

21st Period NBF Report July – December 2011


Poised for Growth





Poised for Growth

NBF has positioned itself for solid growth by continuing to invest in its portfolio of high-quality properties, by constantly working to enhance quality for tenants, and by maintaining the stable financial base expected of Japan's leading J-REIT.



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 borrowing 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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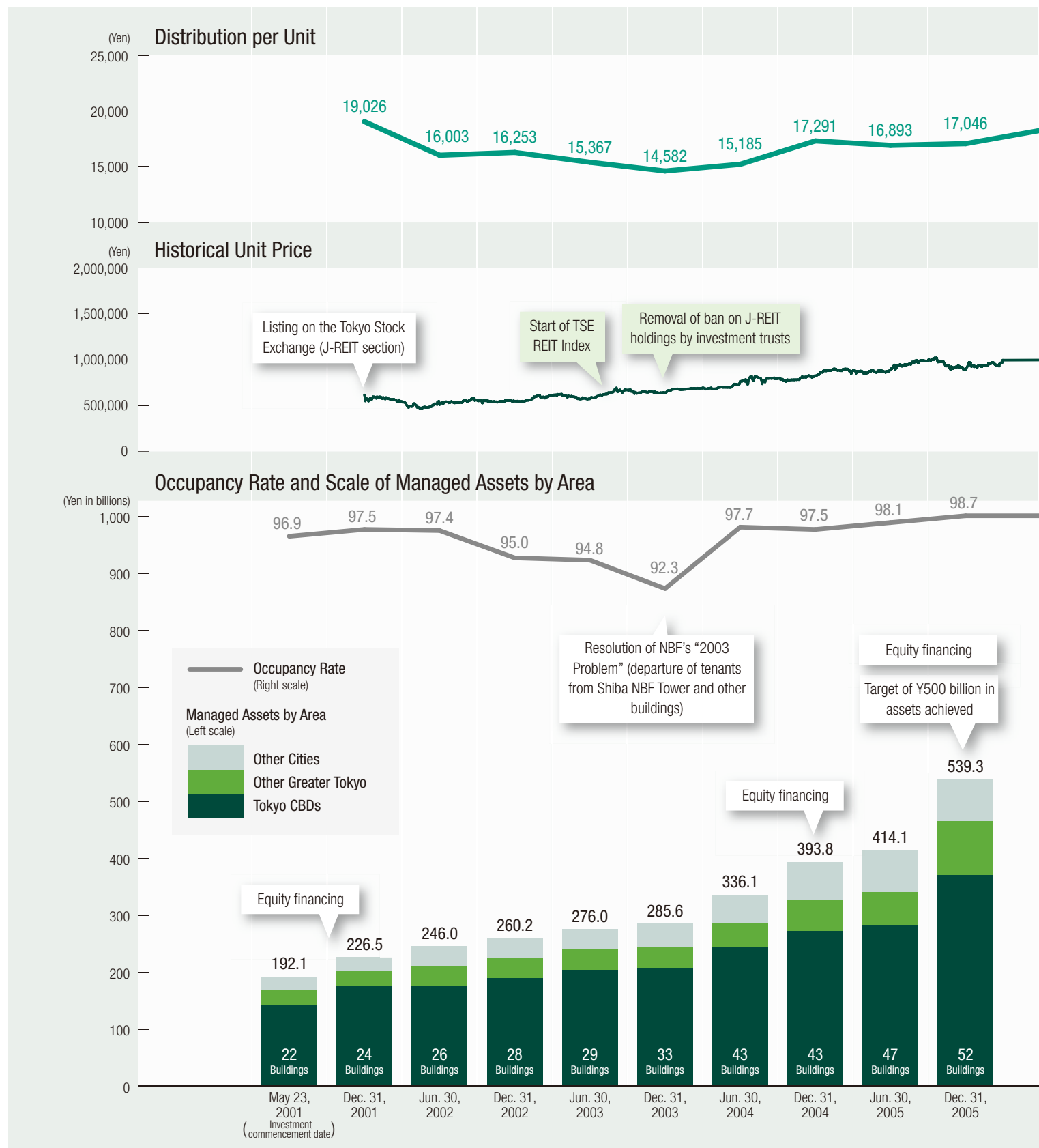
Feature: Poised for Growth

