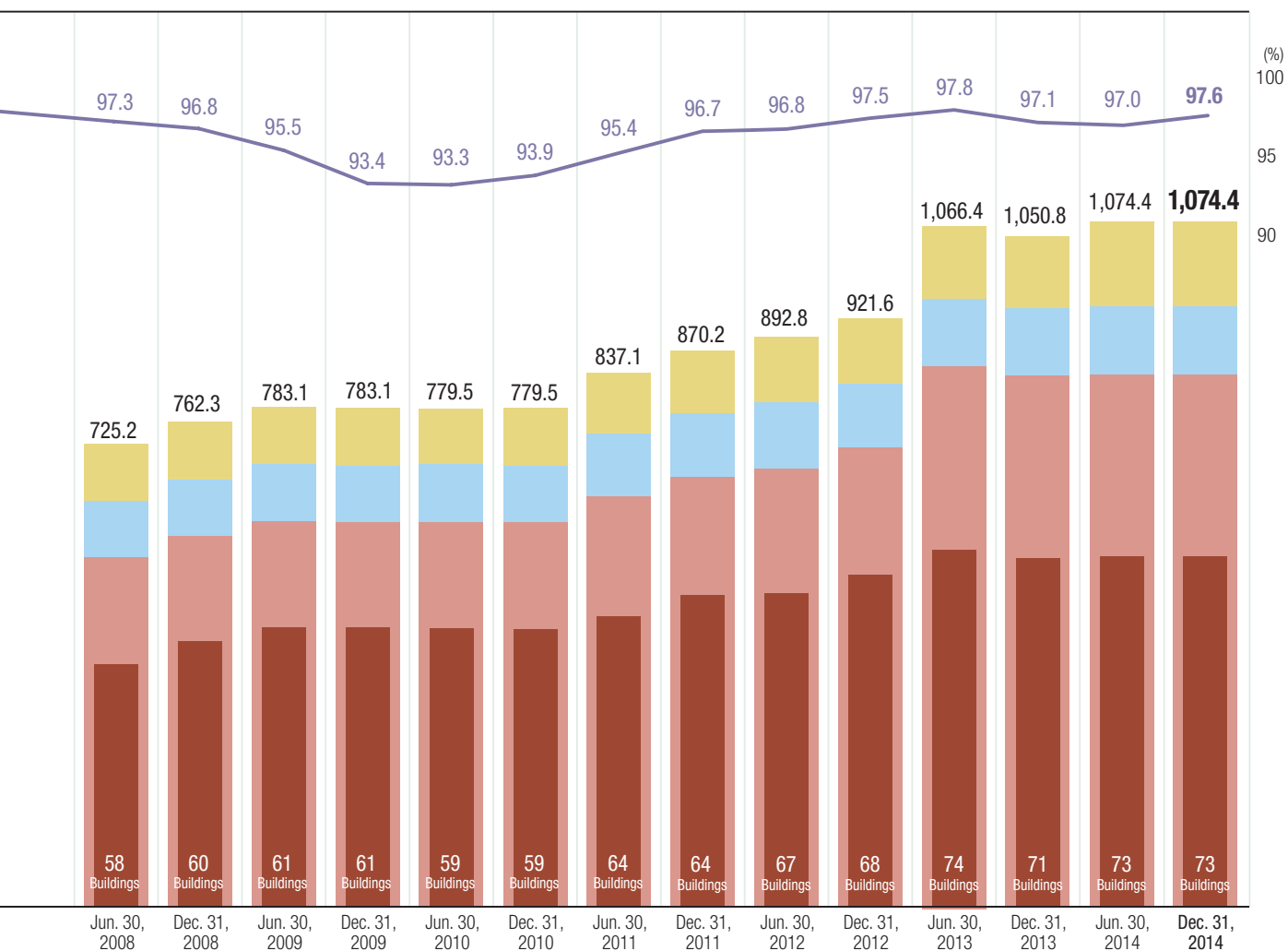
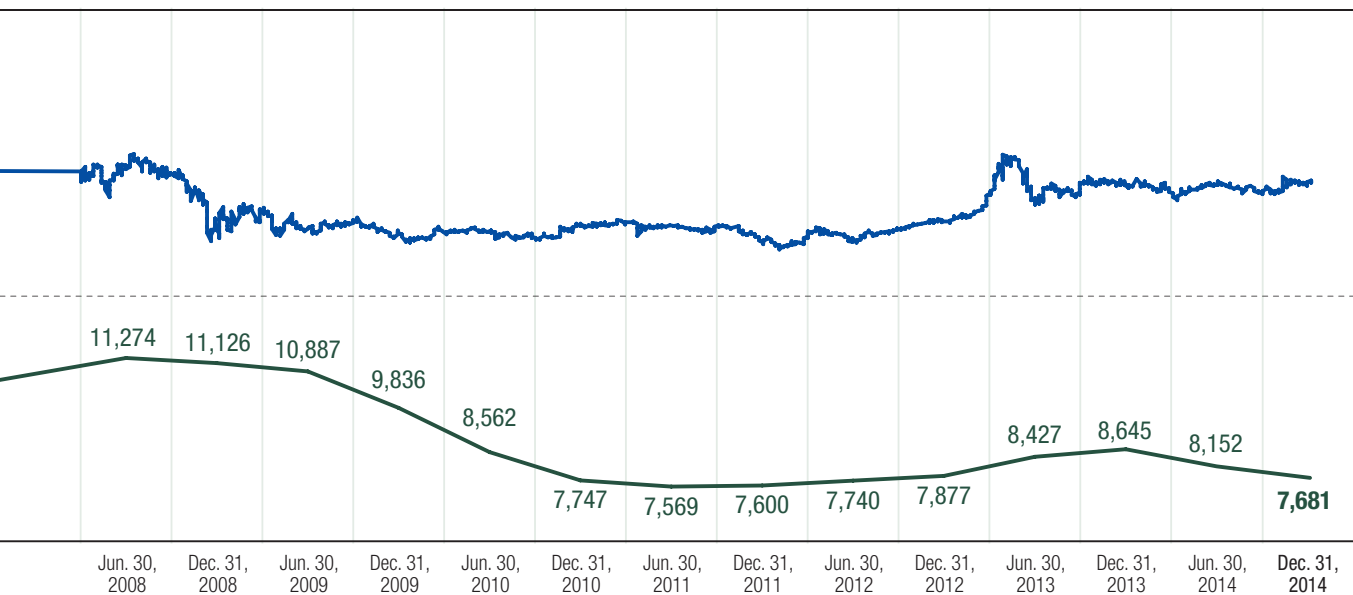


MITSUI FUDOSAN

*Book value basis

A Track Record of Steady Growth





To Our Unitholders



NBF Nippon Building Fund

Ken Tanaka

Kenichi Tanaka

President and CEO of Nippon Building Fund Management Ltd.

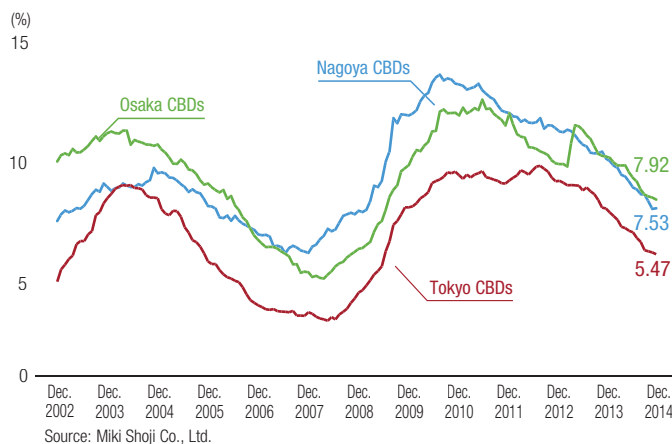
Continued improvement in both the Japanese economy and real estate market

During the six months ended December 31, 2014 (the “27th Period”), the real GDP growth rate in Japan was contrary to expectations from July to September, and continued to contract as it had in the previous three months. Consumer spending was weak following the consumption tax increase, and companies took a cautious approach to production. During the second half of the 27th Period, following a decision by the Bank of Japan to implement additional monetary easing and the government’s

decision to postpone a further consumption tax increase, the economy basically continued to recover moderately, with evidence of improvement in consumer spending and capital investment reflecting improved corporate earnings and a better employment environment.

The recovery of the Japanese economy is expected to become more pronounced with definite upward revision in corporate performance and broadly based wage growth. At the same time, we need to keep an eye on the possible impact of higher interest rates if the United States raises interest rates.

Average Vacancy Rates for Tokyo, Osaka and Nagoya CBDs



Tokyo CBDs: Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku
 Osaka CBDs: Umeda area, Minamimorimachi area, Yodoyabashi & Honmachi areas, Funaba area, Shinsaibashi & Nanba areas, Shin Osaka area
 Nagoya CBDs: Nagoya Station area, Fushimi area, Sakae area, Marunouchi area

Average Market and Asking Rents for Tokyo CBDs



In the office building leasing market, the supply of new office buildings is stable. Backed by improved corporate results and expanding employment, tenants add space or move to larger offices. These are among the factors supporting continued improvement in the supply-demand balance. Under these conditions, market asking rents continue to edge up.

Investment demand in office building transactions remained strong, backed by a favorable fund procurement environment and heightened expectations for improvement in office leasing market conditions over the medium-term resulting from economic growth.

Looking ahead, the real estate market's current trend of rising asking rents is expected to continue. We are assuming that improvement in the office leasing market will continue to be moderate and steady as the mismatch between supply and demand in particular areas and rent bands subsides.

Many pundits are saying that rising prices and other factors show that the office building transaction market is overheating. However, ultra large-scale transactions were largely over in 2014 and the market appears to have calmed down, although prices remained high in Tokyo central business districts. We are seeing a transition from a market

driven only by the expectation of higher rent as in the past to one driven by improvement in revenues from actual rent gains.

Steady internal growth and a selectively positive stance for new acquisitions

Given the ongoing trend toward improvement in the office building leasing market, we forecast that the trend toward lower revenues from existing properties in our portfolio since the financial crisis will end. During the second half of 2015, rent revisions will be a key factor driving steady recovery with an expected uptrend in period-on-period revenues. Contract cancellations by particular tenants may result in revenue fluctuations, but we intend to achieve internal growth based on expectations of a shift to upward rent revisions.

Increasing unitholder value

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

Large-scale Office Building Supply and Demand in the 23 Wards of Tokyo



Notes: Area supply is the total area available for rent in newly constructed buildings

Area demand (net absorption) = Area completed and available for rent at the beginning of the period + Newly supplied area
(area available for rent in buildings completed during the period) - Area completed and available for rent at the end of the period

CIO and CFO Message

Koji Matsufuji

CIO and CFO of Nippon Building Fund Management Ltd.



We forecast a shift to period-on-period growth from rent revisions for existing properties during the second half of 2015.

In the past, revenues decreased at an annualized rate of more than 10 percent in the second half of 2010 following the financial crisis. The rate of decrease subsequently leveled out, but worsened again due to the impact of a surge in office building

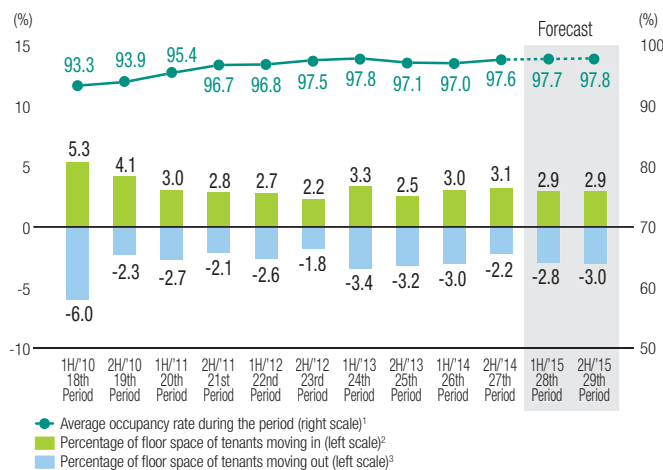
supply in Tokyo central business districts in 2012.

Revenue declines then narrowed again, and we expect them to essentially end in the second half of 2015.

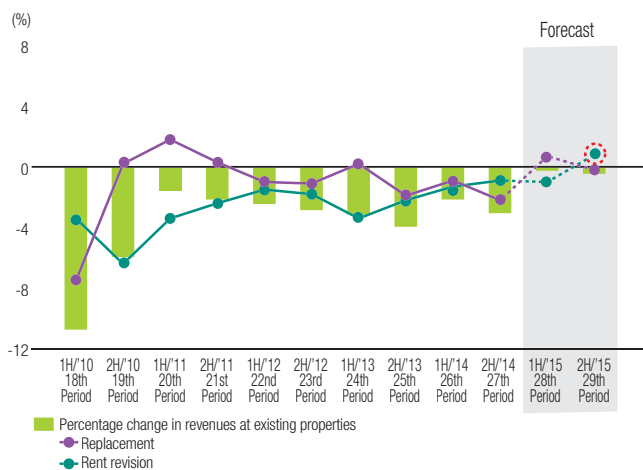
For reference, 20 percent of rent revision negotiations with tenants in the second half of 2014 resulted in rent increases. Most rents were essentially unchanged, with very few rent reductions.

As a result, we expect that the long stretch of

NBF's Occupancy Rate during the Period and Percentage of Floor Space of Tenants Moving in and Out



Breakdown of Change in Revenues from Leasing at Existing Properties



revenue declines at existing properties will largely be over in 2015. Driving this will be a shift to upward rent revisions. Basically, the positive effect of this shift will support internal growth, despite the destabilizing factor of tenant turnover.

Selectively positive investment will sustain growth.

As for external growth, we forecast that the fund procurement environment will remain favorable and that the real estate transactions will remain active, backed by expectations of improvement in the office leasing market over the medium-to-long term.

In this environment, NBF is investing selectively. This includes the decision to acquire the KANDASUDACHO i-Mark Building in June 2015 with an expected acquisition price of ¥5,960 million and an NOI yield of 5 percent.

