



# 23<sup>rd</sup> Period

**NBF Report**  
July – December 2012





# 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.

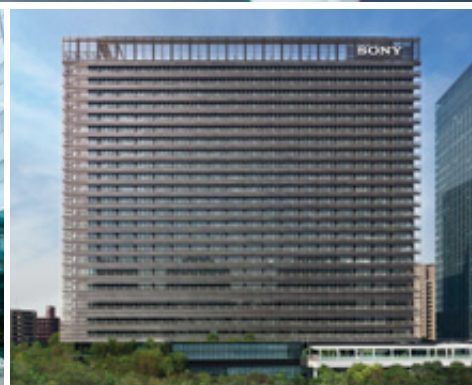
Going forward, NBF will continue its steady management for the high quality and growth befitting the number one J-REIT.

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# Building on Our Strengths

Steady asset growth has given NBF a solid position in the J-REIT market. We will continue to use our strengths and competitive advantages to the fullest to maximize value for our unitholders.

## Japan's Largest J-REIT

Scale of Managed Assets  
(Total acquisition price)

¥921.6 billion\* >>> **¥1,066.4 billion**  
(Including acquisitions but excluding sales in the 24th Period, as of March 31, 2013)

Total Market Capitalization

**¥899.6 billion**  
(As of March 31, 2013)

## Strong Portfolio

Occupancy Rate (End-tenant basis)

NBF owns office buildings in Tokyo's central business districts (CBDs). We have also diversified our investment into Greater Tokyo and regional cities, and maintain a high occupancy rate.

**97.6%**\*

## Sound Finances

R&I **AA**\*  
(Issuer rating)

Standard & Poor's **A+**\*  
(Long-term corporate)

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

## Stable Returns (As of February 28, 2013)

Distribution per Unit for the 23rd Period

Over the 23 periods since our listing, we have steadily distributed profits to unitholders.

**¥15,754**

Outlook for the  
24th Period

**¥16,000**

Outlook for the  
25th Period

**¥16,200**

## Strategic Partnership with Mitsui Fudosan Co., Ltd.

NBF achieves steady growth using the office building management and property information collection capabilities of Mitsui Fudosan, Japan's leading real estate company, and by acquiring the properties it has developed.

**NBF** Nippon Building Fund



\* As of December 31, 2012

# Financial Highlights

|                                                                    |           | 23rd Period<br>from July 1, 2012 to<br>December 31, 2012 | 22nd Period<br>from January 1, 2012 to<br>June 30, 2012 | 21st Period<br>from July 1, 2011 to<br>December 31, 2011 | 20th Period<br>from January 1, 2011 to<br>June 30, 2011 | 23rd Period<br>from July 1, 2012 to<br>December 31, 2012   |
|--------------------------------------------------------------------|-----------|----------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|------------------------------------------------------------|
| Yen in millions, except per unit data or where otherwise indicated |           |                                                          |                                                         |                                                          |                                                         | U.S. dollars in thousands<br>except per unit data (Note 1) |
| Operating revenues                                                 | Note 2    | ¥ 31,530                                                 | ¥ 30,244                                                | ¥ 29,773                                                 | ¥ 28,081                                                | \$ 363,917                                                 |
| Income before income taxes                                         |           | 9,658                                                    | 9,490                                                   | 9,128                                                    | 8,758                                                   | 111,478                                                    |
| Net income                                                         |           | 9,657                                                    | 9,489                                                   | 9,127                                                    | 8,757                                                   | 111,466                                                    |
| Funds from operations                                              | Note 3    | 15,850                                                   | 15,628                                                  | 15,226                                                   | 14,291                                                  | 182,936                                                    |
| Net operating income<br>from property leasing activities           | Note 3    | 20,107                                                   | 19,857                                                  | 19,530                                                   | 18,664                                                  | 232,075                                                    |
| Total amount of cash distribution                                  | (a)       | 9,657                                                    | 9,489                                                   | 8,793                                                    | 8,757                                                   | 111,464                                                    |
| Total assets                                                       |           | 899,123                                                  | 871,140                                                 | 852,855                                                  | 823,705                                                 | 10,377,693                                                 |
| Interest-bearing debt                                              |           | 399,625                                                  | 374,000                                                 | 377,375                                                  | 350,750                                                 | 4,612,477                                                  |
| Net assets                                                         | (b)       | 446,004                                                  | 445,836                                                 | 424,242                                                  | 423,872                                                 | 5,147,792                                                  |
| Loan to value (LTV)                                                | Note 3    | 44.4%                                                    | 42.9%                                                   | 44.2%                                                    | 42.6%                                                   |                                                            |
| Total number of<br>units issued (units)                            | (c)       | 613,000                                                  | 613,000                                                 | 578,500                                                  | 578,500                                                 |                                                            |
| Net assets per unit (Yen/\$)                                       | (b) / (c) | 727,577                                                  | 727,302                                                 | 733,348                                                  | 732,709                                                 | 8,398                                                      |
| Distribution per unit (Yen/\$)                                     | (a) / (c) | 15,754                                                   | 15,480                                                  | 15,200                                                   | 15,138                                                  | 182                                                        |
| Funds from operations<br>per unit (Yen/\$)                         | Note 3    | 15,754                                                   | 25,713                                                  | 26,320                                                   | 24,937                                                  | 182                                                        |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥86.64 = U.S.\$1.00, the approximate exchange rate on December 31, 2012.

2. Operating revenues do not include consumption tax.

3. Funds from operations: Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization

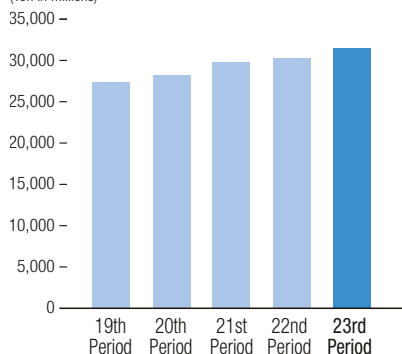
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

LTV: Interest-bearing debt / Total assets

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

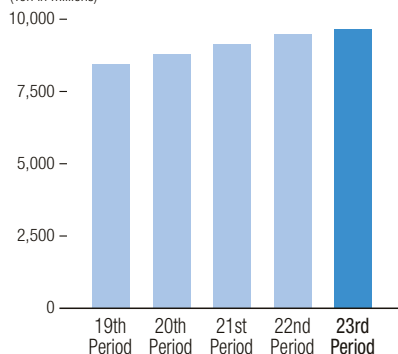
## Operating Revenues

(Yen in millions)



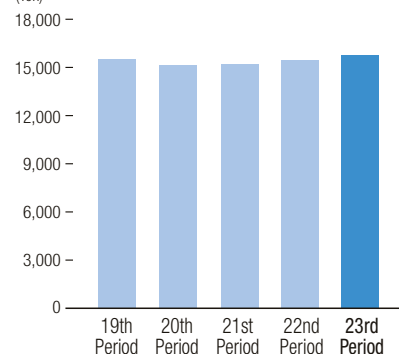
## Net Income

(Yen in millions)



## Distribution per Unit

(Yen)





From the second half of 2012, after the general election of 2012 the Japanese economy benefited from higher stock prices and a weaker yen. Business confidence also began to improve.

The J-REIT market, particularly the equity market, has attracted additional domestic and overseas investors because of expectations about the future recovery of the real estate market.

Under these circumstances, for the six months ended December 31, 2012 (the “23rd Period”), revenues from existing properties decreased. However, as a result of factors including the July 2012 acquisition of NBF COMODIO Shiodome (acquisition price of ¥28,800 million) and the November 2012 acquisition of the Nishi-Shinjuku Mitsui Building (additional acquisition of ¥8 million), operating revenues increased ¥1,286 million, or 4.3 percent, compared with the previous period to ¥31,530 million. Operating income increased ¥175 million, or 1.4 percent, to ¥12,621 million. Net income increased ¥168 million, or 1.8 percent, to ¥9,657 million. Distribution per unit was ¥15,754, an increase of ¥274 compared with the previous fiscal period.

In the real estate leasing market, the vacancy rate rose to 9.4 percent in June 2012 (Miki Shoji Co., Ltd. survey) because of the large volume of office building supply in 2012 in Tokyo and elsewhere. Subsequent recovery, however, suggested that the vacancy rate had peaked and was recovering, falling back to the 8 percent level (Miki Shoji Co., Ltd. survey) as supply decreased and demand recovered.

Overall asking rents, on the other hand, remained at low levels. However, asking rents began rising at some of the new earthquake-resistant properties that are near train stations and have large floor plates.

NBF has successfully increased asking rents at some of its properties, and it expects the market to recover in the future.

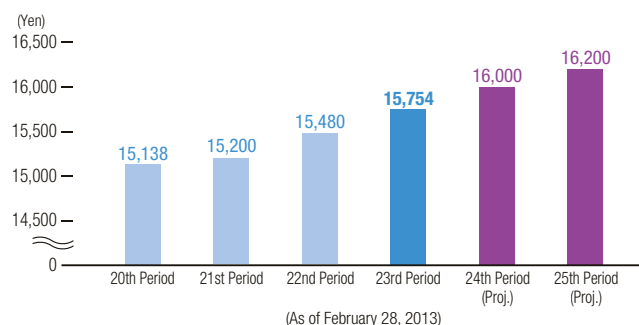
Less information is available for the real estate acquisition market. However, in line with the expected recovery in the real estate leasing market discussed above, NBF has decided to

focus on the central business districts (CBDs) of Tokyo in acquiring properties for which rents have declined substantially. NBF raised ¥68.2 billion through a public offering in January 2013 to acquire four properties valued at ¥64.8 billion on an acquisition price basis from the Mitsui Fudosan Group. NBF also disposed of a 50 percent interest in the NBF Nihonbashi Muromachi Center Building to Mitsui Fudosan Co., Ltd.

At the start of 2013, NBF decided to acquire eight properties, including the four properties mentioned above, valued at ¥156.7 billion on an acquisition price basis. As part of this decision, from February 2013 NBF deployed an additional ¥100 billion, made available because the equity financing lowered the loan-to-value (LTV) ratio, to acquire four properties valued at ¥91.9 billion on an acquisition price basis, including Sony City Osaki (NBF share, 60%). Consequently, including the acquisitions made in January 2013 and Sony City Osaki but excluding the properties purchased after February 28, 2013, NBF has upwardly revised the projections of distribution per unit for the 24th and 25th Periods to ¥16,000 and ¥16,200, respectively, even though NBF expects revenues from existing properties to decrease slightly.

NBF maintains a medium-to-long-term perspective in targeting steady growth in assets under management and stable revenues and intends to expand the scale of its assets.

## Distribution per Unit



# Market Conditions

Vacancy rates in the central business districts (CBDs) of Tokyo have peaked, and asking rents are expected to rise in 2013.

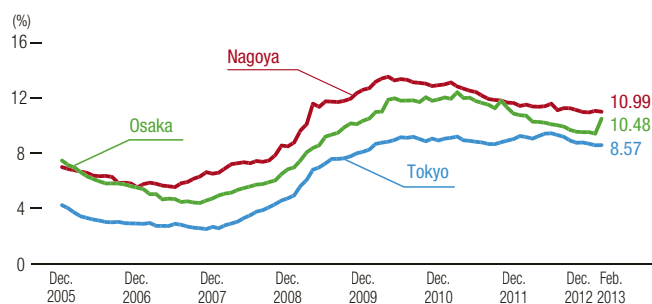
From the second half of 2012 to early 2013, the election of a new administration served as the backdrop for improvement in the financial environment driven by factors such as rising stock prices and a weaker yen. In the J-REIT market, initial public offerings and other forms of equity financing have been trending upward since 2012.

In the real estate leasing market, the impact of a large volume of office building supply in the first half of 2012 caused the vacancy rate to rise to 9.4 percent (Miki Shoji Co., Ltd. survey) in June 2012. Subsequently, the vacancy rate improved to the 8 percent level (Miki Shoji Co., Ltd. survey) as supply decreased and demand recovered.

The overall asking rent market, on the other hand, has remained at a low level, but asking rents have started to rise at new earthquake-resistant properties that have large floor plates and are located near train stations. NBF has successfully increased asking rents at some of its properties, and it expects the market to recover in the future.

The overall real estate acquisition market is regaining its vitality, evidenced by increasing transaction volume centered on J-REITs. However, transactions have centered on sponsors for IPOs or public offerings for logistics, retail and other properties. The number of transactions for large-scale office buildings has been particularly limited. Moreover, the number of players that can actively engage in this market is also limited.

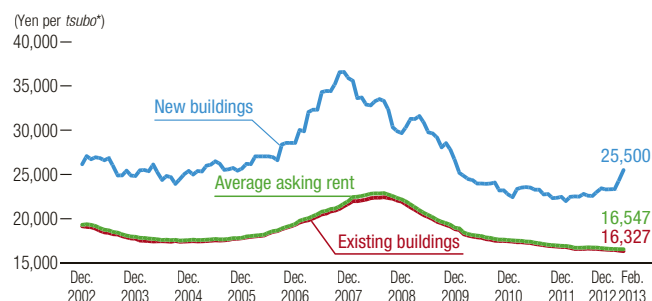
Market Vacancy Rates in CBDs (Three Cities)



Tokyo CBDs: Chiyoda, Chuo, Minato, Shinjuku, Shibuya  
Osaka CBDs: Umeda, Minami-Morimachi, Yodoyabashi/Honcho, Senba, Shinsaibashi/Namba, Shin-Osaka  
Nagoya CBDs: Meieki, Fushimi, Sakae, Marunouchi

Source: Miki Shoji Co., Ltd.

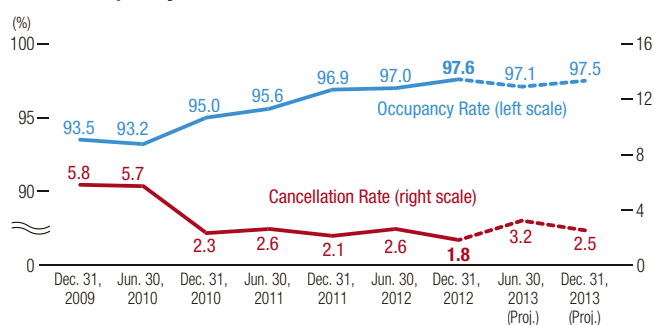
Average Asking Rents in Tokyo CBDs



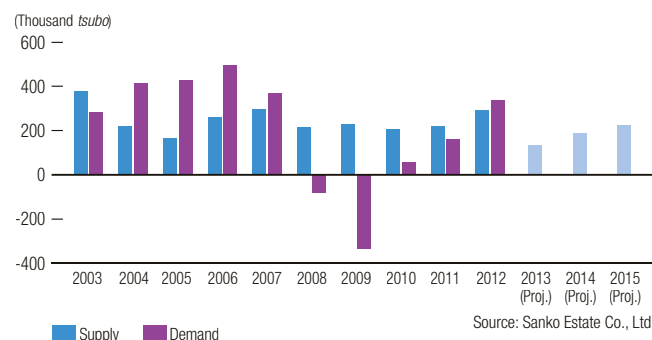
\*1 tsubo = 3.3m<sup>2</sup>

Source: Miki Shoji Co., Ltd.

NBF Occupancy and Cancellation Rates



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



Source: Sanko Estate Co., Ltd.



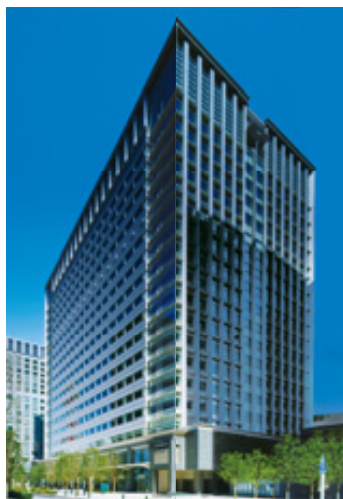
# NBF's Condition

**NBF is accelerating external growth after conducting a public offering.**

NBF expects the real estate leasing market to recover. Therefore, in January 2013 NBF raised ¥68.2 billion through a public offering and decided to acquire the Celestine Shiba Mitsui Building from the Mitsui Fudosan Group and other properties with a total value of ¥64.8 billion on an acquisition price basis.

Additionally, NBF expects to recognize a profit of ¥2,062 million on the disposal of a 50 percent interest in the NBF Nihonbashi Muromachi Center Building to Mitsui Fudosan Co., Ltd. (NBF plans to allocate ¥1,230 million of this profit to the reserve for advanced depreciation.)

As a result of this equity financing, NBF reduced its LTV ratio to the 40 percent level and made ¥100 billion available for acquisitions.



Celestine Shiba Mitsui Building

## Additional Equity Offering

| Number of units offered | Primary units offered  | 74,000 units                 |
|-------------------------|------------------------|------------------------------|
|                         | Third-party allocation | 5,000 units                  |
|                         | Total                  | 79,000 units                 |
| Total offering size     |                        | ¥68,296 million              |
| Launch date             |                        | January 7, 2013              |
| Pricing date            |                        | January 16, 2013             |
| Closing date            |                        | January 23 /January 31, 2013 |



Sony City Osaka



## New Acquisitions and Disposals

| Period |  | New Acquisitions                                        | (Yen in millions)<br>Acquisition Price |
|--------|--|---------------------------------------------------------|----------------------------------------|
| 23rd   |  | NBF COMODIO Shiodome                                    | 28,800                                 |
|        |  | Nishi-Shinjuku Mitsui Building (Additional acquisition) | 8                                      |
| 24th   |  | Celestine Shiba Mitsui Building                         | 22,500                                 |
|        |  | Gate City Ohsaki (Additional acquisition)               | 15,550                                 |
|        |  | Shinbashi M-SQUARE                                      | 11,900                                 |
|        |  | Sumitomo Mitsui Banking Nagoya Building                 | 14,900                                 |
|        |  | Sony City Osaki                                         | 66,660                                 |
|        |  | Shibuya Garden Front (Additional acquisition)           | 11,569                                 |
|        |  | Ikebukuro East                                          | 8,630                                  |
|        |  | Panasonic Tokyo Shiodome Building                       | 5,075                                  |
| Total  |  |                                                         | 185,592                                |

| Period |                                          | Disposal of Property       | (Yen in millions) |
|--------|------------------------------------------|----------------------------|-------------------|
| 24th   | NBF Nihonbashi Muromachi Center Building | Transfer price             | 14,100            |
|        |                                          | Profits from transfer      | 2,062             |
|        |                                          | Internally retained amount | (1,230)           |

From February 2013, NBF acquired four properties valued at ¥91.9 billion, including Sony City Osaki (NBF share, 60%). NBF has therefore acquired eight properties valued at ¥156.7 billion since the start of 2013, with total acquisitions on an acquisition price basis of ¥1,066.4 billion.