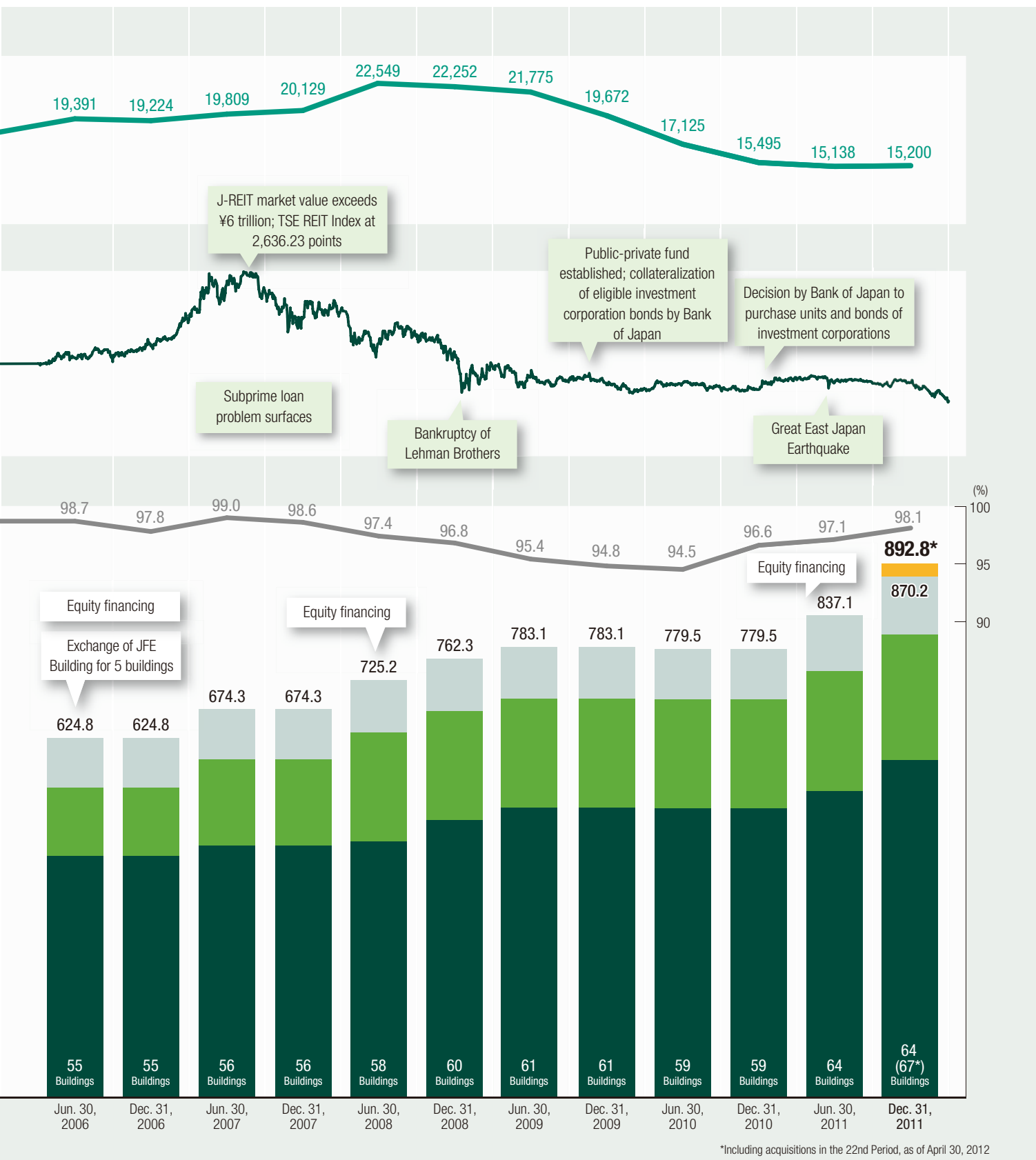
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A Track Record of Steady Growth

Since its listing in September 2001, NBF has steadily grown its assets through sound and unerring business operations.