We secure acquisition capacity while maintaining a solid financial base.

We continue to practice conservative financial management and maintain a financial base that allows us to respond to changes in financial market conditions and property acquisition opportunities. We keep the LTV ratio within a target range of 36 to 46 percent to maintain a constant level of acquisition capacity. Our LTV was 41.9 percent as of December 31, 2014, and we have a borrowing capacity of approximately ¥78.0 billion within an LTV of 46 percent. NBF intends to use this acquisition capacity to generate further growth. We also acquired a long-term issuer rating of AA+ from Japan Credit Rating Agency, Ltd., and concentrated on maintaining sound finances.

Planned Acquisition in June 2015



KANDASUDACHO i-Mark Building

| | |
|---|---------------------------------|
| Location | Kandasudacho, Chiyoda-ku, Tokyo |
| Completion date | July 30, 2013 |
| Contract date | January 28, 2015 |
| Acquisition date | June 30, 2015 |
| Acquisition price | ¥5,960 million |
| Appraisal value (At time of acquisition) | ¥7,300 million |
| NOI yield | 5.0% |
| Share | 100% |
| Seller | Shimizu Corporation |

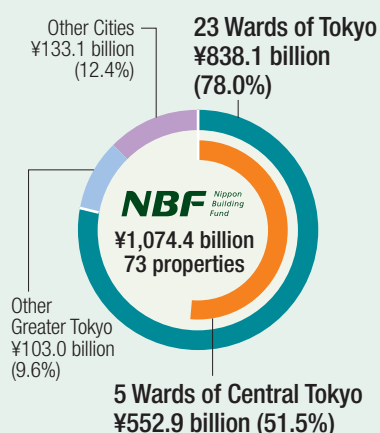


Portfolio

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

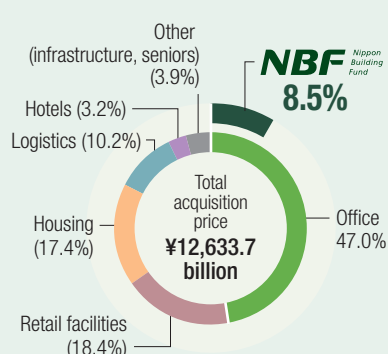
Investment by Region

(As of December 31, 2014)



NBF's J-REIT Market Share

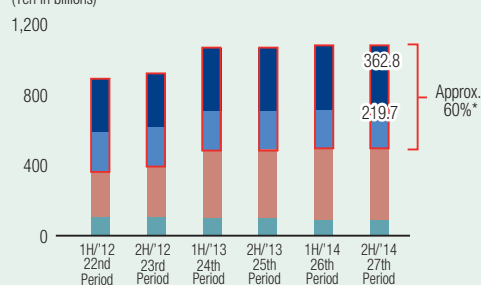
(As of December 31, 2014)



Source: Asset management companies, compiled from publicly available information

Total Acquisitions by Seller

(Yen in billions)



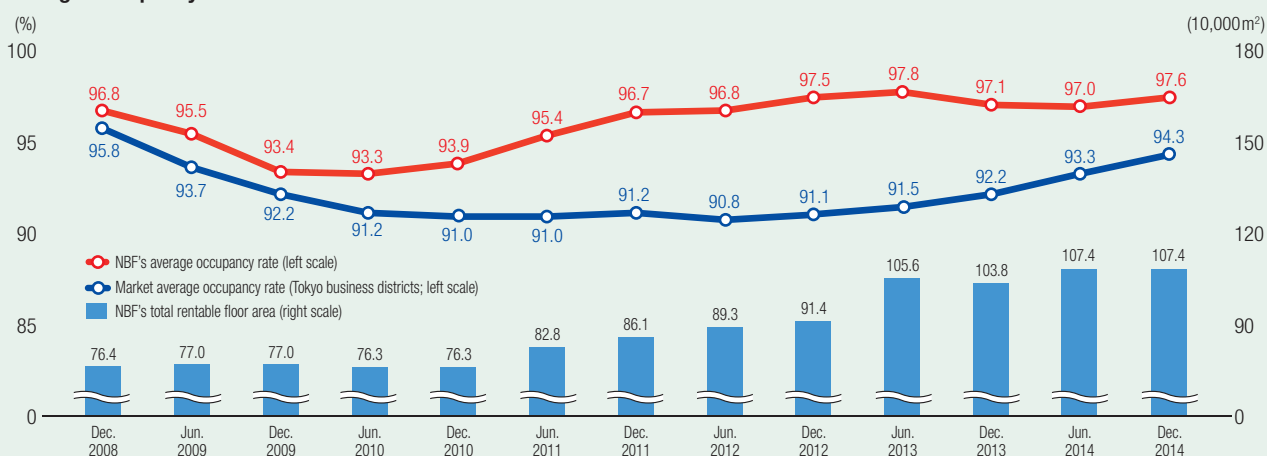
■ Acquired from Mitsui Fudosan and funds that it manages
■ Acquired through Mitsui Fudosan brokerage
■ Not acquired from Mitsui Fudosan or one of the funds it manages
■ Properties acquired when NBF began managing properties

*Ratio to total acquisitions since the initial public offering in September 2001

Leasing

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

Average Occupancy Rate and Total Rentable Area



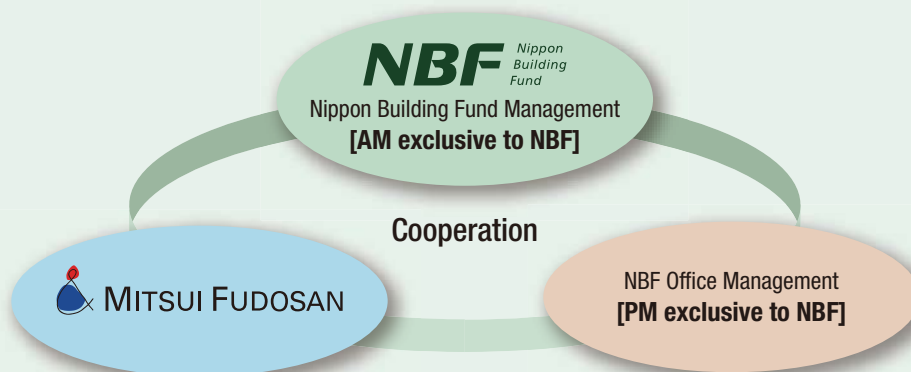
Source: Miki Shoji Co., Ltd.

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



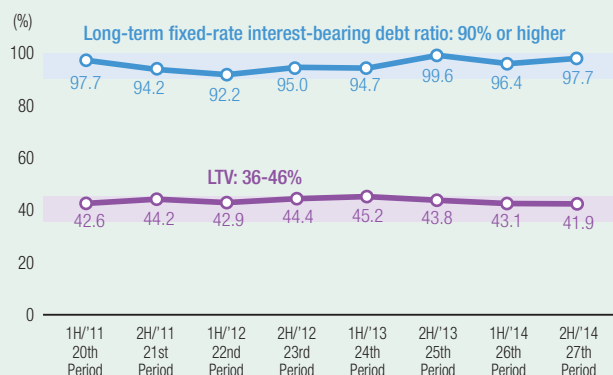
- New tenant leasing
- Provides management and operation expertise and operating systems
- Overall management of subleased properties

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

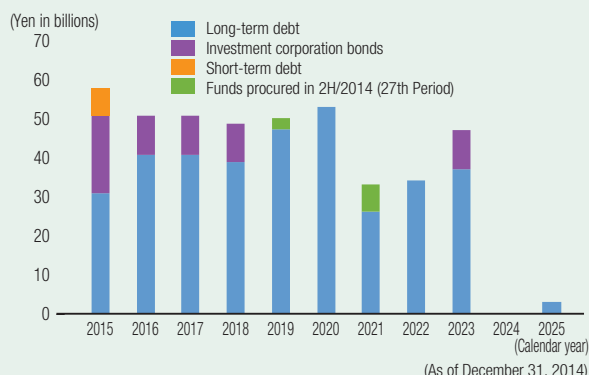
Financial

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

LTV and Long-Term Fixed-Rate Interest-Bearing Debt Ratio

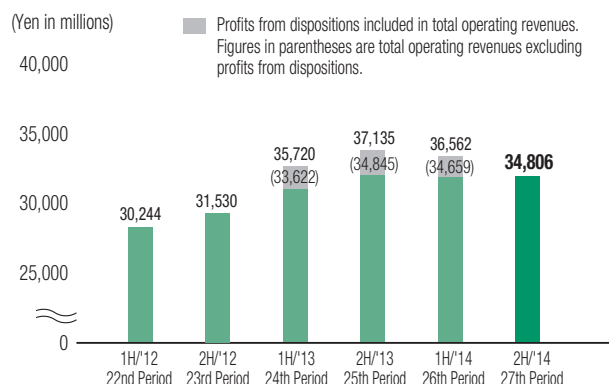


Debt Maturity Schedule

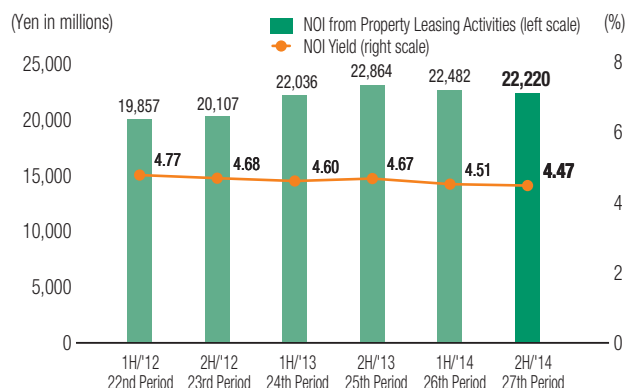


Performance Highlights

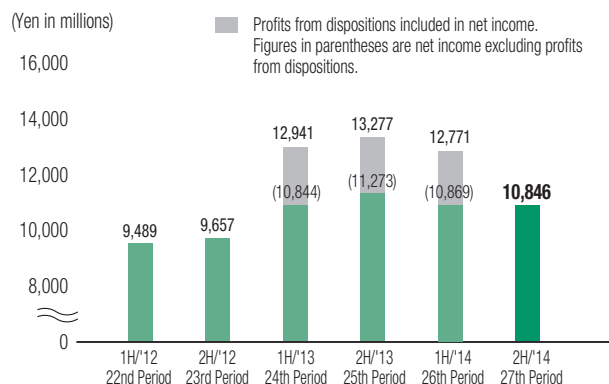
Total Operating Revenues



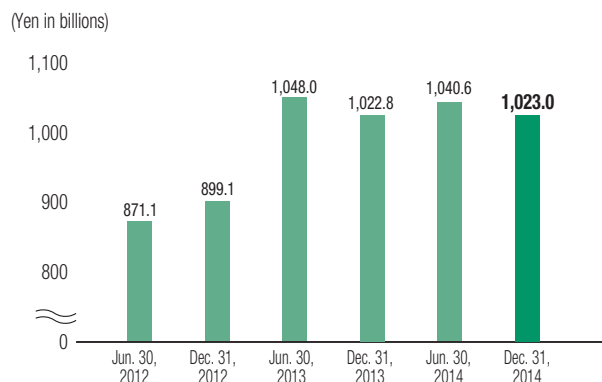
NOI from Property Leasing Activities¹ and NOI Yield²



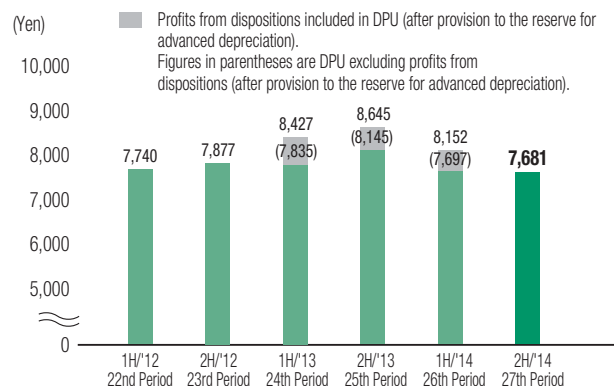
Net Income



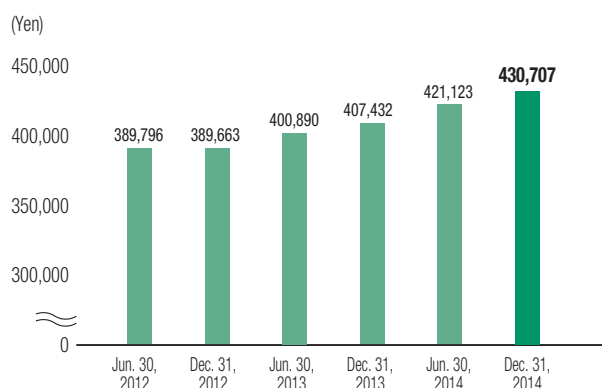
Total Assets



DPU³



NAV per Unit³



Notes: 1. NOI from property leasing activities does not include such items as gain or loss on sale of investment properties.

2. NOI yield = NOI from properties held at beginning of period/Period-end book value of properties held at beginning of period

3. Figures for Periods 22 through 25 are adjusted for the two-for-one investment unit split. Figures are rounded down to the nearest yen.

Sustainability Initiatives

NBF is aware of its corporate social responsibility and continuously strives to reduce its impact on the environment to help achieve a sustainable society.

● Environmental Friendliness (Reduced environmental loading and greater tenant comfort)

Increasing Tenant Satisfaction with Improvements That Conserve Energy and Water

Common area
(Installation of LED lighting)



(Gate City Ohsaki)

Air conditioning
(Installation of high-efficiency air conditioning)



(Yokohama ST Bldg.)

Toilets
(Installation of facilities to conserve water)



(Aqua Dojima East)

● Harmony with Society (Relationships with tenants and communities)

Disaster and BCP Measures

Work to strengthen emergency power generators



(NBF Shinkawa Bldg.)

Installation of seismometers



(Yotsuya Medical Bldg.)