Panasonic Tokyo Shiodome Building

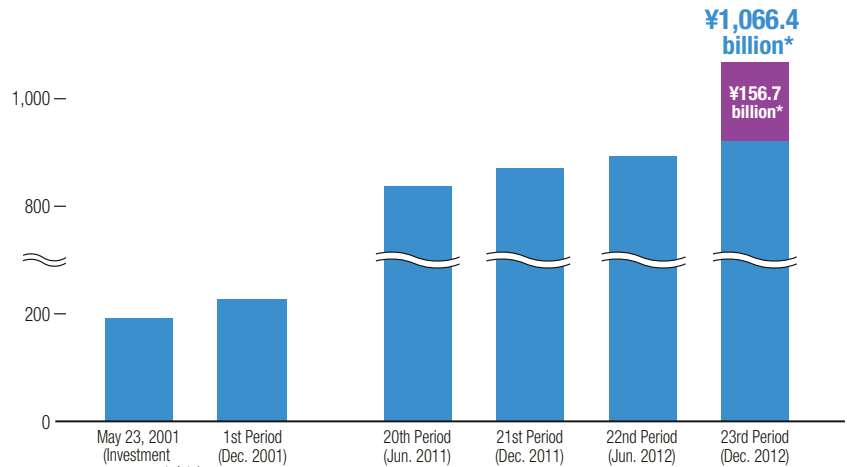




Sumitomo Mitsui Banking Nagoya Building

## Scale of Managed Assets

(Yen in billions)  
1,200 —



\* Including acquisitions but excluding sales in the 24th Period, as of March 31, 2013

## NBF is strengthening tenant relations and building competitiveness.

In the 23rd Period, rents trended downward at NBF's existing properties. Moreover, the performance forecast for 2013 projects a similar decrease in revenues from existing properties.

The decrease in revenues occurred in a market environment with a large supply of newly constructed buildings during the first half of 2012. NBF took steps such as downward rent revisions for existing tenants to maintain occupancy rates at high levels.

However, NBF forecasts a higher level of performance in 2013 than in 2012 due to factors including expansion in portfolio assets through the acquisition of new properties to offset the decrease in revenues at existing buildings.

NBF continues to strengthen relations with existing tenants to maintain occupancy rates at high levels in a challenging market environment and is also raising building competitiveness by responding to tangible and intangible tenant business continuity plan needs in ways such as stockpiling food and water for tenant employee use at existing buildings.



Shinbashi M-SQUARE





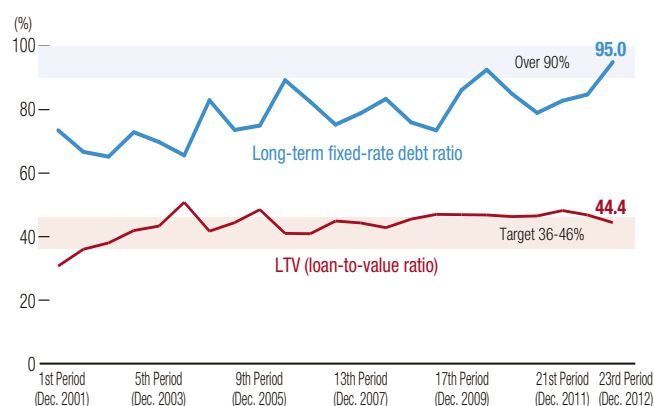
Gate City Ohsaki

**Under our policy of upholding a strong financial base, we will continue to manage stable finances.**

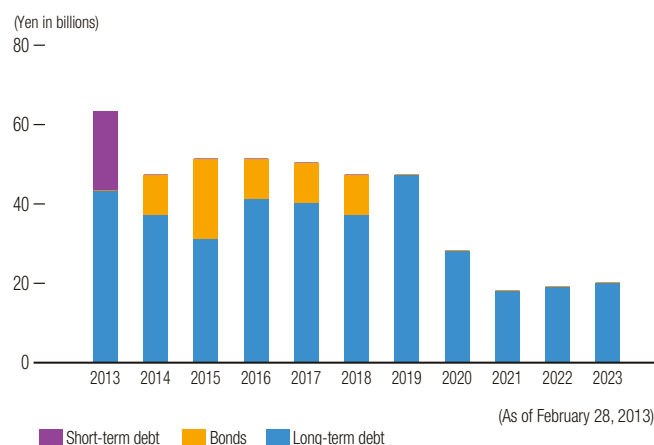
NBF will continue to manage its finances for stability under a fundamental policy of maintaining a strong financial base that enables flexible response to changes in the fund-raising environment and property acquisition opportunities. NBF has an LTV ratio target of 36 to 46 percent (to a maximum of 56 percent) and a target for the long-term fixed-rate debt ratio of over 90 percent.

As of the end of the 23rd Period, the LTV ratio was 44.4 percent and the long-term fixed-rate debt ratio was 95.0 percent. Both ratios meet the targets discussed above. NBF is moving to diversify the repayment periods of interest-bearing debt so that repayment is not concentrated in any given period. Consequently, rating agencies have praised NBF's efforts and continue to assign high credit ratings for its obligations.

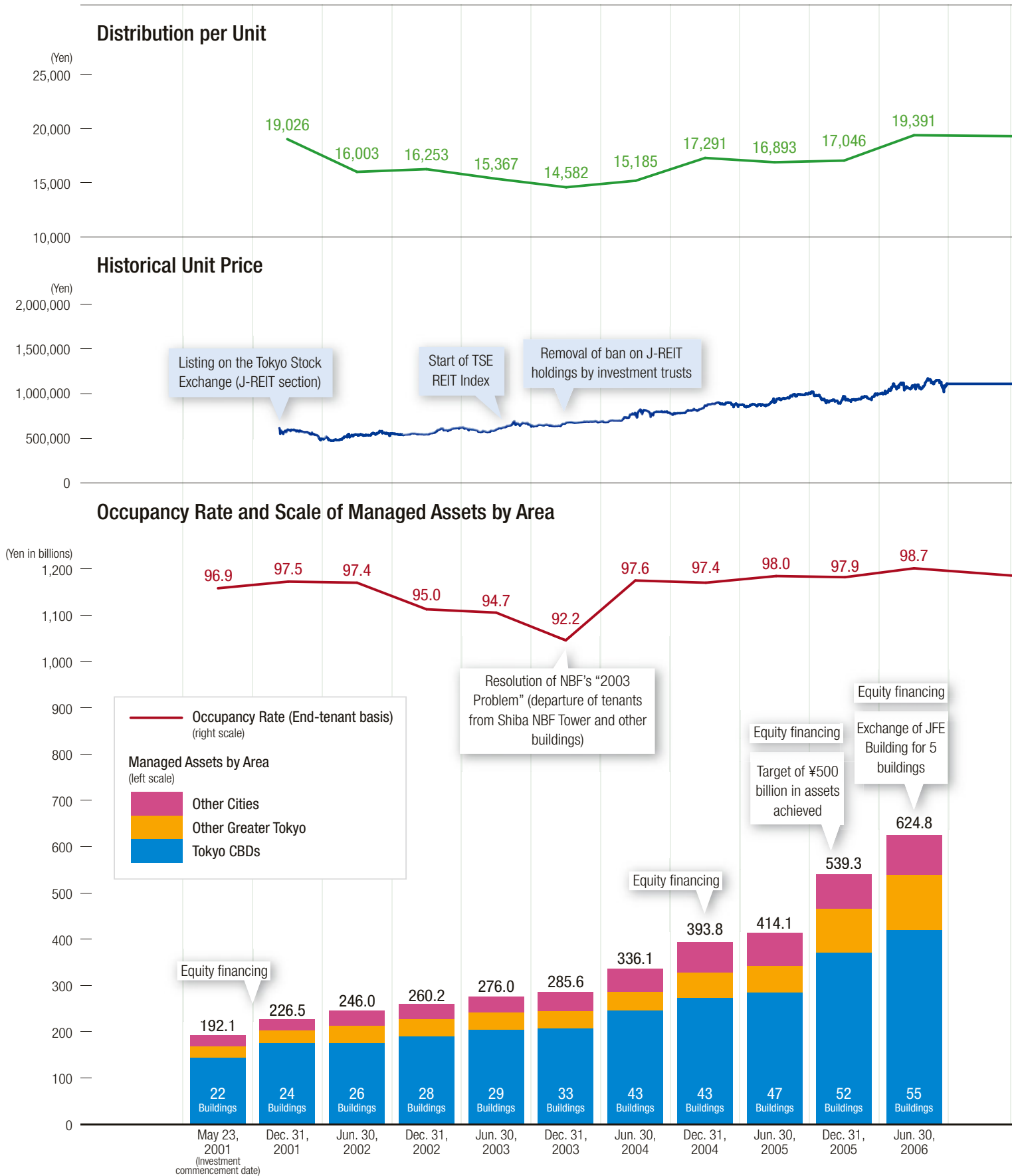
### Financial Track Record



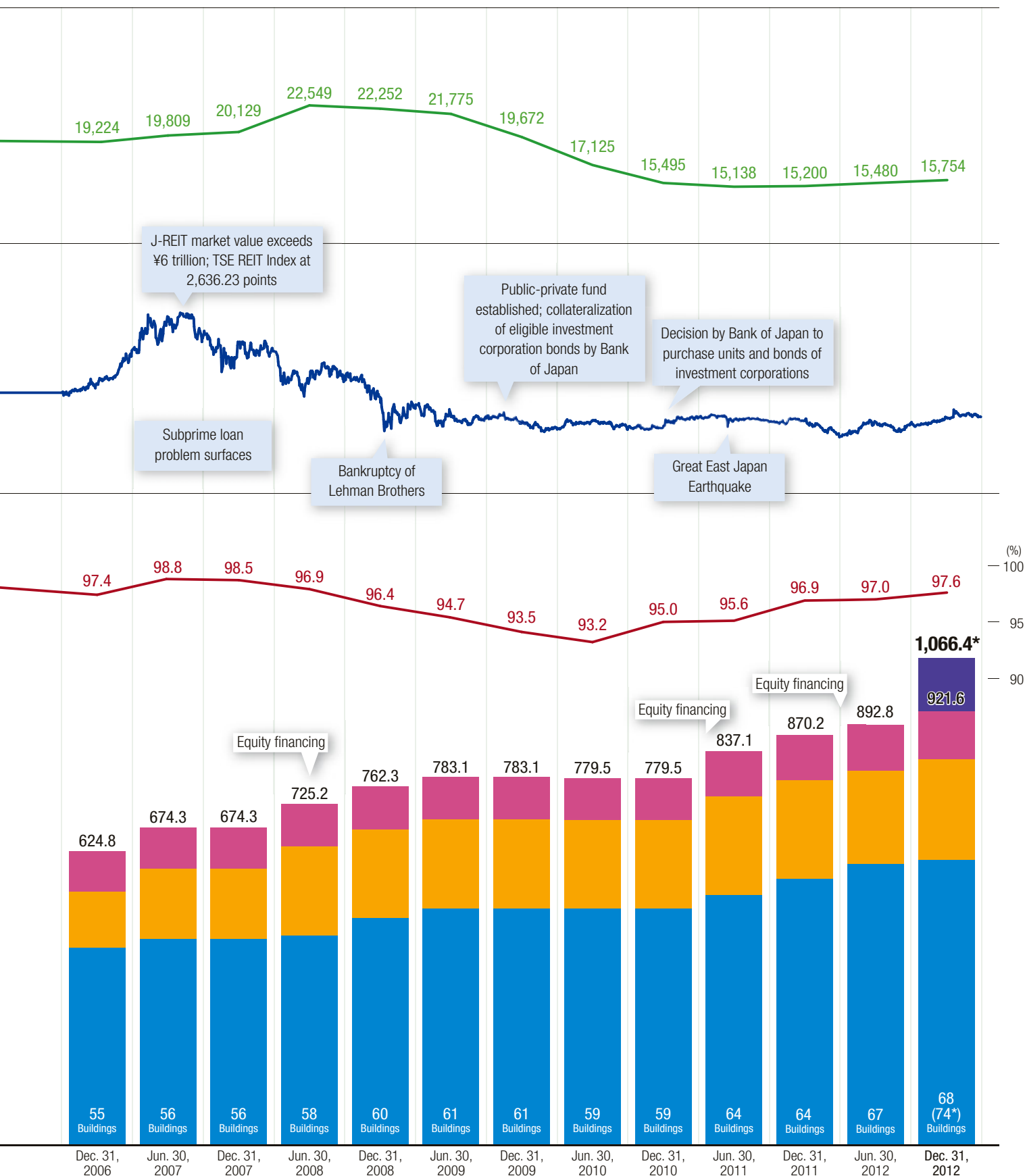
### Diversified Maturities of Interest-Bearing Debt



# A Track Record of Steady Growth







\* Including acquisitions but excluding sales in the 24th Period, as of March 31, 2013



### 69 Sony City Osaka

Location: Shinagawa-ku, Tokyo  
Completion date: February 24, 2011  
Acquisition date: February 28, 2013  
Acquisition price: ¥66,660 million  
NBF share: 60%







### ③ Gate City Ohsaki (Additional Acquisition)

Location: Shinagawa-ku, Tokyo  
 Completion date: January 6, 1999  
 Acquisition date: March 22, 2013  
 Acquisition price: ¥15,550 million  
 NBF share: 7.59% (additional acquisition)  
 25.98% (total)

### 73 Panasonic Tokyo Shiodome Building

Location: Minato-ku, Tokyo  
 Completion date: January 9, 2003  
 Acquisition date: March 12, 2013  
 Acquisition price: ¥5,075 million  
 NBF share: 10%





## 70 Celestine Shiba Mitsui Building

Location: Minato-ku, Tokyo  
 Completion date: April 1, 2002  
 Acquisition date: May 31, 2013  
 Acquisition price: ¥22,500 million  
 NBF share: 60% (offices and stores)



## 71 Shinbashi M-SQUARE

Location: Minato-ku, Tokyo  
 Completion date: October 31, 2011  
 Acquisition date: February 1, 2013  
 Acquisition price: ¥11,900 million  
 NBF share: 100%



## 72 Ikebukuro East

Location: Toshima-ku, Tokyo  
 Completion date: February 16, 1993  
 Acquisition date: March 25, 2013  
 Acquisition price: ¥8,630 million  
 NBF share: 100%





#### 22 Shibuya Garden Front (Additional Acquisition)

Location: Shibuya-ku, Tokyo  
 Completion date: September 30, 2003  
 Acquisition date: March 29, 2013  
 Acquisition price: ¥11,569 million  
 NBF share: 50% (additional acquisition)  
 100% (total)

#### 74 Sumitomo Mitsui Banking Nagoya Building

Location: Naka-ku, Nagoya, Aichi  
 Completion date: April 27, 2001  
 Acquisition date: February 1, 2013  
 Acquisition price: ¥14,900 million  
 NBF share: 100%



## Acquisitions in the 23rd Period



#### 2 Nishi-Shinjuku Mitsui Building (Additional Acquisition)

Location: Shinjuku-ku, Tokyo  
 Completion date: April 28, 1999  
 Acquisition date: November 1, 2012  
 Acquisition price: ¥8 million  
 NBF share: 0.03% (additional acquisition)  
 85.43% (total)



#### 8 NBF COMODIO Shiodome

Location: Minato-ku, Tokyo  
 Completion date: July 10, 2006  
 Acquisition date: July 2, 2012  
 Acquisition price: ¥28,800 million  
 NBF share: 100%

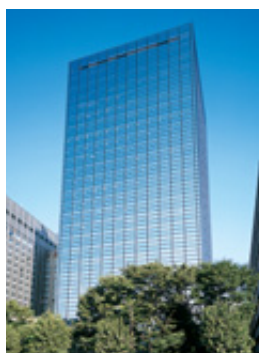
# Location of Office Properties (As of March 31, 2013)

## Tokyo Central Business Districts (CBDs)

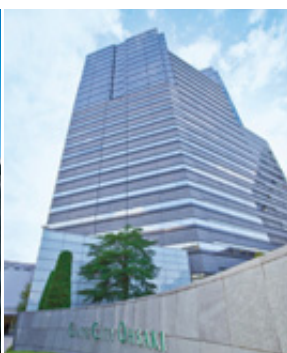
- ① NBF Hibiya Building
- ② Nishi-Shinjuku Mitsui Building  
(Additional acquisition in November 2012)
- ③ Gate City Ohsaki  
(Additional acquisition in March 2013)
- ④ Mitsubishi Heavy Industries Head Office Building
- ⑤ Shiba NBF Tower
- ⑥ NBF Platinum Tower
- ⑦ NBF Minami-Aoyama Building
- ⑧ NBF COMODIO Shiodome  
(Acquired in July 2012)
- ⑨ Toranomon Kotohira Tower
- ⑩ NBF Nihonbashi Muromachi Center Building
- ⑪ Nakameguro GT Tower
- ⑫ Mitsuseimei Ochanomizu Building
- ⑬ NBF Ginza Street Building
- ⑭ Shinjuku Mitsui Building No. 2
- ⑮ GSK Building
- ⑯ River City M-SQUARE
- ⑰ NBF Toranomon Building
- ⑱ Kowa Nishi-Shinbashi Building B
- ⑲ NBF Shinkawa Building
- ⑳ NBF Alliance
- ㉑ Yotsuya Medical Building
- ㉒ Shibuya Garden Front  
(Additional acquisition in March 2013)
- ㉓ Higashi Gotanda Square
- ㉔ NBF Shibuya East
- ㉕ NBF Shibakouen Building
- ㉖ NBF Takanawa Building
- ㉗ NBF Akasaka Sanno Square
- ㉘ NBF Shibakouen Daimon Street Building
- ㉙ Sumitomo Densetsu Building
- ㉚ NBF Higashi-Ginza Square
- ㉛ NBF Ogawamachi Building
- ㉜ Nihonbashi Kabuto-cho M-SQUARE
- ㉝ NBF Ikebukuro Tower
- ㉞ NBF Ikebukuro City Building
- ㉟ Ryukakusan Building
- ㊱ Sony City Osaka  
(Acquired in March 2013)
- ㊲ Celestine Shiba Mitsui Building  
(Scheduled acquisition in May 2013)
- ㊳ Shinbashi M-SQUARE  
(Acquired in February 2013)
- ㊴ Ikebukuro East  
(Acquired in March 2013)
- ㊵ Panasonic Tokyo Shiodome Building  
(Acquired in March 2013)