Building on Our Strengths

NBF's steady asset growth has given it 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.

NBF's Strengths

Strong Portfolio

■ Occupancy Rate

98.1%

(As of December 31, 2011)

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.

Scale Dominance (Largest J-REIT)

■ Scale of Managed Assets (Total acquisition price)

¥870.2 billion
(As of December 31, 2011)

¥892.8 billion

(Including acquisitions in the 22nd Period,
as of April 30, 2012)

Sound Finances

■ Standard & Poor's

A+
(Long-term corporate)

■ Moody's

A2
(Issuer rating)

■ R&I

AA
(Issuer rating)

(As of April 30, 2012)

Stable Returns

■ Distribution per Unit for the 21st Period

¥15,200

Over the 21 periods since our listing, we have steadily distributed profits to unitholders.

Strategic Partnership with Mitsui Fudosan



NBF Nippon Building Fund

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

Financial Highlights

		21st Period from July 1, 2011 to December 31, 2011	20th Period from January 1, 2011 to June 30, 2011	19th Period from July 1, 2010 to December 31, 2010	18th Period from January 1, 2010 to June 30, 2010	21st Period from July 1, 2011 to December 31, 2011
		Yen in millions, except per unit data or where otherwise indicated				U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 29,773	¥ 28,081	¥ 27,314	¥ 28,341	\$ 386,770
Income before income taxes		9,128	8,758	8,400	9,283	118,577
Net income		9,127	8,757	8,399	9,282	118,565
Funds from operations	Note 3	15,226	14,291	13,570	14,354	197,789
Net operating income from property leasing activities	Note 3	19,530	18,664	17,661	18,445	253,701
Total amount of cash distribution	(a)	8,793	8,757	8,398	9,282	114,227
Total assets		852,855	823,705	765,203	774,379	11,078,916
Interest-bearing debt		377,375	350,750	325,125	333,500	4,902,247
Net assets	(b)	424,242	423,872	394,575	395,458	5,511,071
LTV (Loan to value)	Note 3	48.2%	46.5%	46.3%	46.8%	
Total number of units issued (units)	(c)	578,500	578,500	542,000	542,000	
Net assets per unit (Yen/\$)	(b) / (c)	733,348	732,709	727,996	729,626	9,526
Distribution per unit (Yen/\$)	(a) / (c)	15,200	15,138	15,495	17,125	197
Funds from operations per unit (Yen/\$)	Note 3	26,320	24,937	25,036	26,483	342

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥76.98 = U.S.\$1.00, the approximate exchange rate on December 31, 2011.

2. Operating revenues do not include consumption taxes.

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

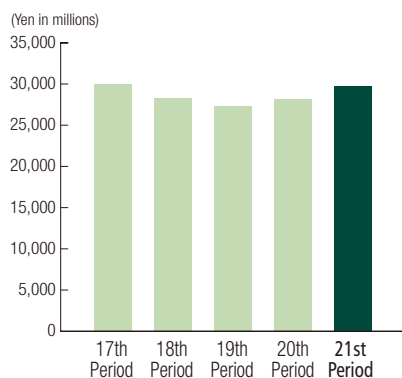
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

Loan to value: (Interest-bearing debt + Deposits under management) / Total assets

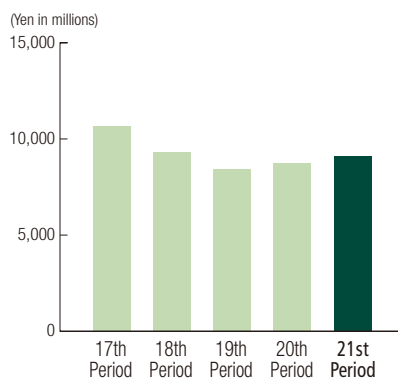
Funds from operations per unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) /

Weighted average number of units issued and outstanding during the period

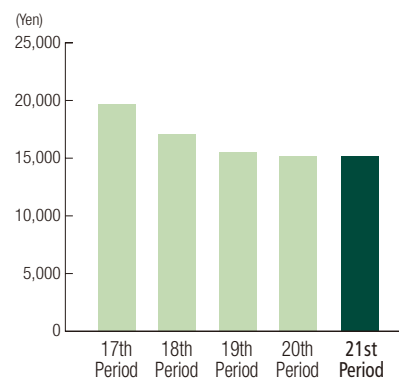
Operating Revenues



Net Income



Distribution per Unit





In January 2012, NBF conducted equity financing so as to continue expanding its scale of assets.