Installation of satellite phones



(Nakanoshima Central Tower)

Tenant participation in disaster preparedness drills



Recreation for Tenants and Communities

NBF Concerts

Performances at 10 locations throughout Japan promote communication with tenants and communities.



(NBF Unix Bldg.)



(Yokohama ST Bldg.)

Portfolio Overview

(As of December 31, 2014)



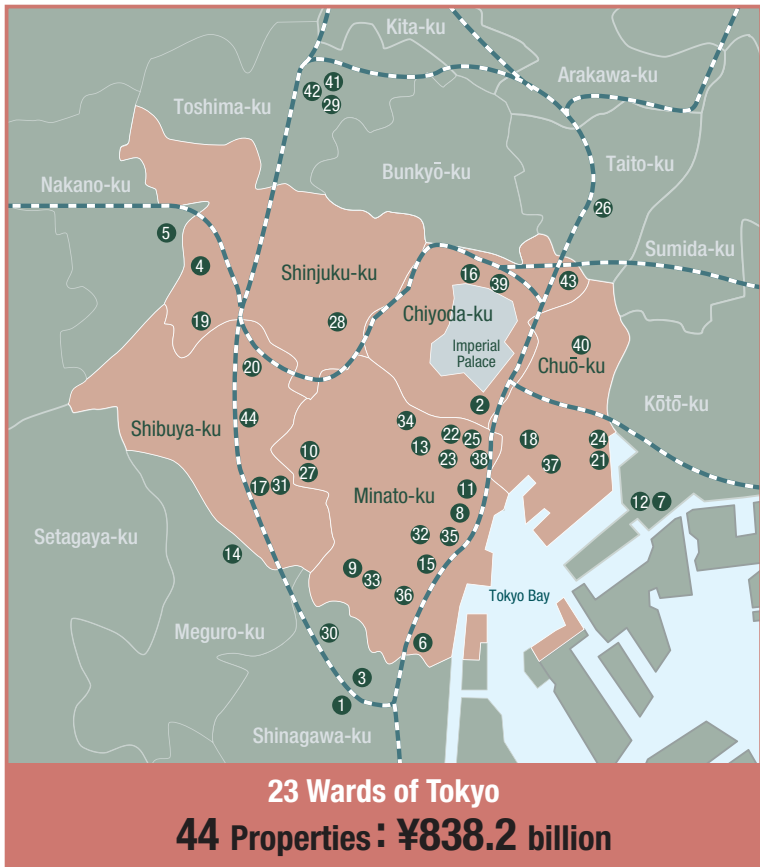
For further information, click here to jump to the relevant page on NBF's website.

| Property Name | Acquisition Price (Yen in millions) | Book Value (Yen in millions) | Appraisal Value (Yen in millions) | Total Rentable Area (m ²) | Total Leased Area (m ²) | Occupancy Rate (%) | Total Number of Tenants |
|---|--|---------------------------------|--------------------------------------|--|--|-----------------------|----------------------------|
| 1 NBF Osaka Bldg. | 66,660 | 67,810 | 76,300 | 74,425 | 74,425 | 100.0 | 1 |
| 2 NBF Hibiya Bldg. | 63,500 | 64,181 | 53,300 | 27,576 | 27,361 | 99.2 | 96 |
| 3 Gate City Ohsaki | 57,281 | 49,640 | 60,600 | 41,860 | 39,967 | 95.5 | 78 |
| 4 Nishi-Shinjuku Mitsui Bldg. | 45,145 | 33,859 | 41,400 | 33,338 | 33,320 | 99.9 | 35 |
| 5 Nakanosakaue Sunbright Twin | 40,750 | 36,841 | 30,100 | 32,021 | 32,021 | 100.0 | 17 |
| 6 Mitsubishi Heavy Industries Head Office Bldg. | 36,300 | 36,397 | 44,800 | 35,641 | 35,641 | 100.0 | 11 |
| 7 NBF Toyosu Canal Front | 35,200 | 30,521 | 34,200 | 36,638 | 36,290 | 99.0 | 9 |
| 8 Shiba NBF Tower | 32,000 | 27,747 | 27,500 | 24,728 | 24,728 | 100.0 | 34 |
| 9 NBF Platinum Tower | 31,000 | 27,358 | 56,700 | 33,503 | 33,503 | 100.0 | 6 |
| 10 NBF Minami-Aoyama Bldg. | 31,000 | 31,546 | 17,200 | 9,631 | 9,102 | 94.5 | 10 |
| 11 NBF COMODIO Shiodome | 28,800 | 28,323 | 30,800 | 20,538 | 20,538 | 100.0 | 15 |
| 12 NBF Toyosu Garden Front | 25,018 | 23,412 | 27,900 | 28,289 | 28,289 | 100.0 | 5 |
| 13 Toranomon Kotohira Tower | 24,543 | 19,129 | 31,200 | 16,848 | 16,848 | 100.0 | 24 |
| 14 Nakameguro GT Tower | 23,856 | 18,573 | 20,300 | 21,423 | 20,533 | 95.8 | 18 |
| 15 Celestine Shiba Mitsui Bldg. | 22,500 | 22,607 | 23,700 | 16,915 | 15,065 | 89.1 | 6 |
| 16 NBF Ochanomizu Bldg. | 20,840 | 20,494 | 12,200 | 6,627 | 6,296 | 95.0 | 5 |
| 17 NBF Shibuya Garden Front | 20,269 | 19,190 | 26,400 | 16,516 | 16,516 | 100.0 | 1 |
| 18 NBF Ginza Street Bldg. | 17,000 | 17,548 | 15,200 | 3,440 | 3,440 | 100.0 | 1 |
| 19 Shinjuku Mitsui Bldg. No.2 | 16,285 | 16,287 | 16,200 | 14,874 | 14,646 | 98.5 | 46 |
| 20 GSK Bldg. | 14,434 | 11,968 | 17,400 | 20,426 | 20,426 | 100.0 | 1 |
| 21 River City M-SQUARE | 13,350 | 12,684 | 15,000 | 16,232 | 16,232 | 100.0 | 8 |
| 22 NBF Toranomon Bldg. | 13,337 | 13,116 | 16,000 | 10,067 | 9,969 | 99.0 | 15 |
| 23 Kowa Nishi-Shinbashi Bldg. B | 13,217 | 11,274 | 13,600 | 10,088 | 10,088 | 100.0 | 20 |
| 24 NBF Shinkawa Bldg. | 12,614 | 11,342 | 13,510 | 17,307 | 17,307 | 100.0 | 37 |
| 25 Shinbashi M-SQUARE | 11,900 | 11,920 | 12,900 | 5,392 | 5,392 | 100.0 | 7 |
| 26 NBF Ueno Bldg. | 10,400 | 9,775 | 8,590 | 8,504 | 8,504 | 100.0 | 5 |
| 27 NBF ALLIANCE | 9,126 | 9,398 | 11,300 | 4,033 | 4,033 | 100.0 | 7 |
| 28 Yotsuya Medical Bldg. | 8,800 | 7,956 | 7,420 | 7,481 | 5,560 | 74.3 | 37 |
| 29 NBF Ikebukuro East | 8,630 | 8,800 | 9,330 | 11,073 | 11,073 | 100.0 | 20 |
| 30 Higashi Gotanda Square | 8,350 | 8,075 | 7,950 | 6,166 | 4,479 | 72.6 | 6 |
| 31 NBF Shibuya East | 8,000 | 8,005 | 6,190 | 4,999 | 4,999 | 100.0 | 4 |
| 32 NBF Shibakouen Bldg. | 6,770 | 6,297 | 7,600 | 7,084 | 7,084 | 100.0 | 19 |
| 33 NBF Takanawa Bldg. | 6,667 | 6,470 | 6,830 | 10,458 | 10,047 | 96.1 | 12 |
| 34 NBF Akasaka Sanno Square | 6,250 | 6,276 | 6,410 | 5,258 | 5,258 | 100.0 | 6 |
| 35 NBF Shibakouen Daimon Street Bldg. | 6,100 | 6,259 | 4,180 | 3,428 | 3,428 | 100.0 | 8 |
| 36 Sumitomo Densetsu Bldg. | 5,365 | 4,839 | 5,430 | 5,991 | 5,991 | 100.0 | 1 |
| 37 NBF Higashi-Ginza Square | 5,200 | 4,553 | 7,100 | 4,871 | 4,871 | 100.0 | 8 |
| 38 Panasonic Tokyo Shiodome Bldg. | 5,075 | 5,070 | 5,550 | 4,577 | 4,577 | 100.0 | 1 |
| 39 NBF Ogawamachi Bldg. | 4,940 | 5,110 | 5,520 | 4,805 | 4,805 | 100.0 | 15 |
| 40 Nihonbashi Kabuto-cho M-SQUARE | 4,850 | 4,680 | 5,130 | 3,298 | 3,298 | 100.0 | 2 |
| 41 NBF Ikebukuro Tower | 4,695 | 4,399 | 5,120 | 5,631 | 5,631 | 100.0 | 17 |
| 42 NBF Ikebukuro City Bldg. | 4,428 | 4,187 | 4,830 | 5,127 | 5,127 | 100.0 | 11 |
| 43 Ryukakusan Bldg. | 4,050 | 4,453 | 4,260 | 5,332 | 5,332 | 100.0 | 9 |
| 44 Jingumae M-SQUARE | 3,700 | 3,680 | 3,720 | 7,232 | 6,813 | 94.2 | 8 |
| 23 Wards of Tokyo Total | 838,196 | 782,074 | 856,870 | 689,690 | 678,850 | 98.4 | 702 |
| 45 Chofu South Gate Bldg. | 9,320 | 8,670 | 9,760 | 13,762 | 13,762 | 100.0 | 1 |
| 46 Shin-Kawasaki Mitsui Bldg. | 25,820 | 22,902 | 21,100 | 39,837 | 39,755 | 99.8 | 20 |
| 47 Yokohama ST Bldg. | 13,529 | 12,403 | 14,200 | 20,047 | 19,942 | 99.5 | 94 |
| 48 Parale Mitsui Bldg. | 3,800 | 3,179 | 3,620 | 12,545 | 12,187 | 97.1 | 35 |
| 49 NBF Atsugi Bldg. | 2,300 | 2,191 | 2,080 | 5,242 | 5,242 | 100.0 | 19 |
| 50 Tsukuba Mitsui Bldg. | 8,875 | 6,915 | 7,290 | 16,720 | 16,377 | 97.9 | 64 |
| 51 NBF Utsunomiya Bldg. | 2,435 | 2,224 | 2,220 | 6,160 | 6,160 | 100.0 | 40 |
| 52 S-ino Omiya North Wing | 16,816 | 14,142 | 19,700 | 20,698 | 18,797 | 90.8 | 41 |
| 53 NBF Urawa Bldg. | 2,000 | 1,856 | 1,880 | 3,455 | 3,455 | 100.0 | 13 |
| 54 NBF Shin-Urayasu Tower | 15,700 | 15,596 | 9,960 | 22,803 | 20,375 | 89.4 | 49 |
| 55 NBF Matsudo Bldg. | 2,455 | 2,289 | 2,200 | 4,770 | 4,770 | 100.0 | 26 |
| Greater Tokyo Total | 103,051 | 92,371 | 94,010 | 166,037 | 160,821 | 96.9 | 402 |
| 56 Sapporo L-Plaza | 4,404 | 3,387 | 6,760 | 11,396 | 11,396 | 100.0 | 14 |
| 57 NBF Sapporo Minami Nijo Bldg. | 1,870 | 1,646 | 1,300 | 5,351 | 5,351 | 100.0 | 3 |
| 58 NBF Sendai Honcho Bldg. | 3,566 | 3,401 | 2,800 | 7,514 | 7,305 | 97.2 | 9 |
| 59 NBF Unix Bldg. | 4,028 | 2,966 | 3,350 | 13,267 | 12,865 | 97.0 | 51 |
| 60 NBF Niigata Telecom Bldg. | 3,957 | 3,487 | 2,950 | 10,208 | 9,902 | 97.0 | 33 |
| 61 Sumitomo Mitsui Banking Nagoya Bldg. | 14,900 | 14,787 | 15,600 | 17,658 | 17,658 | 100.0 | 12 |
| 62 NBF Nagoya Hirokoji Bldg. | 7,232 | 6,551 | 6,840 | 9,873 | 9,635 | 97.6 | 23 |
| 63 Aqua Dojima NBF Tower | 17,810 | 16,026 | 16,600 | 21,917 | 21,339 | 97.4 | 43 |
| 64 Nakanoshima Central Tower | 14,900 | 15,020 | 15,800 | 17,367 | 17,093 | 98.4 | 20 |
| 65 Shinanobashi Mitsui Bldg. | 14,400 | 10,811 | 13,900 | 25,314 | 23,889 | 94.4 | 56 |
| 66 Sakaisuji-Honmachi Center Bldg. | 12,700 | 12,208 | 12,400 | 23,230 | 22,025 | 94.8 | 53 |
| 67 Sun Mullion NBF Tower | 10,500 | 7,496 | 6,940 | 14,954 | 14,954 | 100.0 | 29 |
| 68 Aqua Dojima East | 1,914 | 1,702 | 1,410 | 3,245 | 3,021 | 93.1 | 20 |
| 69 NBF Hiroshima Tatemachi Bldg. | 2,930 | 2,756 | 2,330 | 5,567 | 5,496 | 98.7 | 32 |
| 70 Hiroshima Fukuromachi Bldg. | 2,215 | 1,958 | 2,230 | 3,927 | 3,842 | 97.8 | 11 |
| 71 NBF Matsuyama Nichigin-mae Bldg. | 3,310 | 3,263 | 3,550 | 5,997 | 5,666 | 94.5 | 21 |
| 72 Hakata Gion M-SQUARE | 8,000 | 7,372 | 8,830 | 14,328 | 14,328 | 100.0 | 16 |
| 73 NBF Kumamoto Bldg. | 4,500 | 4,119 | 3,790 | 7,931 | 7,931 | 100.0 | 18 |
| Other Cities Total | 133,138 | 118,964 | 127,380 | 219,043 | 213,696 | 97.6 | 464 |
| Total | 1,074,386 | 993,411 | 1,078,260 | 1,074,771 | 1,053,366 | 98.0 | 1,568 |