Total  
Acquisition Price:\*

**¥736.1 billion**  
(42 properties)



① NBF Hibiya Building



③ Gate City Ohsaki



⑤ Shiba NBF Tower



⑥ NBF Platinum Tower



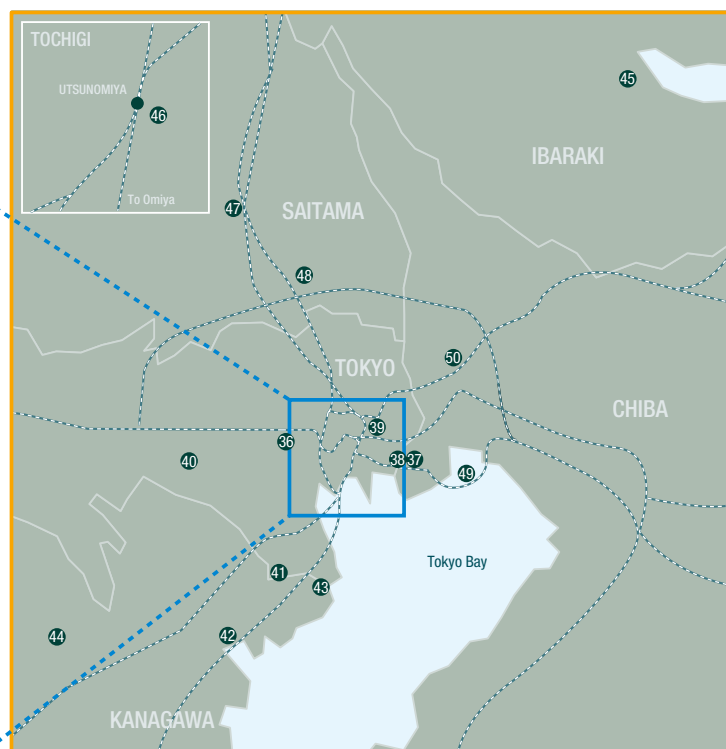
⑦ NBF Minami-Aoyama Building



## Other Greater Tokyo

Total  
Acquisition Price:\*

**¥214.4 billion**  
(15 properties)

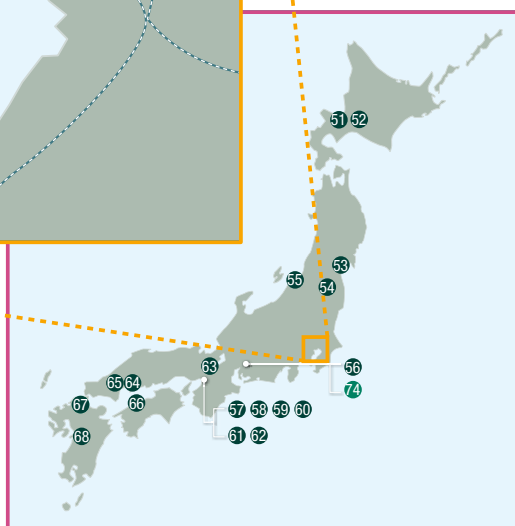


- 36 Nakanosakaue Sunbright Twin
- 37 NBF Toyosu Canal Front
- 38 NBF Toyosu Garden Front
- 39 NBF Ueno Building
- 40 Chofu South Gate Building
- 41 Shin-Kawasaki Mitsui Building
- 42 Yokohama ST Building
- 43 Parale Mitsui Building
- 44 NBF Atsugi Building
- 45 Tsukuba Mitsui Building
- 46 NBF Utsunomiya Building
- 47 S-ino Omiya North Wing
- 48 NBF Urawa Building
- 49 NBF Shin-Urayasu Tower
- 50 NBF Matsudo Building

## Other Cities

Total  
Acquisition Price:\*

**¥115.9 billion**  
(19 properties)



- 51 Sapporo L-Plaza
- 52 NBF Sapporo Minami Nijo Building
- 53 NBF Sendai Honcho Building
- 54 NBF Unix Building
- 55 NBF Niigata Telecom Building
- 56 NBF Nagoya Hirokoji Building
- 57 Aqua Dojima NBF Tower
- 58 Shinanobashi Mitsui Building
- 59 Sun Mullion NBF Tower
- 60 Sakaisuji-Honmachi Center Building
- 61 NBF Sakai-Higashi Building
- 62 Aqua Dojima East
- 63 NBF Shijo Karasuma Building
- 64 NBF Hiroshima Tatemachi Building
- 65 Hiroshima Fukuromachi Building
- 66 NBF Matsuyama Nichigin-mae Building
- 67 Hakata Gion M-SQUARE
- 68 NBF Kumamoto Building
- 74 Sumitomo Mitsui Banking Nagoya Building (Acquired in February 2013)



36 Nakanosakaue  
Sunbright Twin



37 NBF Toyosu Canal Front



38 NBF Toyosu Garden Front



57 Aqua Dojima NBF Tower  
62 Aqua Dojima East



58 Shinanobashi Mitsui Building

\* Including acquisitions but excluding sales in the 24th Period

# Portfolio Overview

NBF's properties as of December 31, 2012 are as follows:

| Name of Building                                   | Investment Type | Type of Ownership                       | Percentage of Ownership | Year Built | Acquisition Price | Book Value     |
|----------------------------------------------------|-----------------|-----------------------------------------|-------------------------|------------|-------------------|----------------|
|                                                    |                 |                                         | (%)                     |            | (Yen in millions) |                |
| <b>Tokyo Central Business Districts (CBDs)</b>     |                 |                                         |                         |            |                   |                |
| 1 NBF Hibiya Building                              | Trust           | Fee simple                              | 100.0                   | 1984       | 63,500            | 64,494         |
| 2 Nishi-Shinjuku Mitsui Building                   | Ownership       | Compartmented ownership                 | 85.4                    | 1999       | 45,010            | 34,518         |
| 3 Gate City Ohsaki                                 | Ownership       | Compartmented ownership                 | 18.6                    | 1999       | 41,731            | 34,849         |
| 4 Mitsubishi Heavy Industries Head Office Building | Trust           | Compartmented ownership                 | 18.1                    | 2003       | 36,300            | 37,132         |
| 5 Shiba NBF Tower                                  | Trust           | Fee simple                              | 100.0                   | 1986       | 32,000            | 28,595         |
| 6 NBF Platinum Tower                               | Trust           | Fee simple                              | 100.0                   | 2005       | 31,000            | 28,327         |
| 7 NBF Minami-Aoyama Building                       | Ownership       | Fee simple                              | 100.0                   | 1995       | 31,000            | 31,485         |
| 8 NBF COMODIO Shiodome                             | Trust           | Simple Fee                              | 100.0                   | 2006       | 28,800            | 28,815         |
| 9 Toranomon Kotohira Tower                         | Ownership       | Compartmented ownership                 | 100.0                   | 2004       | 24,543            | 19,734         |
| 10 NBF Nihonbashi Muromachi Center Building        | Trust           | Fee simple                              | 100.0                   | 1986       | 23,945            | 24,064         |
| 11 Nakameguro GT Tower                             | Ownership       | Compartmented ownership                 | 93.1                    | 2002       | 23,856            | 19,569         |
| 12 Mitsuisaimi Ochanomizu Building                 | Ownership       | Fee simple                              | 100.0                   | 2009       | 20,840            | 20,914         |
| 13 NBF Ginza Street Building                       | Trust           | Fee simple                              | 100.0                   | 1990       | 17,000            | 17,571         |
| 14 Shinjuku Mitsui Building No. 2                  | Trust           | Fee simple                              | 100.0                   | 1983       | 16,285            | 16,502         |
| 15 GSK Building                                    | Trust           | Fee simple                              | 100.0                   | 1990       | 15,616            | 13,534         |
| 16 River City M-SQUARE                             | Ownership       | Fee simple                              | 100.0                   | 2010       | 13,350            | 13,178         |
| 17 NBF Toranomon Building                          | Trust           | Fee simple                              | 100.0                   | 1963       | 13,337            | 13,253         |
| 18 Kowa Nishi-Shinbashi Building B                 | Trust           | Co-ownership of compartmented ownership | 83.0                    | 1994       | 13,217            | 11,530         |
| 19 NBF Shinkawa Building                           | Ownership       | Fee simple                              | 100.0                   | 1989       | 12,614            | 10,868         |
| 20 NBF Alliance                                    | Trust           | Fee simple                              | 100.0                   | 1989       | 9,126             | 9,441          |
| 21 Yotsuya Medical Building                        | Trust           | Fee simple                              | 100.0                   | 2004       | 8,800             | 8,192          |
| 22 Shibuya Garden Front                            | Ownership       | Co-ownership                            | 50.0                    | 2003       | 8,700             | 7,845          |
| 23 Higashi Gotanda Square                          | Ownership       | Compartmented ownership                 | 38.4                    | 2009       | 8,350             | 8,332          |
| 24 NBF Shibuya East                                | Ownership       | Fee simple                              | 100.0                   | 1992       | 8,000             | 8,087          |
| 25 NBF Shibakouen Building                         | Ownership       | Fee simple                              | 100.0                   | 1990       | 6,770             | 6,426          |
| 26 NBF Takanawa Building                           | Trust           | Fee simple                              | 100.0                   | 1987       | 6,667             | 6,574          |
| 27 NBF Akasaka Sanno Square                        | Trust           | Fee simple                              | 100.0                   | 1989       | 6,250             | 6,336          |
| 28 NBF Shibakouen Daimon Street Building           | Trust           | Co-ownership of compartmented ownership | 87.0                    | 1991       | 6,100             | 6,313          |
| 29 Sumitomo Densetsu Building                      | Trust           | Fee simple                              | 100.0                   | 1991       | 5,365             | 4,943          |
| 30 NBF Higashi-Ginza Square                        | Trust           | Fee simple                              | 100.0                   | 2005       | 5,200             | 4,684          |
| 31 NBF Ogawamachi Building                         | Ownership       | Compartmented ownership                 | 83.8                    | 1986       | 4,940             | 5,164          |
| 32 Nihonbashi Kabuto-cho M-SQUARE                  | Ownership       | Fee simple                              | 100.0                   | 2009       | 4,850             | 4,811          |
| 33 NBF Ikebukuro Tower                             | Trust           | Fee simple                              | 100.0                   | 1993       | 4,695             | 4,530          |
| 34 NBF Ikebukuro City Building                     | Trust           | Fee simple                              | 100.0                   | 1993       | 4,428             | 4,262          |
| 35 Ryukakusan Building                             | Ownership       | Compartmented ownership                 | 89.0                    | 1991       | 4,050             | 4,377          |
| <b>Other Greater Tokyo</b>                         |                 |                                         |                         |            |                   |                |
| 36 Nakanosakaue Sunbright Twin                     | Ownership/Trust | Co-ownership of compartmented ownership | 81.0                    | 1996       | 40,750            | 37,259         |
| 37 NBF Toyosu Canal Front                          | Trust           | Fee simple                              | 100.0                   | 2004       | 35,200            | 31,461         |
| 38 NBF Toyosu Garden Front                         | Ownership       | Fee simple                              | 100.0                   | 2007       | 25,018            | 24,018         |
| 39 NBF Ueno Building                               | Ownership       | Compartmented                           | 78.1                    | 2010       | 10,400            | 10,186         |
| 40 Chofu South Gate Building                       | Ownership       | Compartmented                           | 84.4                    | 2007       | 9,320             | 9,101          |
| 41 Shin-Kawasaki Mitsui Building                   | Ownership       | Co-ownership                            | 35.0                    | 1989       | 25,820            | 23,710         |
| 42 Yokohama ST Building                            | Trust           | Co-ownership                            | 75.0                    | 1987       | 13,529            | 12,218         |
| 43 Parale Mitsui Building                          | Ownership       | Co-ownership of compartmented ownership | 97.5                    | 1990       | 3,800             | 3,186          |
| 44 NBF Atsugi Building                             | Ownership       | Fee simple                              | 100.0                   | 1991       | 2,300             | 2,221          |
| 45 Tsukuba Mitsui Building                         | Trust           | Fee simple                              | 100.0                   | 1990       | 8,876             | 6,801          |
| 46 NBF Utsunomiya Building                         | Ownership       | Fee simple                              | 100.0                   | 1996       | 2,435             | 2,338          |
| 47 S-ino Omiya North Wing                          | Ownership       | Fee simple                              | 100.0                   | 2004       | 16,816            | 14,570         |
| 48 NBF Urawa Building                              | Ownership       | Fee simple                              | 100.0                   | 1990       | 2,000             | 1,902          |
| 49 NBF Shin-Urayasu Tower                          | Ownership       | Fee simple                              | 100.0                   | 1990       | 15,700            | 15,844         |
| 50 NBF Matsudo Building                            | Ownership       | Fee simple                              | 100.0                   | 1992       | 2,455             | 2,179          |
| <b>Other Cities</b>                                |                 |                                         |                         |            |                   |                |
| 51 Sapporo L-Plaza                                 | Ownership       | Compartmented ownership                 | 46.2                    | 2003       | 4,404             | 3,593          |
| 52 NBF Sapporo Minami Nijo Building                | Trust           | Fee simple                              | 100.0                   | 1990       | 1,870             | 1,711          |
| 53 NBF Sendai Honcho Building                      | Trust           | Fee simple                              | 100.0                   | 1987       | 3,566             | 3,522          |
| 54 NBF Unix Building                               | Trust           | Fee simple                              | 100.0                   | 1994       | 4,029             | 3,060          |
| 55 NBF Niigata Telecom Building                    | Trust           | Fee simple                              | 100.0                   | 1989       | 3,958             | 3,592          |
| 56 NBF Nagoya Hirokoji Building                    | Ownership       | Fee simple                              | 100.0                   | 2000       | 7,232             | 6,819          |
| 57 Aqua Dojima NBF Tower                           | Trust           | Fee simple                              | 100.0                   | 1996       | 17,810            | 16,297         |
| 58 Shinanobashi Mitsui Building                    | Ownership       | Co-ownership                            | 99.0                    | 1982       | 14,400            | 11,140         |
| 59 Sun Mullion NBF Tower                           | Trust           | Fee simple                              | 100.0                   | 1996       | 10,500            | 7,837          |
| 60 Sakaisuji-Honmachi Center Building              | Ownership       | Co-ownership of compartmented ownership | 49.3                    | 1991       | 6,500             | 6,065          |
| 61 NBF Sakai-Higashi Building                      | Trust           | Fee simple                              | 100.0                   | 1991       | 2,227             | 1,961          |
| 62 Aqua Dojima East                                | Trust           | Co-ownership of compartmented ownership | 23.7                    | 1993       | 1,914             | 1,711          |
| 63 NBF Shijo Karasuma Building                     | Trust           | Fee simple                              | 100.0                   | 1991       | 1,627             | 1,384          |
| 64 NBF Hiroshima Tatemachi Building                | Ownership       | Fee simple                              | 100.0                   | 1991       | 2,930             | 2,842          |
| 65 Hiroshima Fukuromachi Building                  | Ownership       | Co-ownership of compartmented ownership | 10.4                    | 2002       | 2,215             | 2,057          |
| 66 NBF Matsuyama Nichigin-mae Building             | Ownership       | Fee simple                              | 100.0                   | 2009       | 3,310             | 3,414          |
| 67 Hakata Gion M-SQUARE                            | Ownership       | Fee simple                              | 100.0                   | 2009       | 8,000             | 7,782          |
| 68 NBF Kumamoto Building                           | Ownership       | Fee simple                              | 100.0                   | 2008       | 4,500             | 4,328          |
| <b>Total</b>                                       |                 |                                         |                         |            | <b>921,648</b>    | <b>855,360</b> |

Notes: 1. Percentage of total revenues is the ratio of revenue from each office property to total revenues from all office properties.

2. Consent for disclosure was not obtained from tenants from whom rent revenue accounts for more than 80% of total rent revenue for the property. However, relevant figures are included in the total.