Performance during the Six Months Ended December 31, 2011

In September 2011, NBF acquired the Mitsubishi Heavy Industries Head Office Building. In addition, the occupancy rate improved to 98.1 percent as of December 31, 2011.

In the period under review, the Japanese economy showed some positive signs, including stabilizing personal consumption, although exports and production continued to be pressured by a weak global economy, the strong yen and the effects of flooding in Thailand.

In this environment, demand appeared to be increasing in the office building leasing market for consolidation and relocation to larger offices, particularly for high-quality large-scale properties with superior anti-seismic features.

With the contract cancellation rate for properties in NBF's portfolio decreasing, the occupancy rate as of

December 31, 2011 improved 1.0 percentage point to 98.1 percent from 97.1 percent at the end of the previous period.

Also, in addition to the six properties acquired during the period ended June 30, 2011 (at a total acquisition price of ¥57,551 million), we expanded our portfolio through the acquisition of the Mitsubishi Heavy Industries Head Office Building in September 2011 (acquisition price: ¥36,300 million) and an additional ¥99 million acquisition at the Nishi-Shinjuku Mitsui Building.

Under these circumstances, for the 21st Period operating revenues increased ¥1,692 million, or 6.0 percent, to ¥29,773 million, and operating income increased ¥267 million, or 2.2 percent, to ¥12,186 million. Net income increased ¥370 million, or 4.2 percent, to ¥9,127 million. As a result, distribution per unit was ¥15,200.

Moreover, NBF set aside ¥334 million of the ¥572 million gain on sale of the NBF Sudacho Verde Building as reserves for advanced depreciation.

Performance Outlook (As of February 14, 2012)

	(Yen in millions)	
	22nd Period (Projected) from January 1, 2012 to June 30, 2012	23rd Period (Projected) from July 1, 2012 to December 31, 2012
Operating revenues	¥30,008	¥30,102
Net income	9,256	9,256
Distribution per unit (Yen)	15,100	15,100
Occupancy rate (End of period)	97.9%	98.1%

Performance Outlook and Future Management Policies

NBF will selectively invest in new properties while working to maintain a high occupancy rate.

Looking ahead, we expect the Japanese economy to continue its moderate recovery trend due to effective initiatives by the Bank of Japan. The slight easing seen recently in the appreciation of the yen is also having a positive effect on our market.

Although the current vacancy rate of about 5 percent in the market for Grade A buildings indicates recovery, the situation for new supply in Tokyo's central business districts (CBDs), while set to increase through the first half of 2012, remains unpredictable. NBF will work to strengthen tenant relations and maintain high occupancy rates.

Market rents have bottomed out, but due to the still remaining gap between market rents and rents for existing tenants, we expect rent reductions to slightly affect rental revenue in 2012. However, as progress has been made in narrowing this gap, we foresee less of an impact than in the past.

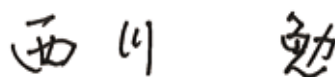
Given these conditions, NBF allocated ¥22,709 million to acquire new properties after conducting equity finance in January 2012. With the equity finance, NBF secured a fund reserve of approximately ¥50 billion that it can invest and still maintain a loan-to-value (LTV) ratio

of up to 50 percent. NBF will use these funds under its policy of continued selective investment.

We forecast distribution per unit of ¥15,100 in the 22nd and 23rd periods due to factors including the contribution of new properties put into operation, although rent reductions will affect rental revenue. Our forecast for future results does not include reversal of the reserve for advanced depreciation.