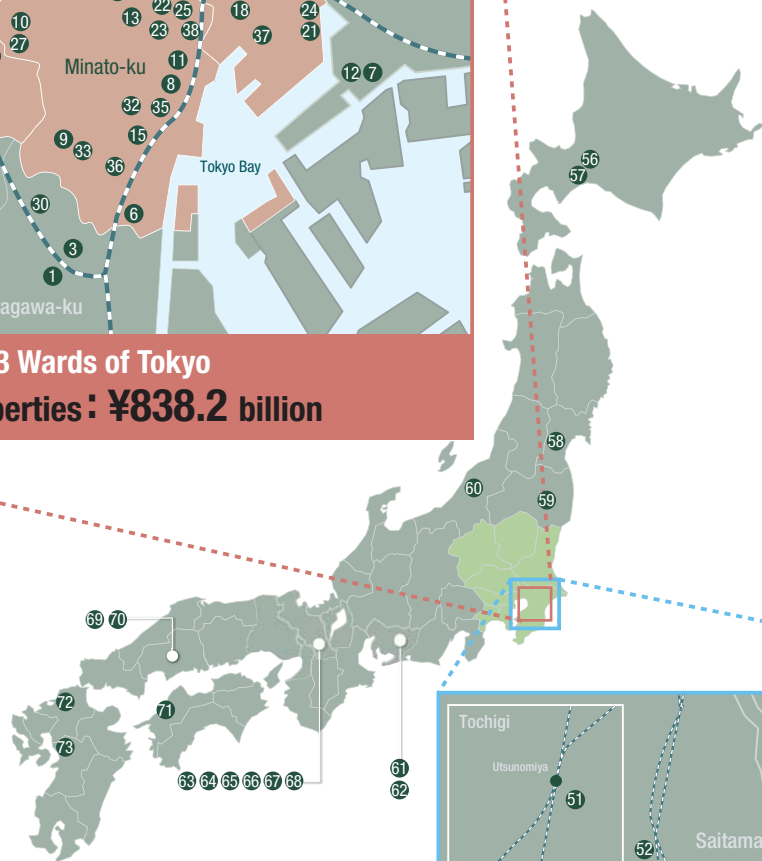
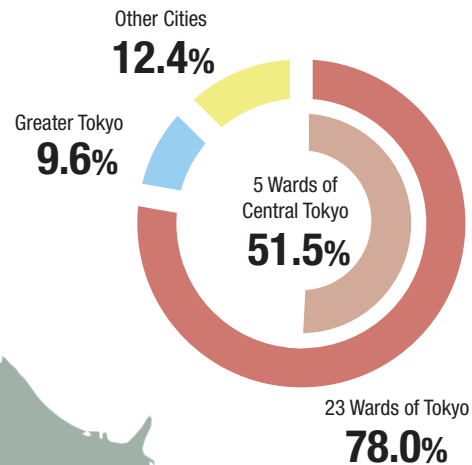
Location of Office Properties (As of December 31, 2014)



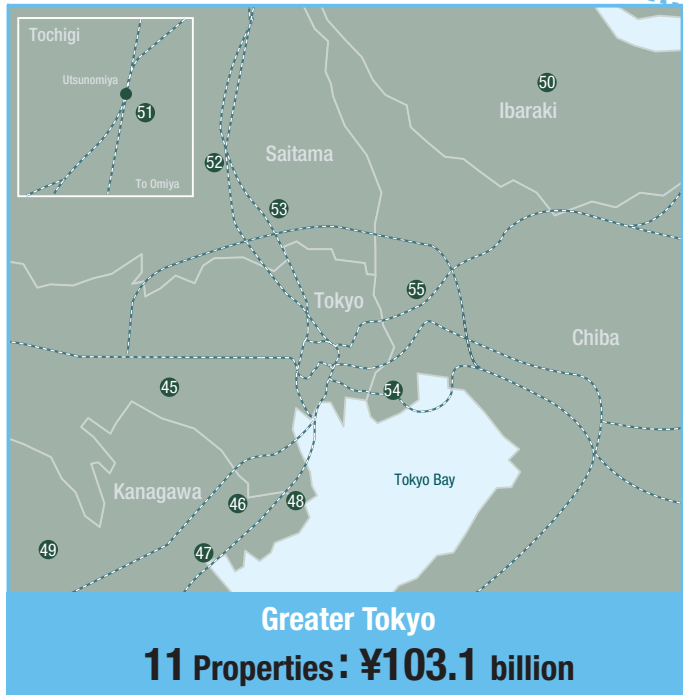
For further information, click here to jump to the relevant page on NBF's website.



Investment by Region



Other Cities
18 Properties: ¥133.1 billion

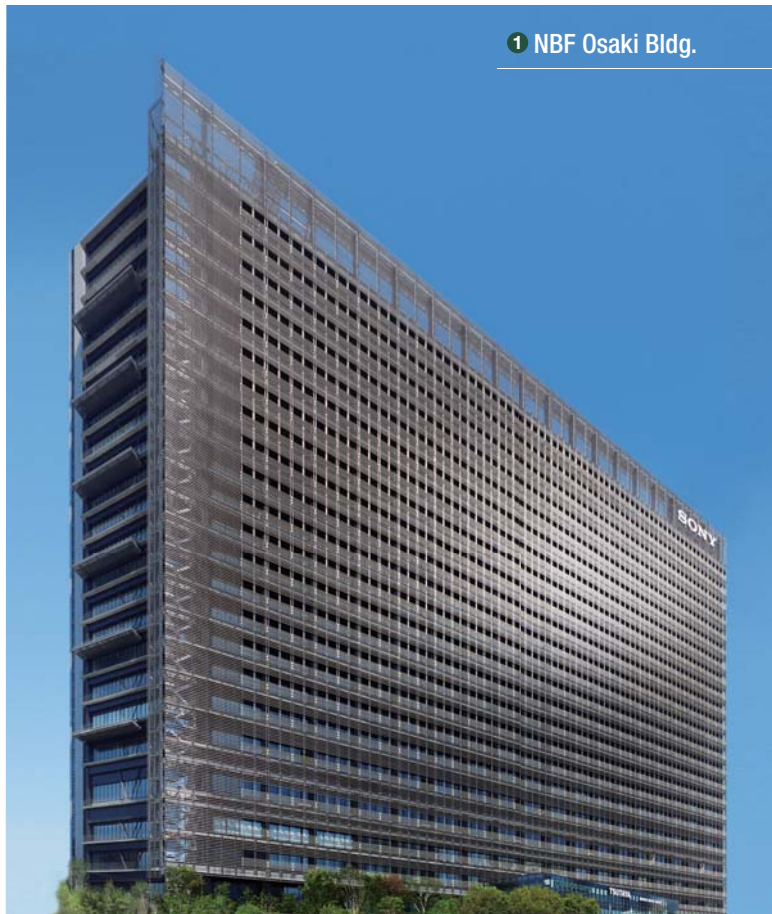


Major Assets

(As of December 31, 2014) (Building numbers correspond to those on pages 14 and 15.)

23 Wards of Tokyo

① NBF Osaki Bldg.



② NBF Hibiya Bldg.



③ Gate City Ohsaki



⑦ NBF Toyosu Canal Front



Greater Tokyo

46 Shin-Kawasaki Mitsui Bldg.



52 S-ino Omiya North Wing



Other Cities

64 Nakanoshima Central Tower



72 Hakata Gion M-SQUARE



Management Team and Management Structure

(As of April 31, 2014)

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 ninth General Meeting of Unitholders convened on March 12, 2015. The date of the next General Meeting of Unitholders has not been set.

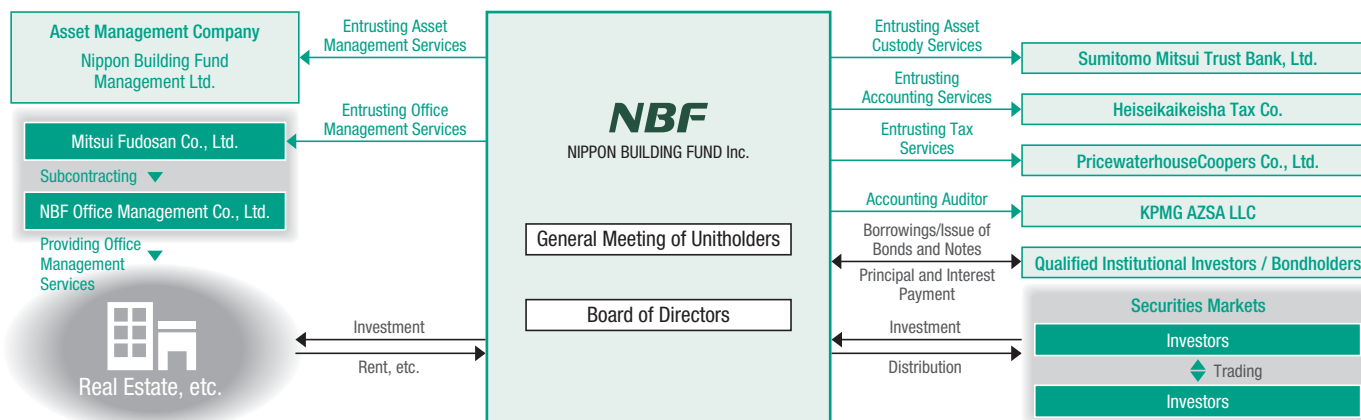
The General Meeting of Unitholders adopts or vetoes

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 March 12, 2015, 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: Yutaka Fukaya, Yoshiaki Kageyama, Tetsuro Tsugawa, Hakaru Goto

| | Name | Career Summary |
|-----------------------|-------------------|--|
| Executive Director | Yoshiaki Kageyama | Appointed Executive Director of NBF in March 2015 after serving as a standing auditor of Mitsui Fudosan Realty Co., Ltd. |
| Supervisory Directors | Tetsuro Tsugawa | Reappointed Supervisory Director of NBF in March 2015. Attorney. |
| | Yutaka Fukaya | Reappointed Supervisory Director of NBF in March 2015. Certified Public Accountant and Certified Public Tax Accountant. |
| | Hakaru Goto | Appointed Supervisory Director of NBF in March 2015. Real Estate Appraiser. |

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.

A new executive director was elected with the consent of unitholders at the General Meeting of Unitholders held on March 12, 2015. Two of the three supervisory directors were reelected and one new supervisory director was elected at the same time, and assumed office on March 17, 2015.

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 Shareholders and the Board of Directors as manager of general administration.

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, 2014)

| 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% |

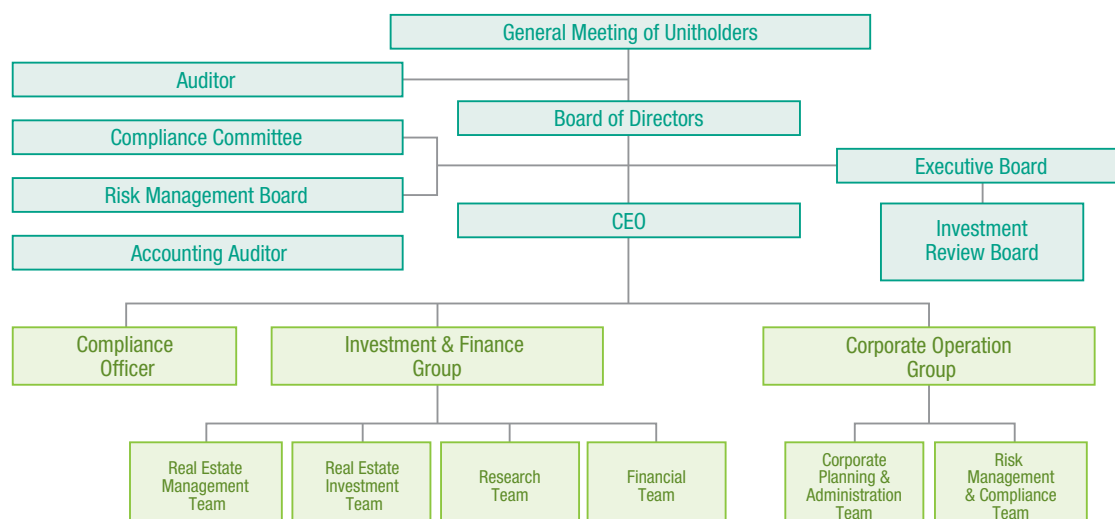
Outline of Financial Condition

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, 2014 | (Yen in millions) |
|----------------------|-------------------|
| Total Assets | ¥2,410 |
| Total Liabilities | 462 |
| Total Net Assets | 1,948 |

Management Structure (As of April 1, 2015)



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 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 (As of April 1, 2015)

| Name | Title | Career Summary |
|-----------------|---|---|
| Kenichi Tanaka | President and CEO | <p>Apr. 1982 Joined Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2007 General Manager, Operating Administration Department of Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2010 General Manager, Residential Leasing Business Department, Accommodations Business Division of Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2012 Appointed President and CEO of Nippon Building Fund Management Ltd. (current position)</p> |
| Koji Matsufuji | Director, Chief Investment Officer, Chief Financial Officer | <p>Apr. 1987 Joined Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2005 Manager, PM-II, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd.</p> <p>Apr. 2006 Associate General Manager, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd.</p> <p>Apr. 2007 Executive Manager, Development Planning Group, Regional Development Department, Retail Properties Division of Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2010 General Manager of Business Promotion Department of NBF Office Management Co., Ltd.</p> <p>Apr. 2013 Appointed Director, Chief Investment Officer and Chief Financial Officer of Nippon Building Fund Management Ltd. (current position)</p> |
| Masahiko Misao | Director, Chief Operating Officer | <p>Apr. 1980 Joined Sumitomo Life Insurance Company</p> <p>Apr. 2003 General Manager, Real Property Department of Sumitomo Life Insurance Company</p> <p>Mar. 2008 Director and General Manager, Commercial Operation Department, Shinagawa Intercity Management Co., Ltd.</p> <p>Apr. 2012 Appointed Director and Chief Operating Officer of Nippon Building Fund Management Ltd. (current position)</p> |
| 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) |
| Yoichi Kunikane | Auditor (Part-time) | Apr. 2015 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.