3. Figures stated above are based on NBF's ownership interest.



| Appraisal Value   | Rentable Area     | Leased Area at End of Period | Occupancy Rate at End of Period | Total Number of Tenants at End of Period | Revenue           | Percentage of Total Revenues (Note 1) | Probable Maximum Loss (PML) |
|-------------------|-------------------|------------------------------|---------------------------------|------------------------------------------|-------------------|---------------------------------------|-----------------------------|
| (Yen in millions) | (m <sup>2</sup> ) | (m <sup>2</sup> )            | (%)                             |                                          | (Yen in millions) | (%)                                   | (%)                         |
| 54,600            | 27,576            | 25,960                       | 94.1                            | 90                                       | 1,300             | 4.1                                   | 1.6                         |
| 42,900            | 33,105            | 32,077                       | 96.9                            | 31                                       | 1,121             | 3.6                                   | 1.8                         |
| 39,100            | 29,924            | 29,561                       | 98.8                            | 74                                       | 1,177             | 3.7                                   | 1.5                         |
| 40,400            | 35,641            | 35,641                       | 100.0                           | 12                                       | Note 2            | Note 2                                | 1.7                         |
| 25,800            | 24,728            | 24,562                       | 99.3                            | 31                                       | 1,012             | 3.2                                   | 2.3                         |
| 52,300            | 33,503            | 33,503                       | 100.0                           | 6                                        | 1,555             | 4.9                                   | 1.5                         |
| 17,000            | 9,631             | 7,586                        | 78.8                            | 7                                        | 371               | 1.2                                   | 4.7                         |
| 31,300            | 20,538            | 20,538                       | 100.0                           | 11                                       | 917               | 2.9                                   | 7.3                         |
| 30,700            | 16,848            | 15,341                       | 91.1                            | 22                                       | 942               | 3.0                                   | 1.6                         |
| 26,600            | 16,308            | 16,308                       | 100.0                           | 14                                       | 830               | 2.6                                   | 4.8                         |
| 18,800            | 21,423            | 21,423                       | 100.0                           | 19                                       | 820               | 2.6                                   | 1.2                         |
| 12,300            | 6,627             | 6,627                        | 100.0                           | 1                                        | Note 2            | Note 2                                | 5.8                         |
| 14,500            | 3,440             | 3,440                        | 100.0                           | 1                                        | Note 2            | Note 2                                | 8.2                         |
| 14,900            | 14,874            | 14,567                       | 97.9                            | 48                                       | 561               | 1.8                                   | 1.6                         |
| 21,300            | 20,426            | 20,426                       | 100.0                           | 1                                        | Note 2            | Note 2                                | 0.8                         |
| 14,000            | 16,232            | 16,232                       | 100.0                           | 8                                        | 620               | 2.0                                   | 4.0                         |
| 16,200            | 10,067            | 9,968                        | 99.0                            | 15                                       | 477               | 1.5                                   | 8.4                         |
| 15,500            | 10,088            | 10,061                       | 99.7                            | 16                                       | Note 2            | Note 2                                | 2.0                         |
| 13,540            | 17,307            | 17,307                       | 100.0                           | 37                                       | Note 2            | Note 2                                | 3.5                         |
| 10,300            | 4,033             | 4,033                        | 100.0                           | 7                                        | 258               | 0.8                                   | 7.3                         |
| 7,720             | 7,481             | 7,295                        | 97.5                            | 38                                       | 255               | 0.8                                   | 5.6                         |
| 11,700            | 8,258             | 8,258                        | 100.0                           | 1                                        | Note 2            | Note 2                                | 3.4                         |
| 8,440             | 6,166             | 6,166                        | 100.0                           | 6                                        | 301               | 1.0                                   | 2.0                         |
| 6,490             | 4,993             | 4,993                        | 100.0                           | 5                                        | 198               | 0.6                                   | 4.4                         |
| 8,190             | 7,087             | 7,087                        | 100.0                           | 17                                       | 286               | 0.9                                   | 5.9                         |
| 7,460             | 10,458            | 10,458                       | 100.0                           | 6                                        | 308               | 1.0                                   | 5.3                         |
| 6,400             | 5,258             | 5,258                        | 100.0                           | 6                                        | 150               | 0.5                                   | 9.9                         |
| 4,320             | 3,428             | 2,446                        | 71.3                            | 6                                        | 99                | 0.3                                   | 2.8                         |
| 5,050             | 5,991             | 5,991                        | 100.0                           | 1                                        | Note 2            | Note 2                                | 5.2                         |
| 6,990             | 4,871             | 4,871                        | 100.0                           | 8                                        | 233               | 0.7                                   | 3.1                         |
| 5,540             | 4,805             | 4,805                        | 100.0                           | 14                                       | 175               | 0.6                                   | 4.2                         |
| 4,700             | 3,298             | 3,298                        | 100.0                           | 2                                        | Note 2            | Note 2                                | 6.4                         |
| 4,990             | 5,642             | 5,205                        | 92.3                            | 14                                       | 181               | 0.6                                   | 3.9                         |
| 4,940             | 5,127             | 4,758                        | 92.8                            | 10                                       | 169               | 0.5                                   | 9.9                         |
| 4,130             | 5,332             | 5,332                        | 100.0                           | 8                                        | 206               | 0.7                                   | 4.4                         |
| 30,300            | 32,082            | 31,358                       | 97.7                            | 9                                        | 1,064             | 3.4                                   | 1.4                         |
| 35,700            | 36,638            | 36,625                       | 100.0                           | 9                                        | 1,094             | 3.5                                   | 4.2                         |
| 28,000            | 28,310            | 28,008                       | 98.9                            | 4                                        | 938               | 3.0                                   | 3.5                         |
| 8,430             | 8,504             | 8,504                        | 100.0                           | 6                                        | 301               | 1.0                                   | 1.9                         |
| 9,300             | 13,762            | 13,762                       | 100.0                           | 1                                        | Note 2            | Note 2                                | 4.3                         |
| 20,700            | 39,837            | 39,161                       | 98.3                            | 17                                       | 1,266             | 4.0                                   | 2.1                         |
| 13,300            | 20,047            | 19,854                       | 99.0                            | 99                                       | 639               | 2.0                                   | 1.7                         |
| 3,540             | 12,545            | 11,640                       | 92.8                            | 33                                       | 288               | 0.9                                   | 2.8                         |
| 2,110             | 5,242             | 4,997                        | 95.3                            | 18                                       | 115               | 0.4                                   | 16.9                        |
| 7,040             | 16,833            | 16,154                       | 96.0                            | 61                                       | 445               | 1.4                                   | 0.5                         |
| 2,120             | 6,160             | 6,160                        | 100.0                           | 40                                       | 137               | 0.4                                   | 0.5                         |
| 17,900            | 20,698            | 20,344                       | 98.3                            | 39                                       | 706               | 2.2                                   | 1.8                         |
| 1,780             | 3,455             | 3,455                        | 100.0                           | 13                                       | 103               | 0.3                                   | 10.2                        |
| 11,500            | 22,832            | 21,675                       | 94.9                            | 40                                       | 565               | 1.8                                   | 2.6                         |
| 2,060             | 4,770             | 4,420                        | 92.7                            | 23                                       | 123               | 0.4                                   | 7.8                         |
| 6,610             | 11,396            | 11,396                       | 100.0                           | 12                                       | 320               | 1.0                                   | 0.3                         |
| 1,290             | 5,351             | 5,351                        | 100.0                           | 3                                        | 106               | 0.3                                   | 1.0                         |
| 2,990             | 7,539             | 7,514                        | 99.7                            | 11                                       | 170               | 0.5                                   | 2.1                         |
| 3,210             | 13,329            | 13,267                       | 99.5                            | 49                                       | 277               | 0.9                                   | 2.9                         |
| 2,800             | 10,208            | 10,134                       | 99.3                            | 33                                       | 205               | 0.6                                   | 4.9                         |
| 7,230             | 9,876             | 9,876                        | 100.0                           | 24                                       | 261               | 0.8                                   | 6.7                         |
| 18,200            | 21,917            | 21,003                       | 95.8                            | 46                                       | 665               | 2.1                                   | 3.3                         |
| 13,400            | 25,314            | 24,327                       | 96.1                            | 57                                       | 588               | 1.9                                   | 4.9                         |
| 7,350             | 14,954            | 13,546                       | 90.6                            | 28                                       | 357               | 1.1                                   | 1.6                         |
| 6,170             | 11,440            | 9,259                        | 80.9                            | 41                                       | 246               | 0.8                                   | 3.6                         |
| 1,540             | 5,255             | 5,071                        | 96.5                            | 22                                       | 110               | 0.4                                   | 6.6                         |
| 1,770             | 3,243             | 3,129                        | 96.5                            | 19                                       | 84                | 0.3                                   | 3.4                         |
| 1,190             | 3,932             | 2,987                        | 76.0                            | 15                                       | 75                | 0.2                                   | 1.6                         |
| 2,420             | 5,567             | 5,330                        | 95.7                            | 31                                       | 134               | 0.4                                   | 3.9                         |
| 2,310             | 3,927             | 3,623                        | 92.2                            | 15                                       | 109               | 0.3                                   | 3.1                         |
| 3,460             | 6,012             | 6,012                        | 100.0                           | 17                                       | 170               | 0.5                                   | 3.6                         |
| 8,210             | 14,328            | 14,328                       | 100.0                           | 16                                       | 411               | 1.3                                   | Less than 0.1               |
| 3,710             | 7,931             | 7,859                        | 99.1                            | 16                                       | 191               | 0.6                                   | 3.0                         |
| 896,740           | 913,747           | 891,508                      | 97.6                            | 1,460                                    | 31,530            | 100.0%                                | 1.6                         |

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

## Nippon Building Fund Inc.

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

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

## General Meeting of Unitholders

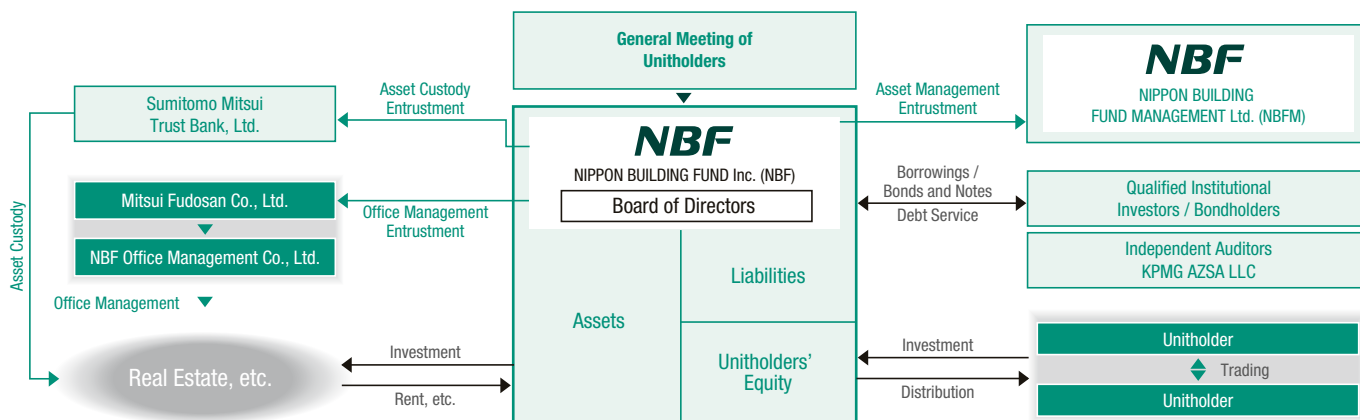
Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Unitholders, which convenes at least once every two years, in principle. The eighth General Meeting of Unitholders convened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

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

## Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and three or fewer supervisory directors, but the number of supervisory directors must always be at least one greater than the number of executive directors. As of June 30, 2012, NBF had one executive director and three supervisory directors.

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





## Management Team



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

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

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

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

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

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

## Nippon Building Fund Management Ltd.

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

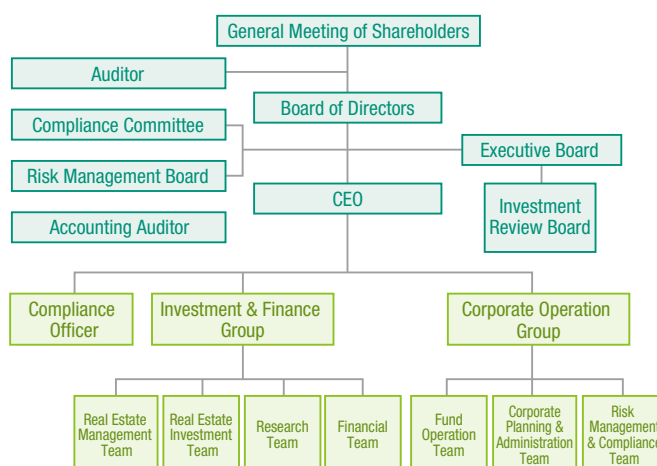
### Matters Entrusted to Nippon Building Fund Management Ltd.

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

### Management Structure of Nippon Building Fund Management Ltd.

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

### Management Structure



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

### Nippon Building Fund Management Ltd. Management Team

| Name            | Title                                       | Career Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-----------------|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kenichi Tanaka  | President and CEO                           | Apr. 1982 Joined Mitsui Fudosan Co., Ltd.<br>Apr. 2007 Business Administration Manager of Mitsui Fudosan Co., Ltd.<br>Apr. 2010 Rental Housing Business Manager, Accommodation Business Department of Mitsui Fudosan Co., Ltd.<br>Apr. 2012 Appointed President and CEO of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                                                                                     |
| Koji Matsufuji  | Director, Chief Investment Officer          | Apr. 1987 Joined Mitsui Fudosan Co., Ltd.<br>Apr. 2005 Chief of PM-II, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd.<br>Apr. 2006 Assistant Manager, Kansai Branch of Mitsui Fudosan Building Management Co., Ltd.<br>Apr. 2007 Chief of Business Promotion Group, Regional Division, Commercial Facilities Department of Mitsui Fudosan Co., Ltd.<br>Apr. 2010 Manager of Business Promotion Department of NBF Office Management Co., Ltd.<br>Apr. 2013 Appointed Chief Investment Officer of Nippon Building Fund Management Ltd. (current position) |
| Masahiko Misao  | Director, Head of Corporate Operation Group | Apr. 1980 Joined Sumitomo Life Insurance Company<br>Apr. 2003 Manager of Real Property Department, Sumitomo Life Insurance Company<br>Mar. 2008 Director and General Manager, Commercial Operation Department, Shinagawa Intercity Management Co., Ltd.<br>Mar. 2012 Appointed Director and Head of Corporate Operation Group of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                               |
| Hiromu Yamanaka | Director (Part-time)                        | Apr. 2013 Became Director of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Hiroshi Yabuki  | Director (Part-time)                        | Apr. 2013 Became Director of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Yasushi Akimoto | Auditor (Part-time)                         | Apr. 2013 Became Auditor of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Kenshi Ueda     | Auditor (Part-time)                         | Apr. 2013 Became Auditor of Nippon Building Fund Management Ltd. (current position)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |



## Compliance Initiatives

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

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

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

## Risk Management System

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

### NBF

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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.

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

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

## Policy and Management System for Dealing with Conflict of Interest Transactions

### Fundamental Policy on Conflict of Interest Transactions

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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

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

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

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

# Management's Discussion and Analysis

## Summary of Selected Financial Data

|                                                       |                   | 23rd Period<br>from July 1, 2012 to<br>December 31, 2012           | 22nd Period<br>from January 1, 2012 to<br>June 30, 2012 | 21st Period<br>from July 1, 2011 to<br>December 31, 2011 | 23rd Period<br>from July 1, 2012 to<br>December 31, 2012   |
|-------------------------------------------------------|-------------------|--------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|------------------------------------------------------------|
|                                                       |                   | Yen in millions, except per unit data or where otherwise indicated |                                                         |                                                          | U.S. dollars in thousands<br>except per unit data (Note 1) |
| Operating revenues                                    | Note 2            | ¥ 31,530                                                           | ¥ 30,244                                                | ¥ 29,773                                                 | \$ 363,917                                                 |
| Revenue from property leasing activities              |                   | 31,530                                                             | 30,244                                                  | 29,773                                                   | 363,917                                                    |
| Operating expenses                                    |                   | 18,909                                                             | 17,798                                                  | 17,587                                                   | 218,250                                                    |
| Rental expenses                                       |                   | 17,614                                                             | 16,525                                                  | 16,145                                                   | 203,300                                                    |
| Loss on sale of investment property                   |                   | —                                                                  | —                                                       | 197                                                      | —                                                          |
| Income before income taxes                            |                   | 9,658                                                              | 9,490                                                   | 9,128                                                    | 111,478                                                    |
| Net income                                            | (a)               | 9,657                                                              | 9,489                                                   | 9,127                                                    | 111,466                                                    |
| Funds from operations                                 | Note 3            | 15,850                                                             | 15,628                                                  | 15,226                                                   | 182,936                                                    |
| Net operating income from property leasing activities | Note 3            | 20,107                                                             | 19,857                                                  | 19,530                                                   | 232,075                                                    |
| Total amount of cash distribution                     | (b)               | 9,657                                                              | 9,489                                                   | 8,793                                                    | 111,464                                                    |
| Depreciation and amortization                         |                   | 6,191                                                              | 6,139                                                   | 5,902                                                    | 71,458                                                     |
| Capital expenditures                                  |                   | 2,269                                                              | 2,137                                                   | 1,975                                                    | 26,177                                                     |
| Total assets                                          | (c)               | 899,123                                                            | 871,140                                                 | 852,855                                                  | 10,377,693                                                 |
| Interest-bearing debt                                 |                   | 399,625                                                            | 374,000                                                 | 377,375                                                  | 4,612,477                                                  |
| Net assets                                            | (d)               | 446,004                                                            | 445,836                                                 | 424,242                                                  | 5,147,792                                                  |
| Total number of units issued (units)                  | (e)               | 613,000                                                            | 613,000                                                 | 578,500                                                  |                                                            |
| Net assets per unit (Yen/\$)                          | (d) / (e)         | 727,577                                                            | 727,302                                                 | 733,348                                                  | 8,398                                                      |
| Distribution per unit (Yen/\$)                        | (b) / (e)         | 15,754                                                             | 15,480                                                  | 15,200                                                   | 182                                                        |
| Funds from operations per unit (Yen/\$)               | Note 3            | 25,854                                                             | 25,713                                                  | 26,320                                                   | 298                                                        |
| ROA                                                   | Note 3            | 1.1%                                                               | 1.1%                                                    | 1.1%                                                     |                                                            |
| (Annual rate)                                         |                   | 2.2%                                                               | (2.2%)                                                  | (2.2%)                                                   |                                                            |
| ROE                                                   | Note 3            | 2.2%                                                               | 2.2%                                                    | 2.2%                                                     |                                                            |
| (Annual rate)                                         |                   | 4.3%                                                               | (4.4%)                                                  | (4.3%)                                                   |                                                            |
| Loan to value (LTV)                                   | Note 3            | 44.4%                                                              | 42.9%                                                   | 44.2%                                                    |                                                            |
| Capital ratio                                         | (d) / (c)         | 49.6%                                                              | 51.2%                                                   | 49.7%                                                    |                                                            |
| Payout ratio                                          | (b) / (a), Note 4 | 100.0%                                                             | 100.0%                                                  | 96.3%                                                    |                                                            |
| Number of days                                        |                   | 184                                                                | 182                                                     | 184                                                      |                                                            |
| Number of investment properties                       | Note 5            | 68                                                                 | 67                                                      | 64                                                       |                                                            |
| Number of tenants                                     | Note 5            | 1,460                                                              | 1,080                                                   | 1,042                                                    |                                                            |
| Total rentable area (m <sup>2</sup> )                 |                   | 913,747                                                            | 893,203                                                 | 861,153                                                  |                                                            |
| Occupancy rate (End-tenant basis)                     | Note 5            | 97.6%                                                              | 97.0%                                                   | 96.9%                                                    |                                                            |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥86.64 = U.S.\$1.00, the approximate exchange rate on December 31, 2012.

2. Operating revenues do not include consumption tax.

3. All valuations are calculated through the following formulas. The figures in parentheses after ROA and ROE are annualized based on the six-month figures for the period.

Funds from operations: Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization

Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

Funds from operations per unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period

ROA: Income before income taxes / (Initial total assets + Total assets at end of period) ÷ 2

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

LTV: Interest-bearing debt / Total assets

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

5. Number of investment properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building. Occupancy rate, end-tenant basis, is the ratio of gross leased area to total rentable area at the end of the period.



## Operating Environment and Results

During the six months ended December 31, 2012 (the "23rd Period"), exports from Japan decreased against a background that included decelerating overseas economies. The continued strength of the yen caused corporate earnings to deteriorate, particularly in manufacturing industries. Moreover, while the restoration of facilities damaged by the Great East Japan Earthquake of March 2011 supported domestic demand, factors such as the end of subsidies for purchases of eco-cars constricted previously firm personal consumption.

In the office building leasing market, vacancy rates improved moderately because of the increasing need for more office space among existing tenants that had cut back on office space for reasons such as restructuring following the global financial crisis. In addition, the supply of new buildings in the central business districts (CBDs) of Tokyo temporarily leveled off from the second half of 2012.

In the real estate acquisition market, real estate transaction volume recovered moderately with the support of factors including a strong fund procurement environment. In particular, J-REITs were major buyers that drove vigorous building acquisition transactions overall. However, the value of office building acquisitions by J-REITs was on par with the previous year because sales of large-scale, high-quality office buildings remained few in number.

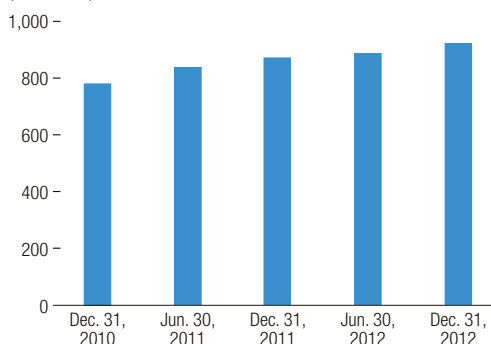
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size and facilities, and are expected to have stable cash flow from rents. During the 23rd Period, NBF acquired NBF COMODIO Shiodome (acquisition price of ¥28,800 million) in July 2012 and the Nishi-Shinjuku Mitsui Building (additional acquisition of ¥8 million).