We expect market conditions to remain challenging. However, by making the most of the advantages of the high-quality portfolio we have built up since we began asset management and the leasing capabilities of our sponsor, Mitsui Fudosan Co., Ltd., we will work to prevent contract cancellations by strengthening tenant relations and bolster marketing to attract new tenants.

Furthermore, based on fund procurement capabilities that leverage our strong financial base, we will continue to raise the quality of our portfolio by investing selectively in high-quality properties. Based on this sound financial strategy, we will strive to generate well-balanced internal and external growth so as to bring our unitholders stable distributions over the medium to long term.



Tsutomu Nishikawa
Executive Director of Nippon Building Fund Inc.

Selective Investments that Capture Opportunities for Acquisition

NBF is using equity financing to build a high-quality portfolio while securing the capacity for further growth.

In January 2012, NBF carried out equity financing with a total value of ¥20,898 million.

The purpose of the financing was to acquire high-yield properties, maintain a ¥15,100 dividend level, and secure a ¥50 billion fund reserve for further growth. It has also enabled us to maintain a LTV ratio between 40 and 50 percent (with a maximum of 60 percent) as per our financial strategy, with the present ratio being about

47 percent following the equity financing.

The six properties we have acquired following the equity financing are characterized by high yields. They have a total value of ¥22,709 million (combined acquisition prices) and an average NOI yield of 6.1 percent, higher than the mid-4 percent NOI yield range of NBF's portfolio before the acquisitions. We therefore expect these properties to make a positive contribution to our portfolio.

Add-On Equity Offering

Number of units offered	Primary units offered	30,000 units
	Third party allocation	4,500 units
	Total	34,500 units
Total offering size	¥20,898 million	
Launch date	January 10, 2012	
Pricing date	January 18, 2012	
Closing date	January 25 / February 21, 2012	

By investing selectively in high-quality properties in this way, NBF has over the approximately ten years since its listing (as of April 30, 2012) built a robust portfolio of 67 properties with a total asset scale of ¥892.8 billion (combined acquisition prices), thus becoming the largest J-REIT fund.

Going forward, we will continue to fully leverage our superiority in scale as well as our accumulated intelligence gathering ability and property acquisition expertise, as we use the recently secured fund reserve to expand our asset scale through selective investment.