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.

Asset Management Fee Structure

Operation

Nippon Building Fund Management Ltd. 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. In addition, Nippon Building Fund Management Ltd. 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.

units of Real Estate, etc., the acquisition price of each item, and in the event of merger, the appraised value of Real Estate, etc. succeeded by NBF at the time of the merger, 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 |

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 (in the event of merger, succession of status by merger), compensation equivalent to the total amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings, in the event of the simultaneous acquisition of multiple

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 23 wards of Tokyo with a focus on the 5 central wards of Chiyoda, Chuo, Minato, Shinjuku and Shibuya | <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 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. |
|--|---|

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 June 30, 2014, NBF satisfied the criteria.

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

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

b) Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from the acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of measures responding to risks of deterioration and obsolescence, insurability and so forth of the relevant office properties (or Beneficiary Certificates backed by such office properties) ("Investment Objectives and Policies," Articles of Incorporation). The details of the relevant criteria are

set forth in the following table.

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

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

c) Uncompleted or Unleasable Properties

In principle, NBF acquires Real Estate, etc. which are leased/leasable assets at the time of closing. NBF may acquire a property which is not yet leasable at the time of closing based on consideration of the impact on NBF's asset management activities after taking into account the investment amount, the date of completion or of becoming leasable, estimated revenue and so forth, provided, however, that the contract amount of any such unleasable asset combined with the total contract amount of previously acquired unleasable assets (but excluding unleasable assets which thereafter become operational) will not exceed 10% of the total assets indicated on the most recent balance sheet of

NBF. For this purpose, "leased/leasable assets" shall mean property with respect to which the construction of the building has been completed and such building is leased or leasable. Properties which are owned by NBF and have become operational at some point shall be deemed "leasable" thereafter (including such cases as reconstruction or large-scale renovation of a building) ("Investment Objectives and Policies," Articles of Incorporation).

(3) Management and Disposition Policies

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

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

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

a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building.

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 and issues of NBF bonds to the total amount of assets of NBF (loan-to-value ratio) is envisioned to be limited to 56%, but may temporarily exceed 56% 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 superficieses
- (2) Beneficiary Certificates backed by real estate, real estate leasehold rights and superficieses, 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)
- (11) Renewable energy power generation facilities (meaning those specified in Article 3.11 of the Order for Enforcement of the Investment Trust Act (Cabinet Order No. 480 of 2000, including amendments thereto))

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) Emission credits (including emission credits for greenhouse gases) or other similar carbon dioxide equivalent quotas based on the Act on Promotion of Global Warming Countermeasures of Japan (Act No. 117 of 1998, including subsequent revisions)
- (7) Requisite ancillary rights to Designated Assets referred to in section A

D. In the event that securities with “rights to be indicated on securities” as specified in Article 2.2 of the Financial Instruments and Exchange Law of Japan are not issued, such rights shall be deemed securities to which sections A through C above are applicable.

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.

(3) Amount determined by NBF if NBF determines it appropriate for reducing its tax burden.

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 regulations, 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.

Management's Discussion and Analysis

Summary of Selected Financial Data

| | | 27th Period from July 1, 2014 to December 31, 2014 | 26th Period from January 1, 2014 to June 30, 2014 | 25th Period from July 1, 2013 to December 31, 2013 | 27th Period from July 1, 2014 to December 31, 2014 |
|---|-------------------|--|---|--|--|
| | | 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 | ¥ 34,806 | ¥ 36,562 | ¥ 37,135 | \$290,415 |
| Revenues from property leasing | | 34,806 | 34,659 | 34,845 | 290,415 |
| Gain on sale of investment properties | | — | 1,903 | 2,290 | — |
| Operating expenses | | 21,182 | 20,763 | 20,737 | 176,737 |
| Rental expenses | | 19,749 | 19,254 | 18,910 | 164,785 |
| Loss on sale of investment property | | — | — | 286 | — |
| Ordinary income | | 10,847 | 12,772 | 13,278 | 90,507 |
| Net income | (a) | 10,846 | 12,771 | 13,277 | 90,497 |
| Funds from operations | Note 3 | 18,009 | 17,946 | 18,203 | 150,264 |
| Net operating income from property leasing activities | Note 3 | 22,220 | 22,482 | 22,864 | 185,397 |
| Total amount of cash distribution | (b) | 10,846 | 11,511 | 11,965 | 90,493 |
| Depreciation and amortization | | 7,163 | 7,077 | 6,930 | 59,767 |
| Capital expenditures | | 2,329 | 1,646 | 1,981 | 19,433 |
| Total assets | (c) | 1,022,952 | 1,040,572 | 1,022,812 | 8,535,265 |
| Interest-bearing debt | | 428,125 | 448,500 | 447,875 | 3,572,174 |
| Net assets | (d) | 534,156 | 534,821 | 519,198 | 4,456,874 |
| Total number of units issued (Units)* | (e) | 1,412,000 | 1,412,000 | 692,000 | |
| Net assets per unit (Yen/\$)* | (d) / (e) | 378,297 | 378,768 | 750,286 | 3,156 |
| Distribution per unit (Yen/\$)* | (b) / (e) | 7,681 | 8,152 | 17,290 | 64 |
| Funds from operations per unit (Yen/\$)* | Note 3 | 12,754 | 12,818 | 26,304 | 106 |
| ROA | Note 3 | 1.1% | 1.2% | 1.3% | |
| (Annual rate) | | (2.1%) | (2.5%) | (2.6%) | |
| ROE | Note 3 | 2.0% | 2.4% | 2.6% | |
| (Annual rate) | | 4.1% | (4.8%) | (5.1%) | |
| Loan to value (LTV) | Note 3 | 41.9% | 43.1% | 43.8% | |
| Capital ratio | (d) / (c) | 52.2% | 51.4% | 50.8% | |
| Payout ratio | (b) / (a), Note 4 | 99.9% | 90.1% | 90.1% | |
| Number of days | | 184 | 181 | 184 | |
| Number of investment properties | Note 5 | 73 | 73 | 71 | |
| Number of tenants | Note 5 | 1,568 | 1,546 | 1,481 | |
| Total rentable area (m ²) | | 1,074,771 | 1,074,857 | 1,038,549 | |
| Occupancy rate (Average) | Note 5 | 97.6% | 97.0% | 97.1% | |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119.85 = U.S.\$1.00, the approximate exchange rate on December 31, 2014.

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: Ordinary income / (Initial total assets + Total assets at end of period) ÷ 2

ROE: Net income / (Initial net assets + Net assets at end of period) ÷ 2

LTV: Interest-bearing debt / Total assets

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, 2014 (the “27th Period”), the real GDP growth rate in Japan was contrary to expectations from July to September, and continued to contract as it had in the previous three months. Consumer spending was weak following the consumption tax increase, and companies took a cautious approach to production. During the second half of the 27th Period, following a decision by the Bank of Japan to implement additional monetary easing, and the government’s decision to postpone a further consumption tax increase, the economy basically continued to recover moderately supported with evidence of improvement in consumer spending and capital investment reflecting improved corporate earnings and a better employment environment.

The underlying recovery of the Japanese economy is expected to become more pronounced with definite upward revision in corporate performance and broadly based wage growth. Issues of concern that require attention include the impact of an economic downturn overseas as a result of lower oil prices and the risk of higher interest rates if the United States raises interest rates.

In the office building leasing market, the supply-demand balance improved and the vacancy rate in Tokyo central business districts (CBDs) decreased marginally because the supply of properties was stable and an increasing number of tenants added space or moved to larger offices. In addition, asking rent in Tokyo CBDs continued to trend narrowly upward because of tighter supply and demand. With no major increase in the supply of new properties forecast from 2015 onward, vacancy rates should continue to decrease and rents should continue to rise moderately as a result of projected firm demand for office space driven by improving corporate results.

In the office building transaction market, investor interest remained strong backed by a favorable fund procurement environment and expectations of medium-term improvement in the office building leasing market resulting from real economic growth.

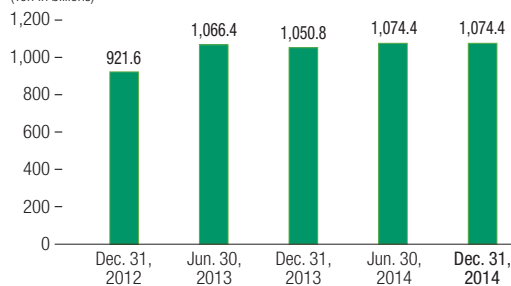
Given these conditions, competition to acquire properties has intensified and sales prices have clearly risen. Driven by ongoing favorable conditions in the fund procurement environment, it is forecast that investor demand in Japan and overseas will continue to drive active sales transactions and rising sales prices.

Under these conditions, NBF will continue 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. For properties already in its portfolio, NBF systematically conducts property management, renovations and new construction to further raise tenant satisfaction. NBF also works to secure stable revenues from property leasing 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, 2014 consisted of 73 properties. Total investment on an acquisition price basis was ¥1,074.4 billion. Total rentable area was 1,074,771 m². The average occupancy rate during the period was 97.6 percent, a 0.6 percentage point increase from June 30, 2014 and the total number of tenants was 1,568.

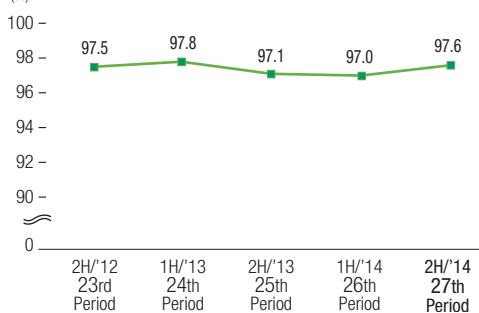
Total Investment

(Yen in billions)



Average Occupancy Rate during the Period

(%)

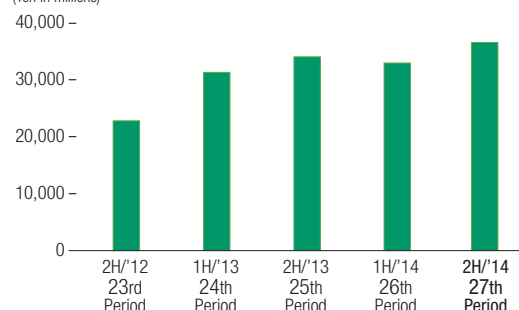


Overview of Performance

During the 27th Period, operating revenues decreased ¥1,755 million, or 4.8 percent, to ¥34,806 million, operating income from property leasing activities decreased ¥348 million, or 2.3 percent, to ¥15,057 million, operating income decreased ¥2,174 million, or 13.8 percent, to ¥13,624 million, ordinary income decreased ¥1,925 million, or 15.1 percent, to ¥10,847 million, and net income decreased ¥1,925 million, or 15.1 percent, to ¥10,846 million. Distribution per unit was ¥7,681.

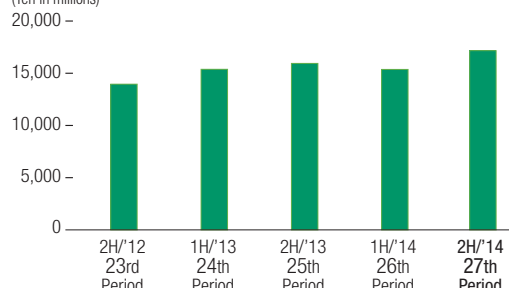
Total Operating Revenues

(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 ¥7,681. NBF expects to distribute almost all retained earnings at the current period end 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.

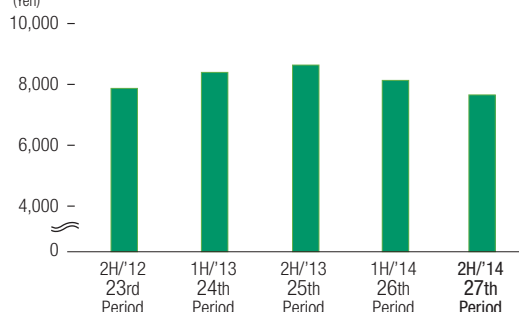
| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 | For the six months ended December 31, 2013 |
|---|---|---|---|
| (Yen in thousands, except per unit amounts) | | | |
| Retained earnings | ¥10,846,081 | ¥12,771,238 | ¥13,276,613 |
| Undistributed earnings | 509 | — | — |
| Reserve for advanced depreciation | — | 1,260,614 | 1,311,933 |
| Total cash distribution | 10,845,572 | 11,510,624 | 11,964,680 |
| (Cash distribution per unit) | 7,681 | 8,152 | 17,290 |
| Distribution of accumulated earnings | 10,845,572 | 11,510,624 | 11,964,680 |
| (Distribution of accumulated earnings per unit) | 7,681 | 8,152 | 17,290 |
| Cash distribution in excess of accumulated earnings | — | — | — |
| (Per unit) | — | — | — |

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

2. Effective January 1, 2014, NBF implemented a 2-for-1 unit split of its investment units.

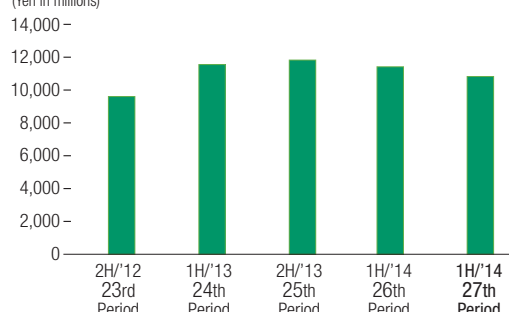
Distribution per Unit

(Yen)



Total Amount of Cash Distribution

(Yen in millions)



Adjusted for the investment unit split. Rounded down to the nearest yen.

Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2014, total assets decreased by ¥17,620 million to ¥1,022,952 million compared with June 30, 2014. Return on average total assets (ROA) for the six months ended December 31, 2014 decreased to 1.05 percent from 1.24 percent for the previous six-month period.

Current assets decreased by ¥13,069 million to ¥22,398 million compared with June 30, 2014. Investment properties decreased by ¥4,653 million to ¥993,425 million compared with June 30, 2014.

Liabilities

Current liabilities increased by ¥8,672 million to ¥71,654 million compared with June 30, 2014, primarily because of an increase in long-term debt due within one year compared with June 30, 2014.

Long-term debt decreased by ¥25,375 million to ¥370,375 million compared with June 30, 2014.

As a result, total interest-bearing liabilities decreased by ¥20,375 million to ¥428,125 million compared with June 30, 2014. The ratio of long-term 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 98.4 percent as of December 31, 2014 from 96.4 percent as of June 30, 2014.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, decreased to 41.9 percent as of December 31, 2014 from 43.1 percent as of June 30, 2014.

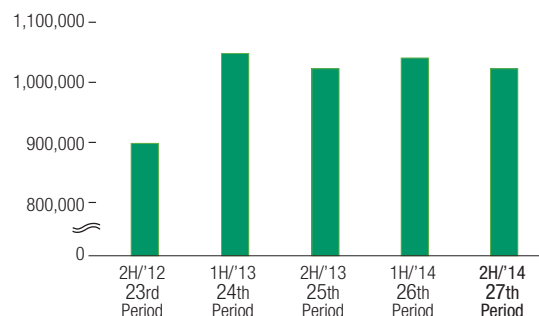
In addition, NBF worked to diversify funding sources. In January 2015, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds, as a shelf registration that NBF updated in January 2013 has expired.

Net assets

Net assets decreased by ¥665 million to ¥534,156 million compared with June 30, 2014.

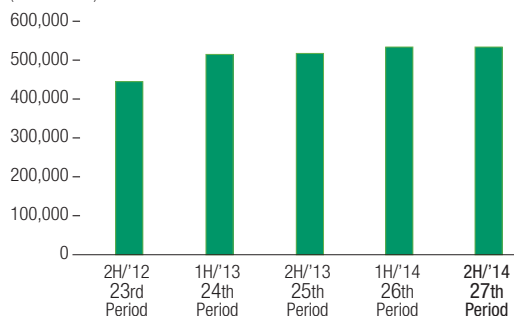
Total Assets

(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, 2014, NBF had issued 1,412,000 units out of 4,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

| Issue date | Remarks | Units issued and outstanding | | Paid-in capital | | Notes |
|-------------------|---------------------------|------------------------------|-----------|-------------------|---------|---------|
| | | Increase | Balance | Increase | Balance | |
| | | (Units) | | (Yen in millions) | | |
| March 16, 2001 | Initial capital (private) | 200 | 200 | ¥ 100 | ¥ 100 | Note 1 |
| May 23, 2001 | Private placement | 197,600 | 197,800 | 98,800 | 98,900 | Note 2 |
| September 8, 2001 | Public offering | 82,900 | 280,700 | 49,999 | 148,899 | Note 3 |
| July 14, 2004 | Public offering | 80,000 | 360,700 | 58,838 | 207,737 | Note 4 |
| August 11, 2004 | Third party allocation | 4,000 | 364,700 | 2,942 | 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 |
| January 1, 2014 | Unit split | 692,000 | 1,384,000 | — | 504,309 | Note 17 |
| March 19, 2014 | Public offering | 26,500 | 1,410,500 | 14,022 | 518,331 | Note 18 |
| March 28, 2014 | Third party allocation | 1,500 | 1,412,000 | 794 | 519,125 | Note 19 |

Notes: 1. NBF was established with initial capital of ¥500,000 per unit.
2. Follow-on private offering at ¥500,000 per unit to raise funds for acquisition of 22 properties.
3. Public offering of new units for ¥625,000 per unit (excluding underwriting fee: ¥603,125) to repay debt and to fund property acquisition.
4. Public offering of new units for ¥759,500 per unit (excluding underwriting fee: ¥735,475) to repay debt, etc.
5. Additional issue of new units (third party allocation) for ¥735,475 per unit undertaken pursuant to the public offering in Note 4.
6. Public offering of new units for ¥916,300 per unit (excluding underwriting fee: ¥887,782) to repay debt and to fund property acquisition.
7. Public offering of new units for ¥1,019,200 per unit (excluding underwriting fee: ¥988,000) to repay debt and to fund property acquisition.
8. Additional issue of new units (third party allocation) for ¥988,000 per unit undertaken pursuant to the public offering in Note 7.
9. Public offering of new units for ¥1,205,400 per unit (excluding underwriting fee: ¥1,168,500) to repay debt and to fund property acquisition.
10. Additional issue of new units (third party allocation) for ¥1,168,500 per unit undertaken pursuant to the public offering in Note 9.
11. Public offering of new units for ¥818,025 per unit (excluding underwriting fee: ¥792,855) to repay debt and to fund property acquisition.
12. Additional issue of new units (third party allocation) for ¥792,855 per unit undertaken pursuant to the public offering in Note 11.
13. Public offering of new units for ¥624,975 per unit (excluding underwriting fee: ¥605,745) to repay debt and to fund property acquisition.
14. Additional issue of new units (third party allocation) for ¥605,745 per unit undertaken pursuant to the public offering in Note 13.
15. Public offering of new units for ¥891,800 per unit (excluding underwriting fee: ¥864,500) to repay debt and to fund property acquisition.
16. Additional issue of new units (third party allocation) for ¥864,500 per unit undertaken pursuant to the public offering in Note 15.
17. Effective January 1, 2014, NBF implemented a 2-for-1 unit split of its investment units.
18. Public offering of new units for ¥545,860 per unit (excluding underwriting fee: ¥529,150) to repay debt and to fund property acquisition.
19. Additional issue of new units (third party allocation) for ¥529,150 per unit undertaken pursuant to the public offering in Note 18.

Market Price of Units

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

| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 (Yen) | For the six months ended December 31, 2013 |
|------|---|--|---|
| High | ¥622,000 | ¥609,000 | ¥623,000 |
| Low | 546,000 | 523,000 | 533,000 |

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, 2014 are shown below.

Short-term loans

| Lender | Balance | Average interest rate (%) | Due on (Note 1) | Repayment method | Use of funds | Notes |
|-------------------------------|---------------|---------------------------|------------------|------------------|--------------|--|
| (Yen in millions) | | | | | | |
| Shinsei Bank, Limited | ¥3,000 | 0.2% | January 30, 2015 | Bullet payment | (Note 4) | Unsecured /unguaranteed/pari passu, See (Note 5) |
| Mizuho Bank, Ltd. | 2,000 | 0.2% | January 30, 2015 | | | |
| Resona Bank, Limited. | 1,000 | 0.2% | January 30, 2015 | | | |
| The Norinchukin Bank | 1,000 | 0.2% | January 30, 2015 | | | |
| Total short-term loans | ¥7,000 | | | | | |

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. | ¥ 10,000 | 1.5% | September 11, 2015 | (Note 2) (Note 3) | | |
| | 10,000 | 1.8% | September 27, 2017 | | | |
| | 10,000 | 2.0% | February 15, 2016 | | | |
| | 10,000 | 2.4% | May 30, 2018 | | | |
| | 3,625 | 2.2% | April 28, 2019 | | | |
| | 7,500 | 2.2% | August 30, 2019 | | | |
| | 10,000 | 1.3% | July 2, 2023 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 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 | | | |
| | 3,000 | 0.2% | July 31, 2019 | | | |
| | | (Note 6) | | | | |
| Mizuho Bank, Ltd. | 7,000 | 1.2% | November 30, 2018 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |
| | 2,000 | 0.7% | February 7, 2017 | | | |
| | 10,000 | 0.9% | February 28, 2022 | | | |
| | 8,000 | 1.1% | July 29, 2022 | | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 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 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |
| Sumitomo Mitsui Banking Corporation | 4,000 | 1.1% | December 30, 2022 | | | |
| | 10,000 | 1.0% | February 28, 2023 | | | |
| | 5,000 | 1.0% | April 28, 2023 | | | |
| | 6,000 | 0.5% | April 28, 2020 | | | |
| | 1,000 | 0.3% | June 30, 2017 | | | |
| 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 | 5,000 | 1.9% | May 23, 2016 | | | |
| | 7,000 | 2.1% | May 23, 2018 | | | |
| | 3,000 | 1.8% | February 3, 2016 | | | |
| | 5,000 | 1.0% | July 19, 2017 | | | |
| | 5,000 | 0.5% | July 16, 2021 | | | |
| Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives) | 10,000 | 1.5% | September 11, 2015 | | | |
| | 10,000 | 2.3% | May 30, 2016 | | | |
| Mizuho Trust & Banking Co., Ltd. | 10,000 | 1.0% | February 28, 2023 | | | |
| | 4,000 | 0.9% | September 30, 2022 | | | |
| MITSUI LIFE INSURANCE COMPANY LIMITED | 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 | | | |
| 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 | | | |

| Lender | Balance | Average interest rate (%) | Due on (Note 1) | Repayment method | Use of funds | Notes |
|-------------------------------------|-------------------|---------------------------|--------------------|------------------|--------------|--|
| | (Yen in millions) | | | | | |
| THE BANK OF FUKUOKA, Ltd. | 2,000 | 1.0% | June 1, 2017 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |
| | 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 | 2.0% | August 31, 2015 | | | |
| | 1,000 | 1.0% | July 2, 2021 | | | |
| | 1,000 | 1.0% | May 29, 2020 | | | |
| | 2,000 | 0.5% | July 9, 2021 | | | |
| The Norinchukin Bank | 5,000 | 0.7% | September 30, 2020 | | | |
| The Chugoku Bank, Limited | 2,000 | 1.0% | February 25, 2016 | | | |
| | 1,000 | 1.0% | May 29, 2020 | | | |
| | 2,000 | 0.6% | May 28, 2021 | | | |
| 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 | 2,000 | 1.6% | February 3, 2015 | | | |
| | 1,000 | 0.9% | March 29, 2019 | | | |
| | 1,000 | 0.7% | October 2, 2020 | | | |
| The Hachijuni Bank, Ltd. | 1,000 | 1.8% | March 30, 2015 | | | |
| | 1,000 | 0.6% | December 2, 2020 | | | |
| | 2,000 | 0.5% | June 26, 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 | 0.6% | April 30, 2021 | | | |
| Shinsei Bank, Limited | 1,000 | 1.5% | May 30, 2025 | | | |
| Total long-term loans | ¥361,125 | | | | | |
| Total borrowings (Note 7) | ¥368,125 | | | | | |

- 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, etc.
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. This loan is a floating rate loan. Other long-term loans are all fixed rate loans.
7. 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 | ¥40,750 | ¥40,750 | ¥38,750 | ¥50,125 |

NBF Bonds

| Issue | Issue date | Balance as of December 31, 2014 (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. 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) | | ¥60,000 | | | | | |

Notes: 1. Use of funds includes acquisition of real estate, repayment of borrowings and investment corporation bonds, etc.
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 | ¥20,000 | ¥10,000 | ¥10,000 | ¥10,000 | — |

Others

NBF has security deposits totaling ¥46,693 million as of December 31, 2014.

Capital Expenditures

1. Planning

As of December 31, 2014, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

| Name of property | Objective | Estimated duration | Estimated amounts | | |
|-----------------------------|---|--------------------------------------|-------------------|---|------------------------|
| | | | Total amounts | Payment for the current period (from July 1, 2014 to December 31, 2014) | Cumulative amount paid |
| | | | | (Yen in millions) | |
| NBF Shinkawa Bldg. | Renovation of power generation facilities (West Building) | From October 2014 to June 2015 | ¥334 | ¥— | ¥— |
| NBF Shibuya East | Renovation of air conditioning | From April 2015 to October 2015 | 300 | — | — |
| NBF Ikebukuro East | Renovation of air conditioning | From November 2014 to July 2015 | 285 | — | — |
| Tsukuba Mitsui Bldg. | Renovation of air conditioning | From July 2015 to December 2015 | 264 | — | — |
| Tsukuba Mitsui Bldg. | Renovation of air conditioning | From November 2014 to June 2015 | 256 | — | — |
| Yokohama ST Bldg. | Renovation of air conditioning | From January 2015 to June 2015 | 253 | — | — |
| Aqua Dojima NBF Tower | Renovation of air conditioning | From January 2015 to June 2015 | 230 | — | — |
| Aqua Dojima NBF Tower | Renovation of air conditioning | From September 2015 to December 2015 | 227 | — | — |
| NBF Ikebukuro East | Renovation of air conditioning | From November 2014 to March 2015 | 160 | — | — |
| GSK Bldg. | Renovation of exterior (A front road) | From September 2014 to March 2015 | 158 | — | — |
| NBF Shinkawa Bldg. | Renovation of air conditioning (East Building) | From February 2015 to June 2015 | 140 | — | — |
| NBF Shinkawa Bldg. | Renovation of air conditioning (East Building) | From July 2015 to December 2015 | 140 | — | — |
| NBF Shinkawa Bldg. | Renovation of air conditioning (West Building) | From February 2015 to June 2015 | 133 | — | — |
| Nishi-Shinjuku Mitsui Bldg. | Renovation of security system | From September 2014 to March 2015 | 132 | — | — |
| NBF Shinkawa Bldg. | Renovation of air conditioning (West Building) | From July 2015 to December 2015 | 118 | — | — |
| NBF Hibiya Bldg. | Renovation of fire alarm system | From February 2015 to November 2015 | 109 | — | — |
| Yokohama ST Bldg. | Renovation of air conditioning | From July 2015 to December 2015 | 108 | — | — |
| NBF Matsudo Bldg. | Renovation of air conditioning | From November 2014 to June 2015 | 87 | — | — |
| Aqua Dojima East | Renovation of air conditioning | From December 2015 to December 2015 | 21 | — | — |

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥2,329 million in capital expenditures together with ¥571 million for repairs and maintenance expenses.

| Name of property | Objective | Period | Expenditure (Yen in millions) |
|-----------------------|---|------------------------------------|----------------------------------|
| NBF Shinkawa Bldg. | Renovation of power generation facilities (East Building), renovation of air conditioning (East Building), renovation of air conditioning (West Building), etc. | From July 2014 to December 2014 | ¥ 727 |
| Tsukuba Mitsui Bldg. | Renovation of air conditioning, waterproofing work, leasehold improvement, etc. | | 513 |
| Aqua Dojima NBF Tower | Renovation of air conditioning, renovation of mechanical parking lot facilities of water leakages, renovation of lighting equipment at planting parts, etc. | | 157 |
| Yokohama ST Bldg. | Renovation of air conditioning, leasehold improvement, renovation of watt-hour meter, etc. | | 118 |
| NBF Matsudo Bldg. | Renovation of air conditioning, renovation of power generation facilities in the control room, renovation of surveillance camera, etc. | | 57 |
| Aqua Dojima East | Renovation of restroom, renovation of car parking tower, renovation of elevator, etc. | | 22 |
| Other buildings | Asset preservation construction and other renewal construction to improve tenant satisfaction , etc. | | 735 |
| Total | | | ¥2,329 |

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, 2014 | For the six months ended June 30, 2014 | For the six months ended December 31, 2013 |
|--|---|---|---|
| | (Yen in millions) | | |
| Asset management fees | ¥1,206 | ¥1,261 | ¥1,282 |
| Asset custody fees | 50 | 48 | 50 |
| Agent fees (stock transfer, accounting and administrative) | 49 | 49 | 48 |
| Directors' remuneration | 13 | 13 | 13 |
| Auditor's fees | 14 | 14 | 14 |
| Other expenses | 101 | 124 | 134 |
| Total | ¥1,433 | ¥1,509 | ¥1,541 |

Trading Activities during the Current Period

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

None.