For existing properties, NBF systematically conducted property management, renovations and new construction to further increase tenant satisfaction. NBF also worked to secure stable rental revenue by maintaining an appropriate understanding of its market, setting appropriate rents for new tenants and revising rents for tenants renewing their lease contracts.

NBF's real estate portfolio as of December 31, 2012 totaled 68 properties. Total investment on an acquisition price basis was ¥921,648 million. Total rentable area was 913,747m<sup>2</sup>. The occupancy rate increased 0.6 percentage points from June 30, 2012 to 97.6 percent. The number of tenants totaled 1,099.

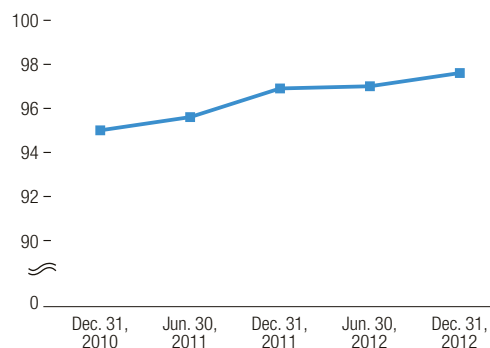
### Total Investment

(Yen in billions)



### Occupancy Rate

(%)

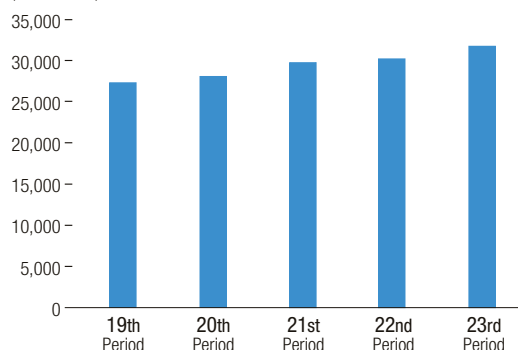


## Overview of Performance

New operation of the two properties acquired during the six months ended December 31, 2012 (including additional acquisitions) and full-period operation of properties acquired in the previous period were major factors that increased earnings. As a result, operating revenues for the six months ended December 31, 2012 increased ¥1,286 million, or 4.3 percent, to ¥31,530 million. Operating income increased ¥175 million, or 1.4 percent, to ¥12,621 million. Net income increased ¥168 million, or 1.8 percent, to ¥9,657 million. Distribution per unit was ¥15,754.

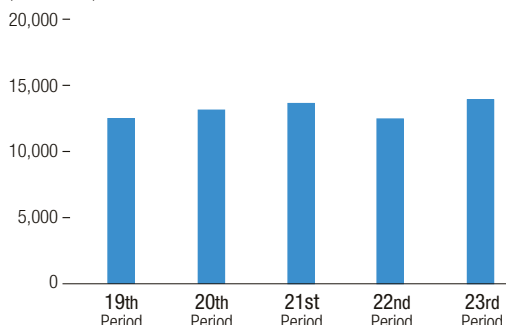
### Operating Revenues

(Yen in millions)



### Operating Income From Property Leasing Activities

(Yen in millions)



## Distribution for the Current Period

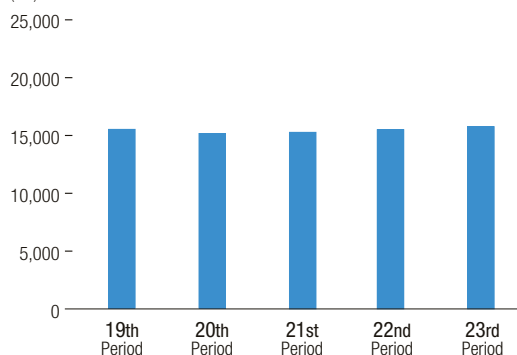
Distribution per unit for the current period was ¥15,754. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

|                                                     | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|-----------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
| (Yen in thousands, except per unit amounts)         |                                               |                                           |                                               |
| Retained earnings                                   | ¥9,657,486                                    | ¥9,489,337                                | ¥9,127,289                                    |
| Undistributed earnings                              | 284                                           | 97                                        | —                                             |
| Reserve for advanced depreciation                   | —                                             | —                                         | 334,089                                       |
| Total cash distribution                             | 9,657,202                                     | 9,489,240                                 | 8,793,200                                     |
| (Cash distribution per unit)                        | 15,754                                        | 15,480                                    | 15,200                                        |
| Distribution of accumulated earnings                | 9,657,202                                     | 9,489,240                                 | 8,793,200                                     |
| (Distribution of accumulated earnings per unit)     | 15,754                                        | 15,480                                    | 15,200                                        |
| Cash distribution in excess of accumulated earnings | —                                             | —                                         | —                                             |
| (Per unit)                                          | —                                             | —                                         | —                                             |

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

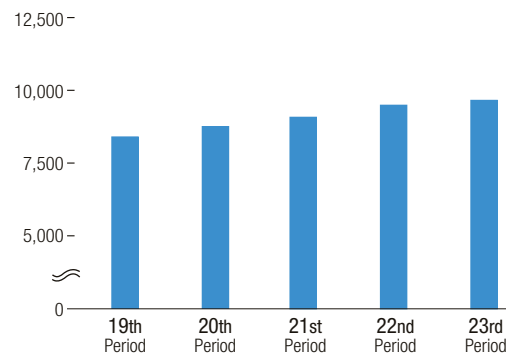
### Distribution per Unit

(Yen)



### Total Amount of Cash Distribution

(Yen in millions)





## Changes in Assets, Liabilities and Net Assets

### Assets

As of December 31, 2012, total assets increased by ¥27,983 million to ¥899,123 million compared with June 30, 2012. Return on average total assets (ROA) for the six months ended December 31, 2012 decreased to 1.09 percent from 1.10 percent for the previous six-month period.

Current assets increased by ¥2,888 million to ¥38,188 million compared with June 30, 2012. Investment properties increased by ¥25,135 million to ¥855,337 million compared with June 30, 2012.

### Liabilities

Current liabilities increased by ¥7,050 million to ¥73,160 million compared with June 30, 2012, primarily because of an increase in long-term debt due within one year compared with June 30, 2012.

Long-term debt increased by ¥19,625 million to ¥336,875 million compared with June 30, 2012.

As a result, total interest-bearing liabilities increased by ¥25,625 million to ¥399,625 million compared with June 30, 2012. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities decreased to 84.3 percent as of December 31, 2012 from 84.8 percent as of June 30, 2012.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 48.3 percent as of December 31, 2012 from 46.8 percent as of June 30, 2012.

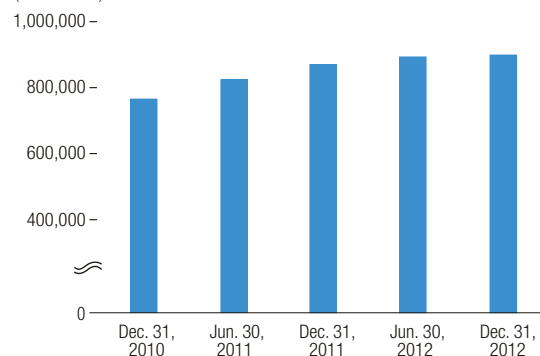
In addition, NBF worked to diversify funding sources. In January 2011, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

### Net assets

Net assets increased by ¥168 million to ¥446,004 million compared with June 30, 2012.

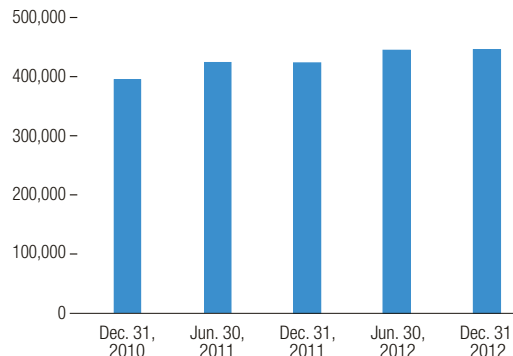
#### Total Assets

(Yen in millions)



#### Net Assets

(Yen in millions)



## Funding

### Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2012, NBF had issued 613,000 units out of 2,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

| Issue date        | Remarks                   | Units issued and outstanding |         | Paid-in capital   |         | Notes   |
|-------------------|---------------------------|------------------------------|---------|-------------------|---------|---------|
|                   |                           | Increase                     | Balance | Increase          | Balance |         |
|                   |                           | (Units)                      |         | (Yen in millions) |         |         |
| March 16, 2001    | Initial capital (private) | 200                          | 200     | ¥ 100             | ¥ 100   | Note 1  |
| May 23, 2001      | Private placement         | 197,600                      | 197,800 | 98,800            | 98,900  | Note 2  |
| September 8, 2001 | Public offering           | 82,900                       | 280,700 | 49,999            | 148,899 | Note 3  |
| July 14, 2004     | Public offering           | 80,000                       | 360,700 | 58,838            | 207,737 | Note 4  |
| August 11, 2004   | Third party allocation    | 4,000                        | 364,700 | 2,942             | 210,679 | Note 5  |
| August 10, 2005   | Public offering           | 58,000                       | 422,700 | 51,491            | 262,170 | Note 6  |
| March 16, 2006    | Public offering           | 80,000                       | 502,700 | 79,040            | 341,210 | Note 7  |
| March 29, 2006    | Third party allocation    | 5,300                        | 508,000 | 5,236             | 346,446 | Note 8  |
| February 4, 2008  | Public offering           | 31,800                       | 539,800 | 37,159            | 383,605 | Note 9  |
| March 4, 2008     | Third party allocation    | 2,200                        | 542,000 | 2,571             | 386,176 | Note 10 |
| January 26, 2011  | Public offering           | 34,000                       | 576,000 | 26,957            | 413,133 | Note 11 |
| February 22, 2011 | Third party allocation    | 2,500                        | 578,500 | 1,982             | 415,115 | Note 12 |
| January 25, 2012  | Public offering           | 30,000                       | 608,500 | 18,172            | 433,287 | Note 13 |
| February 21, 2012 | Third party allocation    | 4,500                        | 613,000 | 2,726             | 436,013 | Note 14 |

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.

## Market Price of Units

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

|      | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012<br>(Yen) | For the six months ended<br>December 31, 2011 |
|------|-----------------------------------------------|----------------------------------------------------|-----------------------------------------------|
| High | ¥904,000                                      | ¥809,000                                           | ¥830,000                                      |
| Low  | 737,000                                       | 629,000                                            | 620,000                                       |

## Borrowings

Borrowings from financial institutions as of December 31, 2012 are shown below.

### Short-term loans

| Lender                                       | Balance        | Average<br>interest rate (%) | Due on<br>(Note 1) | Repayment<br>method | Use of<br>funds | Notes                                                      |
|----------------------------------------------|----------------|------------------------------|--------------------|---------------------|-----------------|------------------------------------------------------------|
| (Yen in millions)                            |                |                              |                    |                     |                 |                                                            |
| Sumitomo Mitsui Trust Bank, Limited.         | ¥ 7,000        | 0.3%                         | January 31, 2013   | Bullet<br>payment   | (Note 4)        | Unsecured<br>/unguaranteed<br>/pari passu,<br>See (Note 5) |
| Mitsubishi UFJ Trust and Banking Corporation | 5,000          | 0.3%                         | January 31, 2013   |                     |                 |                                                            |
| Shinkin Central Bank                         | 3,000          | 0.3%                         | January 31, 2013   |                     |                 |                                                            |
| The 77 Bank, Ltd.                            | 2,000          | 0.4%                         | February 28, 2013  |                     |                 |                                                            |
| The Gunma Bank, Ltd.                         | 2,000          | 0.5%                         | January 31, 2013   |                     |                 |                                                            |
| The Joyo Bank, Ltd.                          | 1,000          | 0.4%                         | February 28, 2013  |                     |                 |                                                            |
| <b>Total short-term loans</b>                | <b>¥20,000</b> |                              |                    |                     |                 |                                                            |



## Long-term loans

| Lender                                                                            | Balance                                | Average interest rate (%) | Due on (Note 1)    | Repayment method     | Use of funds | Notes |                |          |                                                              |  |  |  |
|-----------------------------------------------------------------------------------|----------------------------------------|---------------------------|--------------------|----------------------|--------------|-------|----------------|----------|--------------------------------------------------------------|--|--|--|
| (Yen in millions)                                                                 |                                        |                           |                    |                      |              |       |                |          |                                                              |  |  |  |
| Development Bank of Japan Inc.                                                    | ¥ 4,000                                | 1.8%                      | November 28, 2014  | (Note 2)<br>(Note 3) |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 1.5%                      | September 11, 2015 |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 1.8%                      | September 27, 2017 |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 2.0%                      | February 15, 2016  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 2.4%                      | May 30, 2018       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 4,125                                  | 2.2%                      | April 28, 2019     |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 8,500                                  | 2.2%                      | August 30, 2019    |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 1.3%                      | June 30, 2023      |                      |              |       |                |          |                                                              |  |  |  |
| Mitsubishi UFJ Trust and Banking Corporation                                      | 3,000                                  | 1.8%                      | July 31, 2014      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.8%                      | September 30, 2014 |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 7,000                                  | 1.5%                      | March 4, 2016      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 15,000                                 | 1.1%                      | March 1, 2019      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 15,000                                 | 0.8%                      | July 31, 2020      |                      |              |       |                |          |                                                              |  |  |  |
| Sumitomo Mitsui Trust Bank, Limited.                                              | 5,000                                  | 1.6%                      | September 30, 2013 |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 1.2%                      | June 1, 2018       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 10,000                                 | 1.1%                      | December 30, 2019  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 5,000                                  | 1.2%                      | March 5, 2021      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | Sumitomo Life Insurance Company        | 7,000                     | 2.1%               | May 23, 2018         |              |       |                |          |                                                              |  |  |  |
| 5,000                                                                             |                                        | 1.9%                      | May 23, 2016       |                      |              |       |                |          |                                                              |  |  |  |
| 5,000                                                                             |                                        | 1.7%                      | July 16, 2014      |                      |              |       |                |          |                                                              |  |  |  |
| 3,000                                                                             |                                        | 1.8%                      | February 3, 2016   |                      |              |       |                |          |                                                              |  |  |  |
| 5,000                                                                             |                                        | 1.0%                      | July 19, 2017      |                      |              |       |                |          |                                                              |  |  |  |
| Sumitomo Mitsui Banking Corporation                                               |                                        | 5,000                     | 1.5%               | April 30, 2013       |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 5,000                                  | 1.8%                      | June 27, 2013      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 6,000                                  | 1.9%                      | April 28, 2014     |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.8%                      | June 30, 2014      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 4,000                                  | 1.1%                      | December 30, 2022  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 8,000                     | 1.6%               | September 30, 2013   |              |       |                |          |                                                              |  |  |  |
| 4,000                                                                             |                                        | 1.8%                      | September 30, 2014 |                      |              |       |                |          |                                                              |  |  |  |
| 4,000                                                                             |                                        | 1.0%                      | June 1, 2017       |                      |              |       |                |          |                                                              |  |  |  |
| 5,000                                                                             |                                        | 0.8%                      | July 2, 2019       |                      |              |       |                |          |                                                              |  |  |  |
| Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives) |                                        | 10,000                    | 1.5%               | September 11, 2015   |              |       | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |  |  |  |
|                                                                                   | 10,000                                 | 2.3%                      | May 30, 2016       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | Mizuho Corporate Bank, Ltd.            | 8,000                     | 1.7%               | July 31, 2013        |              |       |                |          |                                                              |  |  |  |
| 7,000                                                                             |                                        | 1.2%                      | November 30, 2018  |                      |              |       |                |          |                                                              |  |  |  |
| 2,000                                                                             |                                        | 0.7%                      | February 7, 2017   |                      |              |       |                |          |                                                              |  |  |  |
| MITSUI LIFE INSURANCE COMPANY, LIMITED                                            | 3,000                                  | 1.6%                      | December 13, 2013  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 2.0%                      | May 30, 2013       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 3,000                                  | 1.9%                      | May 29, 2014       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.1%                      | February 13, 2020  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 0.9%                      | March 29, 2019     |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.2%                      | March 30, 2021     |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.0%                      | November 1, 2022   |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | Shinkin Central Bank                   | 4,000                     | 1.8%               |                      |              |       | June 27, 2013  |          |                                                              |  |  |  |
| 3,000                                                                             |                                        | 1.0%                      | June 1, 2017       |                      |              |       |                |          |                                                              |  |  |  |
| 3,000                                                                             |                                        | 0.7%                      | December 30, 2016  |                      |              |       |                |          |                                                              |  |  |  |
| THE BANK OF FUKUOKA, Ltd.                                                         | 2,000                                  | 1.0%                      | June 1, 2017       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 0.6%                      | June 30, 2017      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 4,000                                  | 0.5%                      | July 12, 2017      |                      |              |       |                |          |                                                              |  |  |  |
| Resona Bank,Limited.                                                              | 3,000                                  | 2.0%                      | October 30, 2015   |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.0%                      | June 1, 2017       |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 3,000                                  | 1.0%                      | March 8, 2019      |                      |              |       |                |          |                                                              |  |  |  |
| Nippon Life Insurance Company                                                     | 2,000                                  | 1.4%                      | April 1, 2015      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.3%                      | October 19, 2018   |                      |              |       |                |          |                                                              |  |  |  |
| DAIDO LIFE INSURANCE COMPANY                                                      | 1,000                                  | 2.0%                      | October 31, 2014   |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.4%                      | October 4, 2013    |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.6%                      | February 3, 2015   |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 0.9%                      | March 29, 2019     |                      |              |       |                |          |                                                              |  |  |  |
| TAIYO LIFE INSURANCE COMPANY                                                      | 1,000                                  | 1.7%                      | December 15, 2014  |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 2.1%                      | July 11, 2014      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 2.0%                      | August 31, 2015    |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.0%                      | July 2, 2021       |                      |              |       |                |          |                                                              |  |  |  |
| The Hachijuni Bank, Ltd.                                                          | 1,000                                  | 1.4%                      | December 2, 2013   |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 2,000                                  | 1.8%                      | June 26, 2014      |                      |              |       |                |          |                                                              |  |  |  |
|                                                                                   | 1,000                                  | 1.8%                      | March 30, 2015     |                      |              |       |                |          |                                                              |  |  |  |

| Lender                              | Balance         | Average interest rate (%) | Due on (Note 1)   | Repayment method | Use of funds | Notes                                                        |
|-------------------------------------|-----------------|---------------------------|-------------------|------------------|--------------|--------------------------------------------------------------|
| (Yen in millions)                   |                 |                           |                   |                  |              |                                                              |
| The Chugoku Bank, Limited           | 2,000           | 1.7%                      | May 29, 2014      | Bullet payment   | (Note 4)     | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |
|                                     | 2,000           | 1.0%                      | February 25, 2016 |                  |              |                                                              |
| The Daishi Bank, Ltd.               | 2,000           | 0.7%                      | March 3, 2017     |                  |              |                                                              |
|                                     | 2,000           | 0.6%                      | June 30, 2017     |                  |              |                                                              |
| 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     |                  |              |                                                              |
| The Yamanashi Chuo Bank, Ltd.       | 1,000           | 0.4%                      | December 28, 2015 |                  |              |                                                              |
| The Iyo Bank, LTD.                  | 1,000           | 1.9%                      | April 30, 2014    |                  |              |                                                              |
| <b>Total long-term loans</b>        | <b>¥319,625</b> |                           |                   |                  |              |                                                              |
| <b>Total borrowings (Note 6)</b>    | <b>¥339,625</b> |                           |                   |                  |              |                                                              |