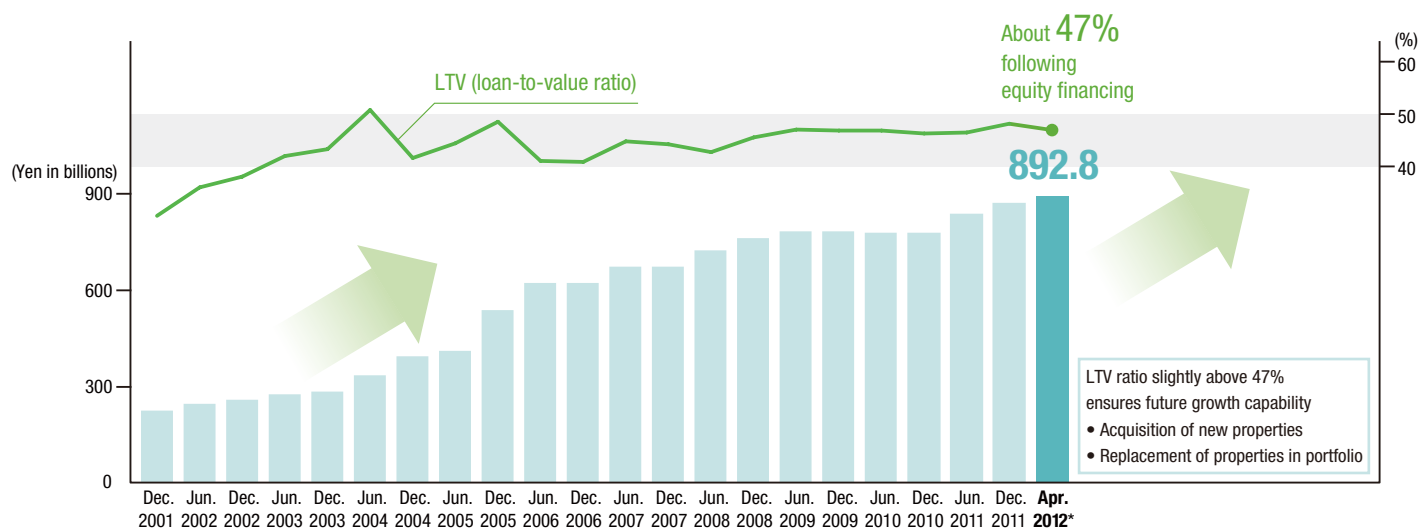
Changes to Portfolio

New Acquisitions

Acquisition price

Nishi-Shinjuku Mitsui Building (Additional acquisition)	¥99 million
Higashi Gotanda Square	¥8,350 million
Ryukakusan Building	¥4,050 million
Shin-Kawasaki Mitsui Building (Additional acquisition)	¥5,520 million
Hiroshima Fukuromachi Building (Additional acquisition)	¥1,380 million
NBF Matsuyama Nichigin-mae Building (Previously: Schloss Nichigin-mae)	¥3,310 million
Total	¥22,709 million

Scale of Managed Assets



* Including acquisitions in the 22nd Period, as of April 30, 2012

Maintaining a High Occupancy Rate through Robust Tenant Relations

NBF will further strengthen its ties with tenants and maintain its high occupancy rate.

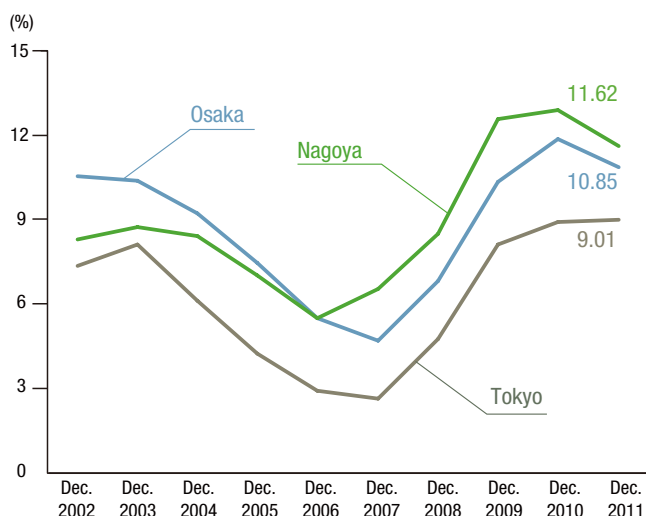
The market vacancy rate in Tokyo's central business districts (CBDs) remains at a high level of 8-9 percent. However, among Grade A buildings, for which the vacancy rate is already low compared with the market as a whole at about 5 percent, we are seeing improvements in the vacancy rate, particularly for properties with superior anti-seismic features.

NBF's occupancy rate as of December 31, 2011 was

98.1 percent, a 1.0 percentage point improvement from a half-year earlier in June 2011. Underlying this is a decline in contract cancellations.

As shown in the graph below, following the Lehman Shock, NBF's annualized contract cancellation rate for the two periods ended December 31, 2009 and June 30, 2010 exceeded 11 percent. The occupancy rate declined to 94.5 percent in the period ended June 30, 2010.

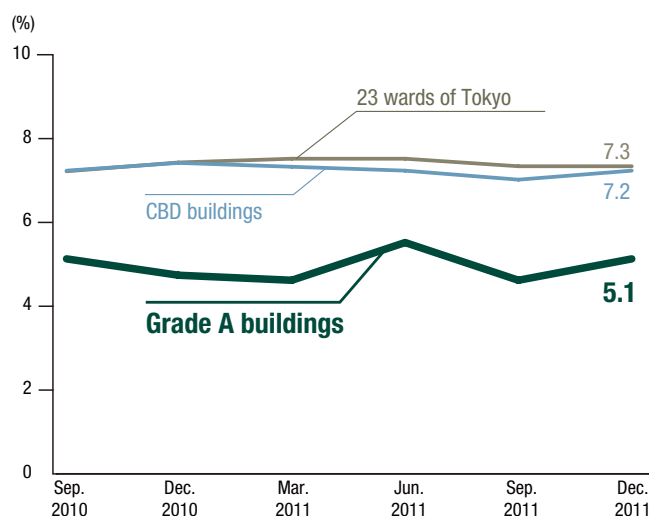
Market Vacancy Rates in CBDs (Three Cities)



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 Vacancy Rates in Tokyo



Note: Building classes as determined by the Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

Source: CBRE K.K.