2. Trading of Other Assets Including Total Amount and Transactions

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

3. Transactions with Related Parties of Asset Management Company

(1) Ongoing Transactions

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

2) Fees Paid for the Period from July 1, 2014 to December 31, 2014

| 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) | ¥1,409 | Mitsui Fudosan Co., Ltd. | ¥1,371 | 97.3% |
| | | NBF Office Management Co., Ltd. | 38 | 2.7 |
| Property maintenance fees | 3,646 | Mitsui Fudosan Facilities Co., Ltd. | 601 | 16.5 |
| | | Mitsui Fudosan Co., Ltd. | 466 | 12.8 |
| | | Mitsui Fudosan Building Management Co., Ltd. | 240 | 6.6 |
| | | First Facilities West Co., Ltd. | 223 | 6.1 |
| | | Mitsui Fudosan Housing Lease Co., Ltd. | 2 | 0.1 |
| Leasing related service fees | 98 | Mitsui Fudosan Co., Ltd. | 31 | 32.0 |
| | | NBF Office Management Co., Ltd. | 17 | 17.6 |
| | | Mitsui Fudosan Realty Co., Ltd. | 10 | 9.7 |

- 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. During the period from July 1, 2014 to December 31, 2014, 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., Mitsui Fudosan Housing Lease Co., Ltd. and Mitsui Fudosan Realty Co., Ltd. which meet either of the said definitions, are as described above.
2. 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., Yotsuya Medical Bldg., Higashi Gotanda Square, Panasonic Tokyo Shiodome Bldg., NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg. and Shinanobashi Mitsui Bldg.), NBF has entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
3. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work, etc.

| | (Yen in millions) |
|--|-------------------|
| Mitsui Fudosan Co., Ltd. | ¥279 |
| Mitsui Fudosan Facilities Co., Ltd. | 271 |
| First Facilities West Co., Ltd. | 235 |
| Mitsui Fudosan Building Management Co., Ltd. | 189 |
| Mitsui Fudosan Housing Lease Co., Ltd. | 9 |
| Harajuku-no-mori Co., Ltd. | 4 |
| MITSUI Designtec Co., Ltd. | 0 |
| Mitsui Fudosan Realty Co., Ltd. | 0 |
| Mitsui Home Linkage Co., Ltd. | 0 |

Financial Statements

Balance Sheets

NIPPON BUILDING FUND INC.
As of December 31, 2014 and June 30, 2014

| | As of December 31, 2014 | As of June 30, 2014 |
|--|----------------------------|------------------------|
| | (Yen in millions) | |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents (Note 3) | ¥ 21,439 | ¥ 34,334 |
| Tenant receivables | 366 | 397 |
| Other current assets | 593 | 736 |
| Total current assets | 22,398 | 35,467 |
| Investment Properties: | | |
| Land including trust accounts (Notes 4,13) | 663,314 | 663,301 |
| Buildings and improvements including trust accounts (Notes 4,13) | 400,638 | 398,310 |
| Other tangible assets (Notes 4,13) | 12,643 | 12,577 |
| Less: accumulated depreciation (Notes 4,13) | (119,032) | (111,882) |
| Leasehold rights in trust accounts and other intangible assets (Note 13) | 35,862 | 35,772 |
| Total investment properties, net | 993,425 | 998,078 |
| Other Assets | 7,129 | 7,027 |
| Total Assets | ¥1,022,952 | ¥1,040,572 |
| Liabilities | | |
| Current Liabilities: | | |
| Short-term loans (Notes 3, 6) | ¥ 7,000 | ¥ 16,000 |
| Long-term debt due within one year (Notes 3, 6) | 50,750 | 36,750 |
| Accounts payable | 6,109 | 4,159 |
| Rents received in advance | 4,629 | 4,510 |
| Accrued expenses and other liabilities | 3,166 | 1,563 |
| Total current liabilities | 71,654 | 62,982 |
| Long-term Debt (Notes 3, 6) | 370,375 | 395,750 |
| Tenant Security Deposits Including Trust Accounts (Note 3) | 46,693 | 46,237 |
| Other Liabilities | 74 | 782 |
| Total Liabilities | 488,796 | 505,751 |
| Net Assets (Note 5) | | |
| Unitholders' Equity | | |
| Unitholders' capital | 519,125 | 519,125 |
| Units authorized: 4,000,000 units | | |
| Units issued and outstanding: 1,412,000 units | | |
| Retained earnings | 15,031 | 15,696 |
| Total Net Assets | 534,156 | 534,821 |
| Total Liabilities and Net Assets | ¥1,022,952 | ¥1,040,572 |

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, 2014, June 30, 2014 and December 31, 2013

| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 (Yen in millions) | For the six months ended December 31, 2013 |
|---|---|--|---|
| Operating Revenues and Expenses | | | |
| Operating Revenues: | | | |
| Rental (Note 7) | ¥31,457 | ¥31,536 | ¥31,424 |
| Other revenues related to property leasing (Note 7) | 3,349 | 3,123 | 3,421 |
| Gain on sale of investment properties (Note 8) | — | 1,903 | 2,290 |
| Total Operating Revenues | 34,806 | 36,562 | 37,135 |
| Operating Expenses: | | | |
| Property management fees (Note 7) | 5,024 | 4,891 | 4,950 |
| Real estate taxes (Note 7) | 3,231 | 3,260 | 2,786 |
| Repairs and maintenance (Note 7) | 571 | 719 | 739 |
| Insurance (Note 7) | 40 | 39 | 39 |
| Other rental expenses (Note 7) | 3,720 | 3,268 | 3,466 |
| Depreciation and amortization (Note 7) | 7,163 | 7,077 | 6,930 |
| Loss on sale of investment property (Note 8) | — | — | 286 |
| Asset management fees | 1,206 | 1,261 | 1,282 |
| Other operating expenses | 227 | 248 | 259 |
| Total Operating Expenses | 21,182 | 20,763 | 20,737 |
| Operating Income | 13,624 | 15,799 | 16,398 |
| Non-Operating Revenues and Expenses | | | |
| Non-Operating Revenues: | | | |
| Interest income | 4 | 4 | 4 |
| Non-Operating Expenses: | | | |
| Interest expense | (2,726) | (2,938) | (3,080) |
| Amortization of bond issuance costs | (14) | (14) | (13) |
| New investment units issuance costs | — | (35) | — |
| Other non-operating expenses, net | (41) | (44) | (31) |
| Ordinary Income | 10,847 | 12,772 | 13,278 |
| Income before Income Taxes | 10,847 | 12,772 | 13,278 |
| Current and deferred income taxes (Note 9) | (1) | (1) | (1) |
| Net Income | ¥10,846 | ¥12,771 | ¥13,277 |

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, 2014, June 30, 2014 and December 31, 2013

| | Number of Units | (Yen in millions) | | |
|---|--------------------|-------------------------|----------------------|----------|
| | | Unitholders' Capital | Retained Earnings | Total |
| BBalance 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 |
| Unit split of its investment units as of January 1, 2014 | 692,000 | — | — | — |
| Cash dividends declared | — | — | (11,964) | (11,964) |
| Issuance of new units through public offering as of March 19, 2014 | 26,500 | 14,022 | — | 14,022 |
| Issuance of new units through allocation to a third party as of March 28, 2014 | 1,500 | 794 | — | 794 |
| Net income | — | — | 12,771 | 12,771 |
| Balance as of June 30, 2014 | 1,412,000 | 519,125 | 15,696 | 534,821 |
| Cash dividends declared | — | — | (11,511) | (11,511) |
| Net income | — | — | 10,846 | 10,846 |
| Balance as of December 31, 2014 | 1,412,000 | ¥519,125 | ¥ 15,031 | ¥534,156 |

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, 2014, June 30, 2014 and December 31, 2013

| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 (Yen in millions) | For the six months ended December 31, 2013 |
|---|---|--|---|
| Cash Flows from Operating Activities: | | | |
| Income before income taxes | ¥ 10,847 | ¥ 12,772 | ¥ 13,278 |
| Depreciation and amortization | 7,163 | 7,077 | 6,930 |
| Amortization of bond issuance costs | 14 | 14 | 13 |
| Interest expense | 2,726 | 2,938 | 3,080 |
| (Increase) Decrease in tenant receivables | 31 | (48) | 51 |
| Increase (Decrease) in accounts payable | 2,031 | (295) | (383) |
| Increase (Decrease) in rents received in advance | 119 | 237 | (119) |
| Decrease in investment properties due to sale | — | 1,182 | 15,382 |
| Cash payments of interest expense | (2,899) | (2,897) | (3,221) |
| (Increase) Decrease in consumption tax refund receivable | 140 | (140) | 1,875 |
| Others, net | 1,079 | (495) | 1,274 |
| Net Cash Provided by Operating Activities | 21,251 | 20,345 | 38,160 |
| Cash Flows from Investing Activities: | | | |
| Payments for purchases of investment properties | (2,435) | (26,770) | (2,109) |
| Payments for purchases of intangible assets | (97) | (7) | (75) |
| Proceeds from tenant security deposits | 2,178 | 4,994 | 1,588 |
| Payments for tenant security deposits | (1,723) | (3,119) | (3,536) |
| Payments for security deposits paid to lessors | (6) | (878) | (4) |
| Others, net | (179) | (184) | (237) |
| Net Cash Used in Investing Activities | (2,262) | (25,964) | (4,373) |
| Cash Flows from Financing Activities: | | | |
| Net proceeds from (repayment of) short-term loans | (9,000) | 14,000 | (23,000) |
| Proceeds from long-term debt | 10,000 | 12,000 | 24,000 |
| Repayment of long-term debt | (21,375) | (25,375) | (26,375) |
| Proceeds from issuance of new units | — | 14,781 | — |
| Payments for bond issuance costs | — | — | (3) |
| Payment of dividends | (11,509) | (11,963) | (11,659) |
| Net Cash (Used in) Provided by Financing Activities | (31,884) | 3,443 | (37,037) |
| Net Change in Cash and Cash Equivalents | (12,895) | (2,176) | (3,250) |
| Cash and Cash Equivalents at the Beginning of Period | 34,334 | 36,510 | 39,760 |
| Cash and Cash Equivalents at the End of Period | ¥ 21,439 | ¥ 34,334 | ¥ 36,510 |

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, 2014, June 30, 2014 and December 31, 2013

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, 2014, NBF had ownership or beneficiary interests in 73 office properties containing approximately 1,074,771 square meters of rentable office space. As of December 31, 2014, NBF had leased office space to 1,189 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 99.0%.

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 including trust accounts | |
| Buildings and improvements | 2-50 years |
| Other tangible assets | |
| Structures | 2-50 years |
| Machinery and equipment | 2-17 years |
| Tools, furniture and fixtures | 2-19 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 when incurred.

Investment Corporation Bond Issuance Costs

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

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. No capitalized real estate taxes were incurred for the period ended December 31, 2014. Capitalized real estate taxes amounted to ¥160 million for the period ended June 30, 2014 and ¥2 million for the period ended December 31, 2013.

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.