- Notes: 1. With respect to the date of repayment in case of more than one short-term loan from the same lender, the earliest date of repayment for all such loans coming due is given.  
2. Scheduled for repayment of ¥125 million at six-month intervals and ¥2,625 million at the final maturity date.  
3. Scheduled for repayment of ¥250 million at six-month intervals and ¥5,250 million at the final maturity date.  
4. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.  
5. A special agreement attached to "Loan Agreement" entered into between NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.  
6. The total amount of long-term loans (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

|                   |              |              |              |              |
|-------------------|--------------|--------------|--------------|--------------|
| (Yen in millions) |              |              |              |              |
|                   | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years |
| Long-term loans   | ¥36,750      | ¥30,750      | ¥40,750      | ¥39,750      |

## NBF Bonds

| Issue                  | Issue date         | Balance as of December 31, 2012 (Yen in millions) | Coupon | Maturity date      | Redemption     | Use of proceeds | Notes         |
|------------------------|--------------------|---------------------------------------------------|--------|--------------------|----------------|-----------------|---------------|
| No. 3 Unsecured Bonds  | June 12, 2003      | ¥10,000                                           | 2.00%  | June 12, 2018      | Bullet payment | Note 1          | Notes 2 and 4 |
| No. 7 Unsecured Bonds  | November 9, 2005   | 10,000                                            | 1.85%  | November 9, 2015   | Bullet payment | Note 1          | Notes 3 and 5 |
| No. 9 Unsecured Bonds  | May 24, 2007       | 10,000                                            | 1.74%  | May 23, 2014       | Bullet payment | Note 1          | Notes 3 and 5 |
| No. 10 Unsecured Bonds | May 24, 2007       | 10,000                                            | 2.04%  | May 24, 2017       | Bullet payment | Note 1          | Notes 3 and 5 |
| No. 11 Unsecured Bonds | January 28, 2010   | 10,000                                            | 1.23%  | January 28, 2015   | Bullet payment | Note 1          | Notes 3 and 5 |
| No. 12 Unsecured Bonds | September 15, 2011 | 10,000                                            | 0.64%  | September 15, 2016 | Bullet payment | Note 1          | Notes 3 and 5 |
| <b>Total (Note 6)</b>  |                    | <b>¥60,000</b>                                    |        |                    |                |                 |               |

- Notes: 1. Use of funds includes acquisition of real estate, etc., repayment of borrowings and working capital.  
2. These bonds are only issued to qualified institutional investors.  
3. Rank pari passu with all other publicly and privately issued bonds.  
4. Subject to provision of collateral and financial restrictions pursuant to material decline in credit rating.  
5. Subject to provision of collateral restrictions.  
6. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

|                              |               |              |              |              |              |
|------------------------------|---------------|--------------|--------------|--------------|--------------|
| (Yen in millions)            |               |              |              |              |              |
|                              | Within 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years |
| Investment corporation bonds | —             | ¥10,000      | ¥20,000      | ¥10,000      | ¥10,000      |

## Others

NBF has security deposits totaling ¥43,005 million as of December 31, 2012.

## Capital Expenditures

### 1. Planning

As of December 31, 2012, 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, 2012 to December 31, 2012)<br>(Yen in millions) | Cumulative amount paid |
| Shinjuku Mitsui Bldg. No. 2   | Renovation of elevator                                    | From July 2013 to December 2013       | ¥269              | ¥—                                                                                           | ¥—                     |
| NBF Shinkawa Bldg.            | Renovation of air conditioning (West Building)            | From July 2013 to December 2013       | 195               | —                                                                                            | —                      |
| NBF Shinkawa Bldg.            | Renovation of power generation facilities (West Building) | From July 2013 to December 2013       | 194               | —                                                                                            | —                      |
| NBF Shinkawa Bldg.            | Renovation of power generation facilities (East Building) | From July 2013 to December 2013       | 188               | —                                                                                            | —                      |
| NBF Shinkawa Bldg.            | Renovation of air conditioning (East Building)            | From July 2013 to December 2013       | 185               | —                                                                                            | —                      |
| Ryukakusan Bldg.              | Renovation of air conditioning                            | From September 2013 to November 2013  | 172               | —                                                                                            | —                      |
| NBF Shinkawa Bldg.            | Renovation of air conditioning (East Building)            | From January 2013 to June 2013        | 139               | —                                                                                            | —                      |
| Aqua Dojima NBF Tower         | Renovation of air conditioning                            | From January 2013 to April 2013       | 126               | —                                                                                            | —                      |
| GSK Bldg.                     | Renovation of air conditioning                            | From January 2013 to June 2013        | 117               | —                                                                                            | —                      |
| GSK Bldg.                     | Renovation of air conditioning                            | From July 2013 to December 2013       | 117               | —                                                                                            | —                      |
| GSK Bldg.                     | Renovation of hot and chilled water generator             | From October 2013 to November 2013    | 112               | —                                                                                            | —                      |
| NBF Shin-Urayasu Tower        | Renovation of elevator                                    | From January 2013 to June 2013        | 109               | —                                                                                            | —                      |
| Tsukuba Mitsui Bldg.          | Renovation of automatic fire information facilities       | From August 2013 to October 2013      | 92                | —                                                                                            | —                      |
| NBF Matsudo Bldg.             | Renovation of air conditioning                            | From September 2013 to November 2013  | 87                | —                                                                                            | —                      |
| Shibuya Garden Front          | Renovation of air conditioning                            | From September 2013 to November 2013  | 83                | —                                                                                            | —                      |
| Ryukakusan Bldg.              | Renovation of air conditioning                            | From March 2013 to May 2013           | 69                | —                                                                                            | —                      |
| Sumitomo Densetsu Bldg.       | Renovation of restroom                                    | From August 2013 to November 2013     | 64                | —                                                                                            | —                      |
| NBF Sakai-Higashi Bldg.       | Renovation of air conditioning                            | From March 2013 to June 2013          | 58                | —                                                                                            | —                      |
| NBF Sakai-Higashi Bldg.       | Renovation of air conditioning                            | From September 2013 to December 2013  | 54                | —                                                                                            | —                      |
| Parale Mitsui Bldg.           | Renovation of air conditioning                            | From September 2013 to September 2013 | 53                | —                                                                                            | —                      |
| NBF Utsunomiya Bldg.          | Renovation of exterior                                    | From July 2013 to August 2013         | 43                | —                                                                                            | —                      |
| NBF Sapporo Minami Nijo Bldg. | Renovation of restroom                                    | From October 2013 to December 2013    | 34                | —                                                                                            | —                      |
| NBF Sakai-Higashi Bldg.       | Renovation of exterior                                    | From March 2013 to May 2013           | 25                | —                                                                                            | —                      |
| NBF Atsugi Bldg.              | Renovation of access control system                       | From February 2013 to May 2013        | 23                | —                                                                                            | —                      |
| NBF Shijo Karasuma Bldg.      | Renovation of all heat exchangers                         | From April 2013 to May 2013           | 18                | —                                                                                            | —                      |

## 2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥2,269 million in capital expenditures together with ¥1,046 million for repairs and maintenance expenses.

| Name of property            | Objective                                                                                                                             | Period                          | Expenditure (Yen in millions) |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------------------------|
| Ryukakusan Bldg.            | Renovation of air conditioning, installation of rooftop equipment foundation, measures against harmonic for electric equipment, etc.  | From July 2012 to December 2012 | ¥ 205                         |
| Nakanosakaue Sunbright Twin | Renovation of automatic control, renovation of air circuit breaker, renovation of water heater, etc.                                  |                                 | 188                           |
| Shinjuku Mitsui Bldg. No. 2 | Renovation of air conditioning, renovation of restroom, renovation of air supply and exhaust fan, etc.                                |                                 | 178                           |
| Aqua Dojima NBF Tower       | Renovation of air conditioning, measures against earthquakes for elevator, renovation of surveillance camera facilities, etc.         |                                 | 152                           |
| Sumitomo Densetsu Bldg.     | Renovation of air conditioning, renovation of disaster prevention equipment, improvement of scaffolding in a sanitary pump room, etc. |                                 | 140                           |
| NBF Hibiya Bldg.            | Renovation of gas flue equipment, renovation of lighting equipment in restroom, renovation of cooling tower, etc.                     |                                 | 133                           |
| NBF Takanawa Bldg.          | Renovation of air conditioning, renovation of common area entrance, renovation of water supply equipment, etc.                        |                                 | 125                           |
| Shin-Kawasaki Mitsui Bldg.  | Renovation of heating equipment, renovation of restroom, renovation of electronic water heater, etc.                                  |                                 | 122                           |
| NBF Shin-Urayasu Tower      | Renovation of fire alarm system, renovation of water tank, renovation of stairs handrail, etc.                                        |                                 | 119                           |
| NBF Unix Bldg.              | Renovation of air conditioning, renovation of electric meter equipment, construction of planting equipment, etc.                      |                                 | 34                            |
| Other buildings             | Asset preservation construction and other renewal construction to improve tenant satisfaction.                                        |                                 | 873                           |
| <b>Total</b>                |                                                                                                                                       |                                 | <b>¥2,269</b>                 |

### 3. Cash Reserve for Capital Improvements

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

|                                                | As of December 31, 2012 | As of June 30, 2012 |
|------------------------------------------------|-------------------------|---------------------|
|                                                | (Yen in millions)       |                     |
| Reserve balance at the beginning of the period | ¥1,177                  | ¥1,630              |
| Amount accumulated in the current period       | 2,907                   | 2,884               |
| Withdrawal from reserves in the current period | 2,374                   | 3,337               |
| Amount carried forward                         | ¥1,710                  | ¥1,177              |

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.  
2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥4,984 million as of December 31, 2012.

### Expenses regarding Entrustment, etc.

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

| Item                                                       | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                                                            | (Yen in millions)                             |                                           |                                               |
| Asset management fees                                      | ¥1,087                                        | ¥1,050                                    | ¥1,027                                        |
| Asset custody fees                                         | 42                                            | 40                                        | 39                                            |
| Agent fees (stock transfer, accounting and administrative) | 47                                            | 47                                        | 46                                            |
| Directors' remuneration                                    | 12                                            | 14                                        | 16                                            |
| Auditor's fees                                             | 14                                            | 14                                        | 13                                            |
| Other expenses                                             | 93                                            | 108                                       | 104                                           |
| <b>Total</b>                                               | <b>¥1,295</b>                                 | <b>¥1,273</b>                             | <b>¥1,245</b>                                 |

### Trading Activities during the Current Period

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

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

| (Yen in millions)                                    |                  |                            |
|------------------------------------------------------|------------------|----------------------------|
| Name of building                                     | Acquisitions     |                            |
|                                                      | Date             | Acquisition price (Note 1) |
| COMODIO Shiodome (Note 2)                            | July 2, 2012     | ¥28,800                    |
| Nishi-Shinjuku Mitsui Bldg. (additional acquisition) | November 1, 2012 | 8                          |
| <b>Total</b>                                         |                  | <b>¥28,808</b>             |

Note: 1. "Acquisition price" does not include national consumption tax, local consumption tax and miscellaneous costs of acquisition.  
2. "COMODIO Shiodome" has been renamed "NBF COMODIO Shiodome" after the acquisition.

#### 2. Trading of Other Assets Including Total Amount and Transactions

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

### 3. Transactions with Related Parties and Transactions with Major Shareholders of Asset Management Company

#### (1) Ongoing Transactions

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

#### (2) Fees Paid for the Period from July 1, 2012 to December 31, 2012

| Category                                 | Total fees paid<br>(A)<br>(Yen in millions) | Description of transactions with related parties (Note 1) |                                               |       |
|------------------------------------------|---------------------------------------------|-----------------------------------------------------------|-----------------------------------------------|-------|
|                                          |                                             | Paid to                                                   | Amount of<br>payment (B)<br>(Yen in millions) | B/A   |
| Office management fees, etc.<br>(Note 4) | ¥1,325                                      | Mitsui Fudosan Co., Ltd.                                  | ¥1,286                                        | 97.0% |
|                                          |                                             | NBF Office Management Co., Ltd.                           | 35                                            | 2.6%  |
| Property maintenance fees                | 3,225                                       | First Facilities Co., Ltd.                                | 516                                           | 16.0% |
|                                          |                                             | Mitsui Fudosan Co., Ltd.                                  | 388                                           | 12.0% |
|                                          |                                             | Mitsui Fudosan Building Management Co., Ltd.              | 192                                           | 5.9%  |
|                                          |                                             | First Facilities West Co., Ltd.                           | 123                                           | 3.8%  |
|                                          |                                             | First Facilities Yokohama Co., Ltd.                       | 13                                            | 0.4%  |
|                                          |                                             | Mitsui Fudosan Housing Lease Co., Ltd.                    | 1                                             | 0.0%  |
| Leasing related service fees             | 50                                          | Mitsui Fudosan Co., Ltd.                                  | 13                                            | 26.6% |
|                                          |                                             | NBF Office Management Co., Ltd.                           | 10                                            | 19.5% |
|                                          |                                             | Mitsui Fudosan Realty Co., Ltd.                           | 3                                             | 5.4%  |

Notes: 1. "Related parties" are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period from July 1, 2012 to December 31, 2012, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., First Facilities Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities West Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd. and Mitsui Fudosan Realty Co., Ltd. which meet either of the said definitions, are as described above.

2. Figures indicate contractual sales prices.

3. Figures indicate percentages of total prices.

4. Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (11 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, Higashi Gotanda Square, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.

5. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

|                                              | (Yen in millions) |
|----------------------------------------------|-------------------|
| First Facilities Co., Ltd.                   | ¥597              |
| Mitsui Fudosan Building Management Co., Ltd. | 406               |
| Mitsui Fudosan Co., Ltd.                     | 292               |
| First Facilities West Co., Ltd.              | 250               |
| Mitsui Designtec Co., Ltd.                   | 12                |
| Mitsui Fudosan Housing Lease Co., Ltd.       | 6                 |
| Mitsui Fudosan Realty Co., Ltd.              | 0                 |
| LaLaport Management Co., Ltd.                | 0                 |
| Mitsui Home Linkage Co., Ltd.                | 0                 |
| Uniliving Co., Ltd.                          | 0                 |



# Balance Sheets

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

|                                                                          | As of<br>December 31, 2012 | As of<br>June 30, 2012 |
|--------------------------------------------------------------------------|----------------------------|------------------------|
|                                                                          | (Yen in millions)          |                        |
| <b>Assets</b>                                                            |                            |                        |
| Current Assets:                                                          |                            |                        |
| Cash and cash equivalents (Note 3)                                       | ¥ 37,265                   | ¥ 34,484               |
| Tenant receivables                                                       | 321                        | 296                    |
| Other current assets                                                     | 602                        | 520                    |
| Total current assets                                                     | 38,188                     | 35,300                 |
| Investment Properties:                                                   |                            |                        |
| Land including trust accounts (Notes 4, 13)                              | 564,252                    | 542,002                |
| Buildings and improvements including trust accounts (Notes 4, 13)        | 338,515                    | 329,703                |
| Other tangible assets (Notes 4, 13)                                      | 10,839                     | 10,578                 |
| Less: accumulated depreciation (Notes 4, 13)                             | (93,917)                   | (87,730)               |
| Leasehold rights in trust accounts and other intangible assets (Note 13) | 35,648                     | 35,649                 |
| Total investment properties, net                                         | 855,337                    | 830,202                |
| Other Assets                                                             | 5,598                      | 5,638                  |
| <b>Total Assets</b>                                                      | <b>¥899,123</b>            | <b>¥871,140</b>        |
| <b>Liabilities</b>                                                       |                            |                        |
| Current Liabilities:                                                     |                            |                        |
| Short-term loans (Notes 3, 6)                                            | ¥ 20,000                   | ¥ 29,000               |
| Long-term debt due within one year (Notes 3, 6)                          | 42,750                     | 27,750                 |
| Accounts payable                                                         | 4,691                      | 4,195                  |
| Rents received in advance                                                | 3,950                      | 3,830                  |
| Accrued expenses and other liabilities                                   | 1,769                      | 1,335                  |
| Total current liabilities                                                | 73,160                     | 66,110                 |
| Long-term Debt (Notes 3, 6)                                              | 336,875                    | 317,250                |
| Tenant Security Deposits Including Trust Accounts (Note 3)               | 43,005                     | 41,864                 |
| Other Liabilities                                                        | 79                         | 80                     |
| <b>Total Liabilities</b>                                                 | <b>453,119</b>             | <b>425,304</b>         |
| <b>Net Assets (Note 5)</b>                                               |                            |                        |
| Unitholders' Equity                                                      |                            |                        |
| Unitholders' capital                                                     | 436,013                    | 436,013                |
| Units authorized: 2,000,000 units                                        |                            |                        |
| Units issued and outstanding: 613,000 units                              |                            |                        |
| Retained earnings                                                        | 9,991                      | 9,823                  |
| <b>Total Net Assets</b>                                                  | <b>446,004</b>             | <b>445,836</b>         |
| <b>Total Liabilities and Net Assets</b>                                  | <b>¥899,123</b>            | <b>¥871,140</b>        |