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

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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, 2014 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 | ¥ 21,439 | ¥ 21,439 | ¥ — |
| Total | ¥ 21,439 | ¥ 21,439 | ¥ — |
| Liabilities | | | |
| (1) Short-term loans | ¥ 7,000 | ¥ 7,000 | ¥ — |
| (2) Long-term debt due within one year | 50,750 | 51,141 | 391 |
| (3) Long-term debt | 370,375 | 383,441 | 13,066 |
| Total | ¥428,125 | ¥441,582 | ¥13,457 |

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 | ¥20,000 | ¥20,156 | ¥156 |
| (2) Long-term loans | 30,750 | 30,985 | 235 |
| Total | ¥50,750 | ¥51,141 | ¥391 |

1) Investment corporation bonds

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

2) Long-term loans

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

(3) 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 | ¥ 40,000 | ¥ 41,661 | ¥ 1,661 |
| (2) Long-term loans | 330,375 | 341,780 | 11,405 |
| Total | ¥370,375 | ¥383,441 | ¥13,066 |

1) Investment corporation bonds

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

2) Long-term loans

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

Book value, fair value and difference between the two as of June 30, 2014 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 | ¥ 34,334 | ¥ 34,334 | ¥ — |
| Total | ¥ 34,334 | ¥ 34,334 | ¥ — |
| Liabilities | | | |
| (1) Short-term loans | ¥ 16,000 | ¥ 16,000 | ¥ — |
| (2) Long-term debt due within one year | 36,750 | 36,924 | 174 |
| (3) Long-term debt | 395,750 | 407,951 | 12,201 |
| Total | ¥448,500 | ¥460,875 | ¥12,375 |

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 | ¥10,061 | ¥ 61 |
| (2) Long-term loans | 26,750 | 26,863 | 113 |
| Total | ¥36,750 | ¥36,924 | ¥174 |

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 | ¥ 50,000 | ¥ 51,841 | ¥ 1,841 |
| (2) Long-term loans | 345,750 | 356,110 | 10,360 |
| Total | ¥395,750 | ¥407,951 | ¥12,201 |

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, 2014 | As of June 30, 2014 |
|---|-------------------------|---------------------|
| Tenant security deposits including trust accounts | ¥46,693 | ¥46,237 |

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, 2014

(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 | ¥21,439 | — | — | — | — | — |

Redemption Schedule for Monetary Claims as of June 30, 2014

(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 | ¥34,334 | — | — | — | — | — |

4. Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2014

(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 | ¥ 7,000 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Investment corporation bonds | 20,000 | 10,000 | 10,000 | 10,000 | — | 10,000 |
| Long-term loans | 30,750 | 40,750 | 40,750 | 38,750 | 50,125 | 160,000 |
| Total | ¥57,750 | ¥50,750 | ¥50,750 | ¥48,750 | ¥50,125 | ¥170,000 |

Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2014

(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 | ¥16,000 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Investment corporation bonds | 10,000 | 10,000 | 20,000 | 10,000 | — | 10,000 |
| Long-term loans | 26,750 | 62,750 | 24,750 | 48,750 | 36,250 | 173,250 |
| Total | ¥52,750 | ¥72,750 | ¥44,750 | ¥58,750 | ¥36,250 | ¥183,250 |

Note 4 Schedule of Tangible Assets of Investment Properties

Tangible assets as of December 31, 2014 and June 30, 2014 consisted of the following:

| | As of December 31, 2014 | | | As of June 30, 2014 | | |
|---|-------------------------|--------------------------|------------|---------------------|--------------------------|------------|
| | (Yen in millions) | | | | | |
| | Acquisition costs | Accumulated depreciation | Book value | Acquisition costs | Accumulated depreciation | Book value |
| Land | ¥ 314,337 | ¥ — | ¥314,337 | ¥ 314,324 | ¥ — | ¥314,324 |
| Land in trust | 348,977 | — | 348,977 | 348,977 | — | 348,977 |
| Land including trust total | 663,314 | — | 663,314 | 663,301 | — | 663,301 |
| Buildings and improvements | 213,429 | (51,647) | 161,782 | 212,213 | (48,036) | 164,177 |
| Buildings and improvements in trust | 187,209 | (60,831) | 126,378 | 186,097 | (57,713) | 128,384 |
| Buildings and improvements including those in trust total | 400,638 | (112,478) | 288,160 | 398,310 | (105,749) | 292,561 |
| Structures | 3,157 | (1,464) | 1,693 | 3,148 | (1,390) | 1,758 |
| Machinery and equipment | 1,691 | (998) | 693 | 1,675 | (923) | 752 |
| Tools, furniture and fixtures | 1,540 | (836) | 704 | 1,507 | (770) | 737 |
| Structures in trust | 2,804 | (1,095) | 1,709 | 2,800 | (1,025) | 1,775 |
| Machinery and equipment in trust | 1,797 | (1,185) | 612 | 1,777 | (1,113) | 664 |
| Tools, furniture and fixtures in trust | 1,598 | (976) | 622 | 1,589 | (912) | 677 |
| Construction in process | 56 | — | 56 | 81 | — | 81 |
| Other tangible assets total | 12,643 | (6,554) | 6,089 | 12,577 | (6,133) | 6,444 |
| Total | ¥1,076,595 | ¥(119,032) | ¥957,563 | ¥1,074,188 | ¥(111,882) | ¥962,306 |

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, 2014 and June 30, 2014 were at 0.18% and 0.20% respectively. Long-term debt as of December 31, 2014 and June 30, 2014 consisted of the following:

| | As of December 31, 2014 | As of June 30, 2014 |
|--|-------------------------|---------------------|
| | (Yen in millions) | |
| Unsecured loans due 2015 to 2025 principally from banks and insurance companies with interest rates mainly ranging from 0.2% to 2.4% | ¥361,125 | ¥372,500 |
| 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 |
| | 421,125 | 432,500 |
| Less: amount due within one year | 50,750 | 36,750 |
| | ¥370,375 | ¥395,750 |

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, 2014 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 | 48,750 |
| Due after four to five years | 50,125 |
| Due after five years | 170,000 |

During the period ended December 31, 2014, NBF has commitment credit line contracts of ¥60 billion with several financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion as of December 31, 2014.

Note 7 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2014, June 30, 2014 and December 31, 2013 were as follows:

| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 | For the six months ended December 31, 2013 |
|--|---|---|---|
| | (Yen in millions) | | |
| Revenues from Property Leasing: | | | |
| Rental: | | | |
| Rental revenues | ¥28,426 | ¥28,519 | ¥28,440 |
| Common area charges | 2,917 | 2,906 | 2,872 |
| Others | 114 | 111 | 112 |
| Subtotal | 31,457 | 31,536 | 31,424 |
| Other revenues related to property leasing: | | | |
| Parking lots | 683 | 655 | 656 |
| Facility charge | 245 | 248 | 239 |
| Incidental income | 2,330 | 2,031 | 2,358 |
| Cancellation fees | 14 | 124 | 111 |
| Miscellaneous income | 77 | 65 | 57 |
| Subtotal | 3,349 | 3,123 | 3,421 |
| Total revenues from property leasing | 34,806 | 34,659 | 34,845 |
| Rental Expenses: | | | |
| Property management fees | 5,024 | 4,891 | 4,950 |
| Real estate taxes | 3,231 | 3,260 | 2,786 |
| Repairs and maintenance | 571 | 719 | 739 |
| Insurance | 40 | 39 | 39 |
| Other rental expenses | 3,720 | 3,268 | 3,466 |
| Depreciation and amortization | 7,163 | 7,077 | 6,930 |
| Total rental expenses | 19,749 | 19,254 | 18,910 |
| Operating Income from Property Leasing Activities | ¥15,057 | ¥15,405 | ¥15,935 |

Note 8 Gain and Loss on Sale of Investment Properties

No investment properties were sold during the periods ended December 31, 2014. Gain and loss on sale of investment properties for the periods ended June 30, 2014 and December 31, 2013 were as follows.

For the six months ended June 30, 2014

| GSK Bldg. | (Yen in millions) |
|---|-------------------|
| Proceeds from sale of investment property | ¥3,085 |
| Cost of sale of investment property | 1,182 |
| Other related sale expenses | — |
| Gain on sale of investment property | ¥1,903 |

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, 2014, June 30, 2014 and December 31, 2013. 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, 2014 | For the six months ended June 30, 2014 | For the six months ended December 31, 2013 |
|-----------------------------------|---|---|---|
| Statutory tax rate | 34.16% | 36.59% | 36.59% |
| Deductible dividends | (34.15) | (32.98) | (32.97) |
| Reserve for advanced depreciation | — | (3.61) | (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, 2014, June 30, 2014 and December 31, 2013 and net assets per unit as of December 31, 2014, June 30, 2014 and December 31, 2013 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 asset value per unit and net income per unit have been adjusted to reflect the unit split as if it had been effective on July 1, 2013.

| | For the six months ended December 31, 2014 | For the six months ended June 30, 2014 | For the six months ended December 31, 2013 |
|--|---|---|---|
| Earnings per Unit: | | | |
| Net income per unit (Yen) | ¥7,681 | ¥9,122 | ¥9,592 |
| Weighted average number of units outstanding | 1,412,000 | 1,400,014 | 1,384,000 |
| | As of December 31, 2014 | As of June 30, 2014 | As of December 31, 2013 |
| Net Assets per Unit (Yen) | ¥378,297 | ¥378,768 | ¥375,143 |

Note 11 Leases

As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of December 31, 2014 and June 30, 2014, future minimum rental revenues under the non-cancelable operating leases are as follows:

| | As of December 31, 2014 | As of June 30, 2014 |
|---------------------|-------------------------|---------------------|
| | (Yen in millions) | |
| Due within one year | ¥21,830 | ¥22,208 |
| Due after one year | 30,807 | 30,223 |
| Total | ¥52,637 | ¥52,431 |

As Lessee

NBF leases some of its investment properties from outside parties under non-cancelable operating leases. As of December 31, 2014 and June 30, 2014, future minimum rental expenses under the non-cancelable operating leases are as follows:

| | As of December 31, 2014 | As of June 30, 2014 |
|---------------------|-------------------------|---------------------|
| | (Yen in millions) | |
| Due within one year | ¥ 0 | ¥ 1 |
| Due after one year | — | — |
| Total | ¥ 0 | ¥ 1 |

Note 12 Transactions with Related Parties

(1) Parent Company and Major Corporate Unitholders

(For the six months ended December 31, 2014)

None applicable.

(For the six months ended June 30, 2014)

None applicable.

(For the six months ended December 31, 2013)

None applicable.

(2) Affiliates

(For the six months ended December 31, 2014)

None applicable.

(For the six months ended June 30, 2014)

None applicable.

(For the six months ended December 31, 2013)

None applicable.

(3) Sister Companies

(For the six months ended December 31, 2014)

None applicable.

(For the six months ended June 30, 2014)

None applicable.

(For the six months ended December 31, 2013)

None applicable.

(4) Directors and Major Individual Unitholders

(For the six months ended December 31, 2014)

None applicable.

(For the six months ended June 30, 2014)

None applicable.

(For the six months ended December 31, 2013)

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, 2014 | For the six months ended June 30, 2014 |
| Carrying amount | | |
| Balance at beginning of the Fiscal Period | ¥ 998,044 | ¥ 979,217 |
| Amount of increase (decrease) during current period | (4,633) | 18,827 |
| Balance at end of the Fiscal Period | 993,411 | 998,044 |
| Fair value at end of the period | ¥1,078,260 | ¥1,069,360 |

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

2. The major decrease in the fiscal period ended December 31, 2014 was mainly due to recognition of depreciation costs.

The major increase in the fiscal period ended June 30, 2014 was mainly due to the acquisitions of 3 properties (Sakaitsuji-Honmachi Center Bldg. (Additional Acquisition), Jingumae M-SQUARE and Nakanoshima Central Tower, ¥ 25,221 million) and the major decrease was mainly due to disposition of portion of site area of GSK Bldg. which amounted to ¥1,182 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, 2014)

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. | ¥7,910 | 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.

(For the six months ended June 30, 2014)

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. | ¥8,095 | 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.

(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.

Note 15 Significant Subsequent Events

None applicable.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at December 31, 2014 and June 30, 2014, 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, 2014, June 30, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

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, 2014 and June 30, 2014, and their financial performance and cash flows for each of the six months ended December 31, 2014, June 30, 2014 and December 31, 2013 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

April 14, 2015
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.

Corporate Data

(As of June 30, 2014)

| | |
|---------------------------------------|--|
| 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: ¥519,124 million 1,412,000 units |
| Unitholders | 16,049 |
| 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 Tel. : +81-3-6259-8681 |

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 29, 2014 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2014 to December 31, 2014, 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, 2014)

Fiscal Periods

Six months ending June 30 and December 31

Total Number of Units Issued

27th Period (From July 1, 2014 to December 31, 2014) **1,412,000** units

26th Period (From January 1, 2014 to June 30, 2014) **1,412,000** units

Distribution per Unit

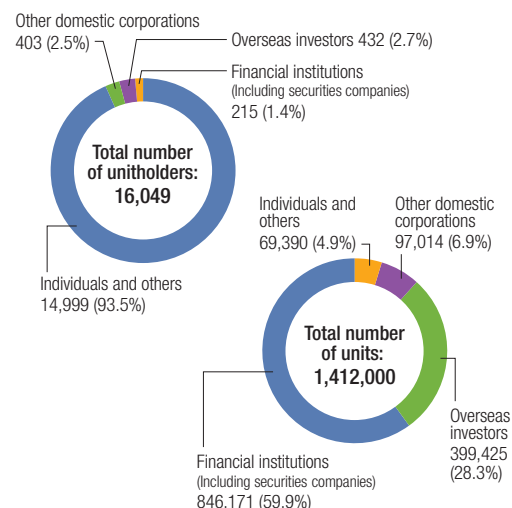
Confirmed distribution for the 27th Period

For the operating period from July 1, 2014 to December 31, 2014 (6 months) **¥7,681** per unit

Expected distribution for the 28th Period

For the operating period from January 1, 2015 to June 30, 2015 (6 months) **¥7,700** per unit

Unitholders



Top 10 Unitholders

| Name | Number of Units Held | Percentage of Total |
|--|----------------------|---------------------|
| Japan Trustee Services Bank, Ltd. | 282,283 | 20.0 % |
| Trust & Custody Services Bank, Ltd. | 118,450 | 8.4 |
| The Master Trust Bank of Japan, Ltd. | 102,948 | 7.3 |
| The Nomura Trust and Banking Co., Ltd. | 61,857 | 4.4 |
| Mitsui Fudosan Co., Ltd. | 47,630 | 3.4 |
| Nomura Bank (Luxembourg) SA | 25,508 | 1.8 |
| State Street Bank and Trust Company 505223 | 25,202 | 1.8 |
| Sumitomo Life Insurance Company | 24,512 | 1.7 |
| State Street Bank West Client-Treaty | 23,193 | 1.6 |
| State Street Bank - West Pension Fund - Clients Exempt | 21,517 | 1.5 |

Historical Unit Price