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, 2012, June 30, 2012 and December 31, 2011

|                                                     | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|-----------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                                                     | (Yen in millions)                             |                                           |                                               |
| <b>Operating Revenues and Expenses</b>              |                                               |                                           |                                               |
| <b>Operating Revenues:</b>                          |                                               |                                           |                                               |
| Rental (Note 7)                                     | ¥28,516                                       | ¥27,710                                   | ¥27,041                                       |
| Other revenues related to property leasing (Note 7) | 3,014                                         | 2,534                                     | 2,732                                         |
| <b>Total Operating Revenues</b>                     | <b>31,530</b>                                 | <b>30,244</b>                             | <b>29,773</b>                                 |
| <b>Operating Expenses:</b>                          |                                               |                                           |                                               |
| Property management fees (Note 7)                   | 4,518                                         | 4,346                                     | 4,217                                         |
| Real estate taxes (Note 7)                          | 2,738                                         | 2,785                                     | 2,645                                         |
| Repairs and maintenance (Note 7)                    | 1,046                                         | 732                                       | 836                                           |
| Insurance (Note 7)                                  | 35                                            | 34                                        | 34                                            |
| Other rental expenses (Note 7)                      | 3,086                                         | 2,489                                     | 2,511                                         |
| Depreciation and amortization (Note 7)              | 6,191                                         | 6,139                                     | 5,902                                         |
| Loss on sale of investment property (Note 8)        | —                                             | —                                         | 197                                           |
| Asset management fees                               | 1,087                                         | 1,050                                     | 1,027                                         |
| Other operating expenses                            | 208                                           | 223                                       | 218                                           |
| <b>Total Operating Expenses</b>                     | <b>18,909</b>                                 | <b>17,798</b>                             | <b>17,587</b>                                 |
| <b>Operating Income</b>                             | <b>12,621</b>                                 | <b>12,446</b>                             | <b>12,186</b>                                 |
| <b>Non-Operating Revenues and Expenses</b>          |                                               |                                           |                                               |
| <b>Non-Operating Revenues:</b>                      |                                               |                                           |                                               |
| Interest income                                     | 3                                             | 4                                         | 4                                             |
| <b>Non-Operating Expenses:</b>                      |                                               |                                           |                                               |
| Interest expense                                    | (2,917)                                       | (2,863)                                   | (3,006)                                       |
| Amortization of bond issuance costs                 | (11)                                          | (11)                                      | (9)                                           |
| New investment units issuance costs                 | —                                             | (47)                                      | —                                             |
| Other non-operating expenses, net                   | (38)                                          | (39)                                      | (47)                                          |
| <b>Ordinary Income</b>                              | <b>9,658</b>                                  | <b>9,490</b>                              | <b>9,128</b>                                  |
| <b>Income before Income Taxes</b>                   | <b>9,658</b>                                  | <b>9,490</b>                              | <b>9,128</b>                                  |
| Current and deferred income taxes (Note 9)          | (1)                                           | (1)                                       | (1)                                           |
| <b>Net Income</b>                                   | <b>¥ 9,657</b>                                | <b>¥ 9,489</b>                            | <b>¥ 9,127</b>                                |

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, 2012, June 30, 2012 and December 31, 2011

|                                                                                      | Number of<br>Units | (Yen in millions)       |                      |          |
|--------------------------------------------------------------------------------------|--------------------|-------------------------|----------------------|----------|
|                                                                                      |                    | Unitholders'<br>Capital | Retained<br>Earnings | Total    |
| Balance as of June 30, 2011                                                          | 578,500            | ¥415,115                | ¥ 8,757              | ¥423,872 |
| Cash dividends declared                                                              | —                  | —                       | (8,757)              | (8,757)  |
| Net income                                                                           | —                  | —                       | 9,127                | 9,127    |
| Balance as of December 31, 2011                                                      | 578,500            | 415,115                 | 9,127                | 424,242  |
| Cash dividends declared                                                              | —                  | —                       | (8,793)              | (8,793)  |
| Issuance of new units through public offering as of January 25, 2012                 | 30,000             | 18,172                  | —                    | 18,172   |
| Issuance of new units through allocation to a third party as of<br>February 21, 2012 | 4,500              | 2,726                   | —                    | 2,726    |
| Net income                                                                           | —                  | —                       | 9,489                | 9,489    |
| Balance as of June 30, 2012                                                          | 613,000            | 436,013                 | 9,823                | 445,836  |
| Cash dividends declared                                                              | —                  | —                       | (9,489)              | (9,489)  |
| Net income                                                                           | —                  | —                       | 9,657                | 9,657    |
| Balance as of December 31, 2012                                                      | 613,000            | ¥436,013                | ¥ 9,991              | ¥446,004 |

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, 2012, June 30, 2012 and December 31, 2011

|                                                       | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|-------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                                                       | (Yen in millions)                             |                                           |                                               |
| <b>Cash Flows from Operating Activities:</b>          |                                               |                                           |                                               |
| Income before income taxes                            | ¥ 9,658                                       | ¥ 9,490                                   | ¥ 9,128                                       |
| Depreciation and amortization                         | 6,191                                         | 6,139                                     | 5,902                                         |
| Amortization of bond issuance costs                   | 11                                            | 11                                        | 9                                             |
| Decrease in provision for loss on disaster            | —                                             | —                                         | (43)                                          |
| Interest expense                                      | 2,917                                         | 2,863                                     | 3,006                                         |
| Increase in tenant receivables                        | (24)                                          | (2)                                       | (8)                                           |
| Increase in accounts payable                          | 554                                           | 304                                       | 272                                           |
| Increase in rents received in advance                 | 119                                           | 35                                        | 147                                           |
| Decrease in investment properties due to sale         | —                                             | —                                         | 3,319                                         |
| Cash payments of interest expense                     | (2,887)                                       | (2,937)                                   | (3,004)                                       |
| Decrease in consumption tax<br>refund receivable      | —                                             | —                                         | 1,102                                         |
| Others, net                                           | 329                                           | (381)                                     | 690                                           |
| <b>Net Cash Provided by Operating Activities</b>      | <b>16,868</b>                                 | <b>15,522</b>                             | <b>20,520</b>                                 |
| <b>Cash Flows from Investing Activities:</b>          |                                               |                                           |                                               |
| Payments for purchases of investment properties       | (31,095)                                      | (25,276)                                  | (39,809)                                      |
| Proceeds from tenant security deposits                | 2,362                                         | 2,113                                     | 2,663                                         |
| Payments for tenant security deposits                 | (1,221)                                       | (1,759)                                   | (1,481)                                       |
| Payments for security deposits paid to lessors        | (9)                                           | (10)                                      | (8)                                           |
| Others, net                                           | (260)                                         | (275)                                     | (208)                                         |
| <b>Net Cash Used in Investing Activities</b>          | <b>(30,223)</b>                               | <b>(25,207)</b>                           | <b>(38,843)</b>                               |
| <b>Cash Flows from Financing Activities:</b>          |                                               |                                           |                                               |
| Net proceeds from (repayment of) short-term loans     | (9,000)                                       | 7,000                                     | 14,000                                        |
| Proceeds from long-term debt                          | 46,000                                        | 21,000                                    | 47,000                                        |
| Repayment of long-term debt                           | (11,375)                                      | (31,375)                                  | (34,375)                                      |
| Proceeds from issuance of new units                   | —                                             | 20,851                                    | —                                             |
| Payments for bond issuance costs                      | —                                             | —                                         | (53)                                          |
| Payment of dividends                                  | (9,489)                                       | (8,793)                                   | (8,758)                                       |
| <b>Net Cash Provided by Financing Activities</b>      | <b>16,136</b>                                 | <b>8,683</b>                              | <b>17,814</b>                                 |
| <b>Net Change in Cash and Cash Equivalents</b>        | <b>2,781</b>                                  | <b>(1,002)</b>                            | <b>(509)</b>                                  |
| Cash and Cash Equivalents at the Beginning of Period  | 34,484                                        | 35,486                                    | 35,995                                        |
| <b>Cash and Cash Equivalents at the End of Period</b> | <b>¥ 37,265</b>                               | <b>¥ 34,484</b>                           | <b>¥ 35,486</b>                               |

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, 2012, June 30, 2012 and December 31, 2011

## 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, 2012, NBF had ownership or beneficiary interests in 68 office properties containing approximately 913,747 square meters of rentable office space. As of December 31, 2012, NBF had leased office space to 1,099 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 98.2%.

### Basis of Presentation

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

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

## Note 2 Summary of Significant Accounting Policies

### Cash and Cash Equivalents

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

### Investment Properties

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

|                               |            |
|-------------------------------|------------|
| Buildings and improvements    | 2-50 years |
| Structures                    | 2-50 years |
| Machinery and equipment       | 2-17 years |
| Tools, furniture and fixtures | 2-19 years |

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

### Investment Corporation Bond Issuance Costs

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

### New Investment Units Issuance Costs

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

## Income Taxes

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

## Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥56 million for the period ended December 31, 2012, ¥133 million for the period ended June 30, 2012 and ¥66 million for the period ended December 31, 2011.

## 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.

## Additional Information

Effective from the accounting changes and corrections of past errors to be conducted after the beginning of the fiscal period ended December 31, 2011, NBF adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (ASBJ) Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 issued on December 4, 2009).

## Note 3 Financial Instruments

### Status of Financial Instruments

#### *Policy for Financial Instruments*

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

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

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

#### *Financial Instruments, Their Risks and Risk Management System*

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

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

Short-term loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the debt-asset ratio low and the level of long-term fixed-rate debt high.

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

#### *Supplemental Explanation regarding Fair Values of Financial Instruments*

The fair value of financial instruments is based on their observable market value, if available. When there is no observable market value available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.



## Estimated Fair Value of Financial Instruments

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

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

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

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

Fair values of long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(3) Long-term debt

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

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

1) Investment corporation bonds

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

2) Long-term loans

Fair values of long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

Book value, fair value and difference between the two as of June 30, 2012 are as follows.

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

|                                        | (Yen in millions) |            |            |
|----------------------------------------|-------------------|------------|------------|
|                                        | Book value        | Fair value | Difference |
| <b>Assets</b>                          |                   |            |            |
| (1) Cash and cash equivalents          | ¥ 34,484          | ¥ 34,484   | ¥ —        |
| Total                                  | ¥ 34,484          | ¥ 34,484   | ¥ —        |
| <b>Liabilities</b>                     |                   |            |            |
| (1) Short-term loans                   | ¥ 29,000          | ¥ 29,000   | ¥ —        |
| (2) Long-term debt due within one year | 27,750            | 27,960     | 210        |
| (3) Long-term debt                     | 317,250           | 328,862    | 11,612     |
| Total                                  | ¥374,000          | ¥385,822   | ¥11,822    |

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

Assets:

(1) Cash and cash equivalents

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

## Liabilities:

## (1) Short-term loans

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

## (2) Long-term debt due within one year

Fair values of long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

## (3) Long-term debt

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

(Yen in millions)

|                                  | Book value | Fair value | Difference |
|----------------------------------|------------|------------|------------|
| (1) Investment corporation bonds | ¥ 60,000   | ¥ 61,965   | ¥ 1,965    |
| (2) Long-term loans              | 257,250    | 266,897    | 9,647      |
| Total                            | ¥317,250   | ¥328,862   | ¥11,612    |

## 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, 2012 | As of June 30, 2012 |
|---------------------------------------------------|-------------------------|---------------------|
| Tenant security deposits including trust accounts | ¥43,005                 | ¥41,864             |

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, 2012

(Yen in millions)

|                           | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|---------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| Cash and cash equivalents | ¥37,265             | —                          | —                            | —                             | —                            | —                    |

## Redemption Schedule for Monetary Claims as of June 30, 2012

(Yen in millions)

|                           | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|---------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| Cash and cash equivalents | ¥34,484             | —                          | —                            | —                             | —                            | —                    |

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

(Yen in millions)

|                              | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| Short-term loans             | ¥20,000             | ¥ —                        | ¥ —                          | ¥ —                           | ¥ —                          | ¥ —                  |
| Investment corporation bonds | —                   | 10,000                     | 20,000                       | 10,000                        | 10,000                       | 10,000               |
| Long-term loans              | 42,750              | 36,750                     | 30,750                       | 40,750                        | 39,750                       | 128,875              |
| Total                        | ¥62,750             | ¥46,750                    | ¥50,750                      | ¥50,750                       | ¥49,750                      | ¥138,875             |

## Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2012

(Yen in millions)

|                              | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| Short-term loans             | ¥29,000             | ¥ —                        | ¥ —                          | ¥ —                           | ¥ —                          | ¥ —                  |
| Investment corporation bonds | —                   | 10,000                     | 10,000                       | 10,000                        | 20,000                       | 10,000               |
| Long-term loans              | 27,750              | 41,750                     | 26,750                       | 61,750                        | 19,750                       | 107,250              |
| Total                        | ¥56,750             | ¥51,750                    | ¥36,750                      | ¥71,750                       | ¥39,750                      | ¥117,250             |

## Note 4 Schedule of Tangible Assets of Investment Properties

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

|                                                          | As of December 31, 2012 |                          |            | As of June 30, 2012 |                          |            |
|----------------------------------------------------------|-------------------------|--------------------------|------------|---------------------|--------------------------|------------|
|                                                          | (Yen in millions)       |                          |            |                     |                          |            |
|                                                          | Acquisition costs       | Accumulated depreciation | Book value | Acquisition costs   | Accumulated depreciation | Book value |
| Land                                                     | ¥257,640                | ¥ —                      | ¥257,640   | ¥257,613            | ¥ —                      | ¥257,613   |
| Land in trust                                            | 306,612                 | —                        | 306,612    | 284,389             | —                        | 284,389    |
| Land including trust total                               | 564,252                 | —                        | 564,252    | 542,002             | —                        | 542,002    |
| Buildings and improvements                               | 183,251                 | (38,702)                 | 144,549    | 182,270             | (35,623)                 | 146,647    |
| Buildings and improvements in trust                      | 155,264                 | (50,158)                 | 105,106    | 147,433             | (47,441)                 | 99,992     |
| Building and improvements including those in trust total | 338,515                 | (88,860)                 | 249,655    | 329,703             | (83,064)                 | 246,639    |
| Structures                                               | 2,830                   | (1,189)                  | 1,641      | 2,817               | (1,114)                  | 1,703      |
| Machinery and equipment                                  | 1,568                   | (750)                    | 818        | 1,562               | (680)                    | 882        |
| Tools, furniture and fixtures                            | 1,265                   | (575)                    | 690        | 1,199               | (517)                    | 682        |
| Structures in trust                                      | 2,139                   | (840)                    | 1,299      | 2,066               | (786)                    | 1,280      |
| Machinery and equipment in trust                         | 1,655                   | (939)                    | 716        | 1,621               | (866)                    | 755        |
| Tools, furniture and fixtures in trust                   | 1,367                   | (764)                    | 603        | 1,297               | (703)                    | 594        |
| Construction in process                                  | 11                      | —                        | 11         | 13                  | —                        | 13         |
| Construction in process in trust                         | 4                       | —                        | 4          | 3                   | —                        | 3          |
| Other tangible assets total                              | 10,839                  | (5,057)                  | 5,782      | 10,578              | (4,666)                  | 5,912      |
| Total                                                    | ¥913,606                | ¥(93,917)                | ¥819,689   | ¥882,283            | ¥(87,730)                | ¥794,553   |

## 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, 2012 and June 30, 2012 ranged from 0.28% to 0.49%. Long-term debt is at fixed rates and as of December 31, 2012 and June 30, 2012 consisted of the following:

|                                                                                                                                      | As of December 31, 2012 | As of June 30, 2012 |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------|
|                                                                                                                                      | (Yen in millions)       |                     |
| Unsecured loans due 2013 to 2023 principally from banks and insurance companies with interest rates mainly ranging from 0.4% to 2.4% | ¥319,625                | ¥285,000            |
| 1.74% unsecured bonds due 2014 (Note 1)                                                                                              | 10,000                  | 10,000              |
| 1.23% unsecured bonds due 2015 (Note 1)                                                                                              | 10,000                  | 10,000              |
| 1.85% unsecured bonds due 2015 (Note 1)                                                                                              | 10,000                  | 10,000              |
| 0.64% unsecured bonds due 2016 (Note 1)                                                                                              | 10,000                  | 10,000              |
| 2.04% unsecured bonds due 2017 (Note 1)                                                                                              | 10,000                  | 10,000              |
| 2.00% unsecured bonds due 2018 (Note 2)                                                                                              | 10,000                  | 10,000              |
|                                                                                                                                      | <b>379,625</b>          | <b>345,000</b>      |
| Less: amount due within one year                                                                                                     | 42,750                  | 27,750              |
|                                                                                                                                      | <b>¥336,875</b>         | <b>¥317,250</b>     |

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, 2012 were as follows:

|                               | (Yen in millions) |
|-------------------------------|-------------------|
| Due after one to two years    | ¥ 46,750          |
| Due after two to three years  | 50,750            |
| Due after three to four years | 50,750            |
| Due after four to five years  | 49,750            |
| Due after five years          | 138,875           |

During the period ended December 31, 2012, NBF obtained committed credit lines of ¥60 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion on December 31, 2012.

## Note 7 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2012, June 30, 2012, and December 31, 2011 were as follows:

|                                                          | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|----------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                                                          | (Yen in millions)                             |                                           |                                               |
| <b>Revenues from Property Leasing:</b>                   |                                               |                                           |                                               |
| Rental:                                                  |                                               |                                           |                                               |
| Rental revenues                                          | ¥25,551                                       | ¥24,957                                   | ¥24,359                                       |
| Common area charges                                      | 2,849                                         | 2,640                                     | 2,568                                         |
| Others                                                   | 116                                           | 113                                       | 114                                           |
| Subtotal                                                 | 28,516                                        | 27,710                                    | 27,041                                        |
| Other revenues related to property leasing:              |                                               |                                           |                                               |
| Parking lots                                             | 604                                           | 578                                       | 566                                           |
| Facility charge                                          | 184                                           | 181                                       | 175                                           |
| Incidental income                                        | 2,064                                         | 1,636                                     | 1,719                                         |
| Cancellation fees                                        | 105                                           | 46                                        | 219                                           |
| Miscellaneous income                                     | 57                                            | 93                                        | 53                                            |
| Subtotal                                                 | 3,014                                         | 2,534                                     | 2,732                                         |
| Total revenues from property leasing                     | 31,530                                        | 30,244                                    | 29,773                                        |
| <b>Rental Expenses:</b>                                  |                                               |                                           |                                               |
| Property management fees                                 | 4,518                                         | 4,346                                     | 4,217                                         |
| Real estate taxes                                        | 2,738                                         | 2,785                                     | 2,645                                         |
| Repairs and maintenance                                  | 1,046                                         | 732                                       | 836                                           |
| Insurance                                                | 35                                            | 34                                        | 34                                            |
| Other rental expenses                                    | 3,086                                         | 2,489                                     | 2,511                                         |
| Depreciation and amortization                            | 6,191                                         | 6,139                                     | 5,902                                         |
| Total rental expenses                                    | 17,614                                        | 16,525                                    | 16,145                                        |
| <b>Operating Income from Property Leasing Activities</b> | <b>¥13,916</b>                                | <b>¥13,719</b>                            | <b>¥13,628</b>                                |

## Note 8 Loss on Sale of Investment Property

Loss on sale of investment property for the period ended December 31, 2011 was as follows. No investment properties were sold during the periods ended December 31, 2012 and June 30, 2012.

| NBF Sudacho Verde Building                | (Yen in millions) |
|-------------------------------------------|-------------------|
| Proceeds from sale of investment property | ¥3,250            |
| Cost of sale of investment property       | 3,319             |
| Other related sale expenses               | 128               |
| Loss on sale of investment property       | ¥ 197             |

## 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, 2012, June 30, 2012 and December 31, 2011. 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<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|----------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
| Statutory tax rate   | 36.59%                                        | 39.33%                                    | 39.33%                                        |
| Deductible dividends | (36.59)                                       | (39.33)                                   | (37.89)                                       |
| Others               | 0.01                                          | 0.01                                      | (1.43)                                        |
| Effective tax rate   | 0.01%                                         | 0.01%                                     | 0.01%                                         |

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

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

## Note 10 Per Unit Information

Information about earnings per unit for the periods ended December 31, 2012, June 30, 2012 and December 31, 2011 and net assets per unit as of December 31, 2012, June 30, 2012 and December 31, 2011 were as follows.

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

|                                              | For the six months ended<br>December 31, 2012 | For the six months ended<br>June 30, 2012 | For the six months ended<br>December 31, 2011 |
|----------------------------------------------|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|
|                                              | (Yen)                                         |                                           |                                               |
| <b>Earnings per Unit:</b>                    |                                               |                                           |                                               |
| Net income per unit (Yen)                    | ¥15,754                                       | ¥15,613                                   | ¥15,777                                       |
| Weighted average number of units outstanding | 613,000                                       | 607,783                                   | 578,500                                       |
|                                              | As of December 31, 2012                       | As of June 30, 2012                       | As of December 31, 2011                       |
| <b>Net Assets per Unit (Yen)</b>             | ¥727,577                                      | ¥727,302                                  | ¥733,348                                      |

## Note 11 Leases

### As Lessor

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

|                     | As of December 31, 2012 | As of June 30, 2012 |
|---------------------|-------------------------|---------------------|
|                     | (Yen in millions)       |                     |
| Due within one year | ¥17,849                 | ¥19,263             |
| Due after one year  | 24,072                  | 26,382              |
| Total               | ¥41,921                 | ¥45,645             |

## As Lessee

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

|                     | As of December 31, 2012 | As of June 30, 2012 |
|---------------------|-------------------------|---------------------|
|                     | (Yen in millions)       |                     |
| Due within one year | ¥1                      | ¥2                  |
| Due after one year  | 2                       | 2                   |
| Total               | ¥3                      | ¥4                  |

## Note 12 Transactions with Related Parties

### (1) Parent Company and Major Corporate Unitholders

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

### (2) Affiliates

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

### (3) Sister Companies

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

### (4) Directors and Major Individual Unitholders

(For the six months ended December 31, 2012)

None applicable.

(For the six months ended June 30, 2012)

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

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



(For the six months ended December 31, 2011)

| Classification                 | Name             | Principal business or occupation                      | Nature of transaction                                                                                                       | Amount of transaction       | Account          | Balance at end of period |
|--------------------------------|------------------|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------|--------------------------|
|                                |                  |                                                       |                                                                                                                             | Yen in millions             |                  | Yen in millions          |
| Director and/or close relative | Koichi Nishiyama | Executive Director of NBF and President & CEO of NBFM | Payment of asset management fees to NBFM (Note 1)                                                                           | ¥1,120<br>(Note 2) (Note 4) | Accounts payable | ¥296<br>(Note 4)         |
|                                |                  |                                                       | Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 3) | ¥2<br>(Note 4)              | Accounts payable | ¥1<br>(Note 4)           |

- Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and the fee amount is subject to the conditions set forth in the by-laws of NBF.  
2. The amount of asset management fees includes ¥94 million for management related to acquisition of properties included in the book value of each investment property, etc.  
3. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and the fee amount is set forth in the "General Administration Agreement Regarding the Management of Institutions" concluded between NBF and NBFM.  
4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

## Note 13 Investment and Rental Property

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

|                                                     | (Yen in millions)                          |                                        |
|-----------------------------------------------------|--------------------------------------------|----------------------------------------|
|                                                     | For the six months ended December 31, 2012 | For the six months ended June 30, 2012 |
| Carrying amount                                     |                                            |                                        |
| Balance at beginning of the Fiscal Period           | ¥830,226                                   | ¥811,032                               |
| Amount of increase (decrease) during current period | 25,134                                     | 19,194                                 |
| Balance at end of the Fiscal Period                 | 855,360                                    | 830,226                                |
| Fair value at end of the period                     | ¥896,740                                   | ¥871,770                               |

- Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.  
2. The major increase in the fiscal period ended December 31, 2012 was mainly due to the acquisitions of 2 properties (NBF COMODIO Shiodome and Nishi-Shinjuku Mitsui Bldg. (Additional Acquisition), ¥28,961 million) and the major decrease was mainly due to recognition of depreciation costs.  
The major increase in the fiscal period ended June 30, 2012 was mainly due to the acquisitions of 5 properties (Higashi Gotanda Square, Ryukakusan Bldg., Shin-Kawasaki Mitsui Bldg. (Additional Acquisition), NBF Matsuyama Nichigin-mae Bldg, and Hiroshima Fukuromachi Bldg. (Additional Acquisition), ¥23,118 million) and the major decrease was mainly due to recognition of depreciation costs.  
3. Fair value at end of the period is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties is disclosed in Note 7 (Rental Revenues and Expenses).

## Note 14 Segment Information

### Segment Information

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

### Related Information

(For the six months ended December 31, 2012)

#### 1. Information by Products and Services

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

#### 2. Information by Geographic Areas

##### (1) Operating revenues

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

##### (2) Investment properties

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

#### 3. Information on Major Tenants

| (Yen in millions)        |                    |                              |
|--------------------------|--------------------|------------------------------|
| Tenant                   | Operating revenues | Related segment              |
| Mitsui Fudosan Co., Ltd. | ¥6,928             | Real estate leasing business |

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

(For the six months ended June 30, 2012)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Investment properties

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

3. Information on Major Tenants

| (Yen in millions)        |                    |                              |
|--------------------------|--------------------|------------------------------|
| Tenant                   | Operating revenues | Related segment              |
| Mitsui Fudosan Co., Ltd. | ¥6,727             | Real estate leasing business |

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

(For the six months ended December 31, 2011)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Investment properties

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

3. Information on Major Tenants

| (Yen in millions)        |                    |                              |
|--------------------------|--------------------|------------------------------|
| Tenant                   | Operating revenues | Related segment              |
| Mitsui Fudosan Co., Ltd. | ¥6,388             | 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

### Issuance of New Units

At meetings of the Board of Directors held on January 7, 2013 and January 16, 2013, NBF resolved the issuance of new units. Payments for the new issuance were made on January 23, 2013 and January 31, 2013, and the new units were issued under the conditions described below.

As a result, the total amount of stated capital increased to ¥504,309 million and the number of units issued and outstanding increased to 692,000 units.

#### A. Issuance of New Units through Public Offering

|                              |                  |
|------------------------------|------------------|
| (I) Number of units issued   | 74,000 units     |
| (II) Offering price per unit | ¥891,800         |
| (III) Total offering price   | ¥65,993 million  |
| (IV) Issue price per unit    | ¥864,500         |
| (V) Total issue price        | ¥63,973 million  |
| (VI) Payment date            | January 23, 2013 |

#### B. Issuance of New Units through Third Party Allotment

|                            |                             |
|----------------------------|-----------------------------|
| (I) Number of units issued | 5,000 units                 |
| (II) Issue price per unit  | ¥864,500                    |
| (III) Total issue price    | ¥4,323 million              |
| (IV) Payment date          | January 31, 2013            |
| (V) Allottee               | Nomura Securities Co., Ltd. |

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, 2012 and June 30, 2012, 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, 2012, June 30, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as at December 31, 2012 and June 30, 2012, and their financial performance and cash flows for each of the six months ended December 31, 2012, June 30, 2012 and December 31, 2011 in accordance with accounting principles generally accepted in Japan.

*Emphasis of Matter*

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

KPMG AZSA LLC

April 9, 2013  
Tokyo, Japan



## Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31, 2012, NBFM has been entrusted as an asset management company only by NBF.

### Operation

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

### Fees for the Asset Management Operation

#### Management Fees 1

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

#### Management Fees 2

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

#### Management Fees 3

In the event that Real Estate, etc. is newly acquired, compensation equivalent to the total amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings, and in the event of the simultaneous acquisition of multiple units of Real Estate, etc., the acquisition price of each item, provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition are excluded) multiplied by the following percentage rates will, in principle, be payable, provided, however, that with the approval of the directors of NBF, compensation may be calculated using different rates not exceeding the following rates.

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

## History of NBFM

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

|                    |                                                                                                                           |
|--------------------|---------------------------------------------------------------------------------------------------------------------------|
| September 19, 2000 | Established                                                                                                               |
| November 17, 2000  | Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law |
| January 29, 2001   | Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law              |
| February 15, 2001  | Registered as a general real estate investment advisor under the Real Estate Investment Advisor Registration Regulations  |
| March 7, 2001      | Obtained approval as an Asset Management Company under the Investment Trust Law of Japan                                  |
| March 22, 2001     | Increased capital from ¥100 million to ¥198 million                                                                       |
| May 23, 2001       | Changed name (from "MF Asset Management Co., Ltd." to "Office Building Fund Management Japan Limited")                    |
| June 16, 2001      | Increased capital from ¥198 million to ¥495 million                                                                       |
| March 14, 2003     | Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")             |
| September 30, 2007 | Registered as a financial instruments firm with the Kanto Local Finance Bureau Chief (Financial Instruments) No. 371      |

## List of Shareholders (as of December 31, 2012)

| 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           |
| <b>Total</b>                          | <b>9,900</b>           | <b>100.0%</b> |

## Directors and Staff

As of December 31, 2012, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 18 persons.

| Name of Directors and Auditors | Title                                                   |
|--------------------------------|---------------------------------------------------------|
| Kenichi Tanaka                 | President & CEO (standing)                              |
| Yasushi Akimoto                | Director, Head of Investment & Finance Group (standing) |
| Masahiko Misao                 | Director, Head of Administration Group (standing)       |
| Masato Shikata                 | Director                                                |
| Fukuhisa Kumada                | Director                                                |
| Hideo Yoshimura                | Corporate Auditor                                       |
| Toru Suzuki                    | Corporate Auditor                                       |

## Outline of Financial Condition

An outline of the financial condition of NBFM is as follows. Outline of principal assets and liabilities for the most recent fiscal year:

| As of March 31, 2012 | (Yen in millions) |
|----------------------|-------------------|
| Total Assets         | ¥2,006            |
| Total Liabilities    | 408               |
| Total Net assets     | 1,598             |

Profit and loss for the most recent fiscal year:

| Year ended March 31, 2012 | (Yen in millions) |
|---------------------------|-------------------|
| Operating Income          | ¥2,273            |
| Ordinary Profit           | 1,529             |
| Net Income                | 895               |

## 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                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Tokyo CBDs</b><br>9 central wards in Tokyo:<br>Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro                                               | <ul style="list-style-type: none"> <li>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.</li> <li>Relatively low yearly NOI yields.</li> <li>Relatively high liquidity at the time of sale.</li> </ul> |
| <b>Other Greater Tokyo</b><br>Other 14 wards of Tokyo and neighboring cities (see Note 1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama, etc. | <ul style="list-style-type: none"> <li>Basic special characteristics are between those of Tokyo CBDs and Other Cities.</li> </ul>                                                                                                                                                                                             |

**Total of above two areas: 70% or more**

|                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Other Cities</b><br>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"> <li>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.</li> <li>Relatively high yearly NOI yields.</li> <li>Relatively low liquidity at the time of sales.</li> </ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

**Total of above area: 30% or less**

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

### (2) Acquisition Strategy

#### a) Ratio of Real Estate Assets

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

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

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

#### b) Due Diligence

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



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

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

| Item                                               | Points to be reviewed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Scale of building                                  | <ul style="list-style-type: none"> <li>■ Net rentable area, including net rentable area of entire building and standard net rentable area per floor.</li> <li>■ Desired total net rentable area is 1,650m<sup>2</sup> (approximately 500 <i>tsubo</i>) or more.</li> <li>■ Desired standard net rentable area per floor is 330m<sup>2</sup> (approximately 100 <i>tsubo</i>) or more.</li> </ul>                                                                                                                                       |
| Construction type and specifications of facilities | <ul style="list-style-type: none"> <li>■ Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.</li> </ul>                                                                                                                                                                                                                                                                                                                                          |
| Earthquake resistance                              | <ul style="list-style-type: none"> <li>■ 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.).</li> </ul>                                                                                                                 |
| Measures regarding status of legal title           | <ul style="list-style-type: none"> <li>■ 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.</li> <li>• Measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans.</li> <li>• Appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner's interest, etc.</li> </ul> |
| Tenancy characteristics                            | <ul style="list-style-type: none"> <li>■ Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.</li> </ul>                                                                                                                                                                                                                                                                                                                                                  |
| Environmental: condition of land, etc.             | <ul style="list-style-type: none"> <li>■ Absence of harmful substances such as asbestos (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.</li> </ul>                                                                                                                                                                                                                                                                                                                              |

### c) Uncompleted or Unleasable Properties

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

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

## (3) Management and Disposition Policies

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

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

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

### a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of December 31, 2012, foreseen reserves provided from January 2013 to December 2013 are as follows:

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

**Total Foreseen Amount (annual basis): ¥3,960 million**

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

2. The amount of reserves set forth above is the total amount of reserves with respect to the 68 properties owned by NBF as of December 31, 2012.

## **b) Measures to Avoid Reductions and Fluctuations in Operating Income**

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

## **c) Disposition**

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

# **(4) Financial Policies**

## **a) Issuance of Units**

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

## **b) Debt Financing**

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

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

## **c) Loan-to-Value Ratio**

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

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

## **d) Derivative Transactions**

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

# **(5) Disclosure Policy**

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

## **a) Appraisal Value, etc.**

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

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

## Investment Objectives of NBF

### Investment Restrictions in Articles of Incorporation

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

#### A. Principal Investment Objectives among Designated Assets

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

- (1) Real estate, real estate leasehold interests and 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)

#### C. Assets Other than Designated Assets

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

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

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

## Distribution Policies of NBF

### A. Distributions of Profits

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

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

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

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

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

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

### B. Distribution in Excess of Earnings

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

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

- (1) Amount determined by NBF as being eligible for the requirements of Article 39.32.3 of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Amount being less than the Taxable Income Available for Dividends.

- (2) Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macroeconomic environments, real estate markets and leasing markets.

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

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

### C. Method of Distributions

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

### D. Prescription for Cash Distributions, etc.

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



## Investment Restrictions

### A. Investment Restrictions in Articles of Incorporation

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

#### (1) Investment Location and Currencies

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

#### (2) Borrowing

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

#### (3) Concentration of Investment

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

#### (4) Investment Objectives

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

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

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

#### (5) Compliance with Laws and Regulations

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

(As of December 31, 2012)

|                                       |                                                                                                                                                                                                                                                                                 |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate Office                      | 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan<br>+81-3-6259-8681<br><a href="http://www.nbf-m.com/nbf_e/">http://www.nbf-m.com/nbf_e/</a>                                                                                       |
| Date of Inception                     | March 16, 2001                                                                                                                                                                                                                                                                  |
| Capital                               | Contributed capital and units issued and outstanding:<br>¥436,013 million<br>613,000 units                                                                                                                                                                                      |
| Unitholders                           | 15,220                                                                                                                                                                                                                                                                          |
| Transfer Agent                        | Sumitomo Mitsui Trust Bank, Ltd.<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan                                                                                                                                                                                  |
| Business Office of the Transfer Agent | Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank, Ltd.<br>8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan<br>+81-3-3323-7111                                                                                                                               |
| Independent Auditors                  | KPMG AZSA LLC<br>AZSA Center Building<br>1-2, Tsukudo-cho, Shinjuku-ku, Tokyo 162-8551, Japan                                                                                                                                                                                   |
| Investor Relations                    | For further information, please contact our asset management company:<br>Investor Relations of Financial Department<br>Nippon Building Fund Management Ltd.<br>38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan<br>+81-3-6259-8681 |

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 28, 2013 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2012 to December 31, 2012, 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

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

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

### Fiscal Periods

Six months ending June 30 and December 31

### Total Number of Units Issued

|                                                      |                      |
|------------------------------------------------------|----------------------|
| 23rd Period (From July 1, 2012 to December 31, 2012) | <b>613,000</b> units |
| 22nd Period (From January 1, 2012 to June 30, 2012)  | <b>613,000</b> units |

### Distributions per Unit

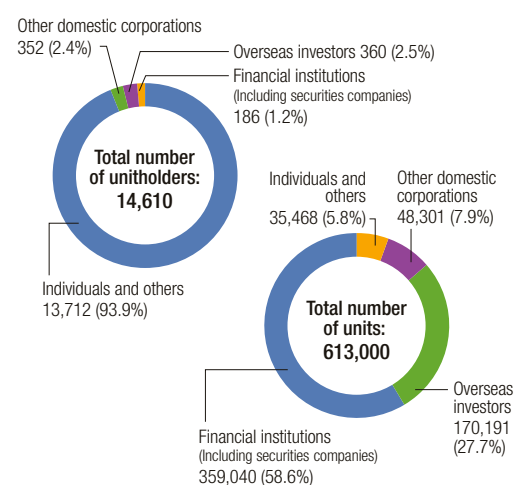
Expected distribution for the 24th Period

For the operating period from January 1, 2013 to June 30, 2013 (6 months) **¥16,000** per unit

Confirmed distribution for the 23rd Period

For the operating period from July 1, 2012 to December 31, 2012 (6 months) **¥15,754** per unit

## Unitholders



## Major Unitholders

| Name                                                                      | Number of Units Held | Percentage of Total |
|---------------------------------------------------------------------------|----------------------|---------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account)                         | 103,541              | 16.9%               |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 46,935               | 7.7                 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account)                    | 34,127               | 5.6                 |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                      | 28,904               | 4.7                 |
| Mitsui Fudosan Co., Ltd.                                                  | 21,815               | 3.6                 |
| Nomura Bank (Luxembourg) SA                                               | 19,847               | 3.2                 |
| Sumitomo Life Insurance Company                                           | 12,256               | 2.0                 |
| The Chugoku Bank, Ltd.                                                    | 8,033                | 1.3                 |
| State Street Bank West Client-Treaty                                      | 7,642                | 1.2                 |
| The Senshu Ikeda Bank, Ltd.                                               | 7,426                | 1.2                 |

### Historical Unit Price







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**Nippon Building Fund Inc.**

38th Floor, GranTokyo North Tower,  
9-1, Marunouchi 1-chome, Chiyoda-ku,  
Tokyo 100-6738, Japan

[http://www.nbf-m.com/nbf\\_e/](http://www.nbf-m.com/nbf_e/)