Under these conditions, NBF strengthened its tenant relations, accurately gauged tenants' needs and behavior, enacted necessary proposals, and otherwise moved to prevent cancellations. We believe that this decisive action has enabled the high occupancy rate that we maintain today.

Based on these strong tenant relations, NBF expects to be able to maintain high occupancy rates of 97.9 percent in the 22nd Period and 98.1 percent in the 23rd Period.

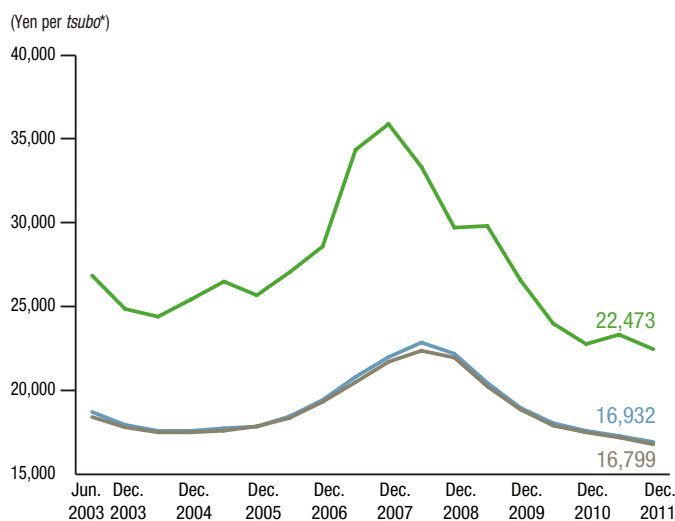
Moreover, against a background of peaking vacancy rates, NBF recognizes that market rents are hitting their

lowest values, and expects that these will recover gradually as the Japanese economy recovers.

In addition, while the new supply of office buildings in Tokyo CBDs is set to increase through the first half of 2012, it is expected to decline in 2013 and should be absorbed as Japan's recovery improves.

NBF will continue to work to strengthen relations with its tenants, while maintaining a high occupancy rate through close observation of tenancy trends.

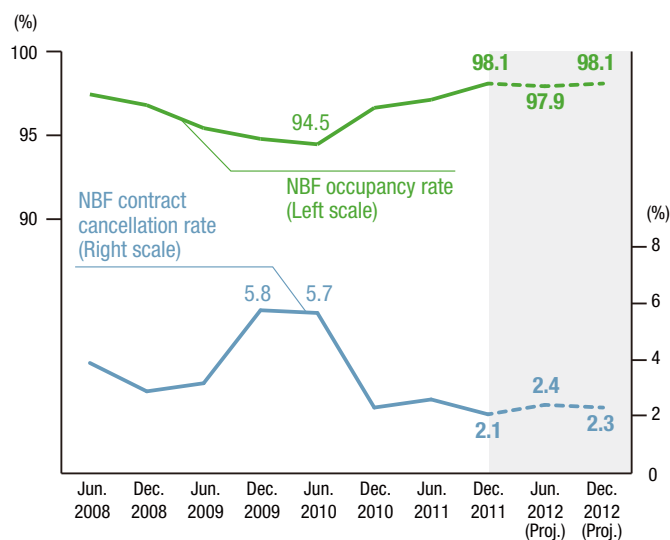
Average Asking Rents in Tokyo CBDs



*1 tsubo = 3.3m²

Source: Miki Shoji Co., Ltd.

Occupancy and Contract Cancellation Rates



Committed to Stable Financial Management

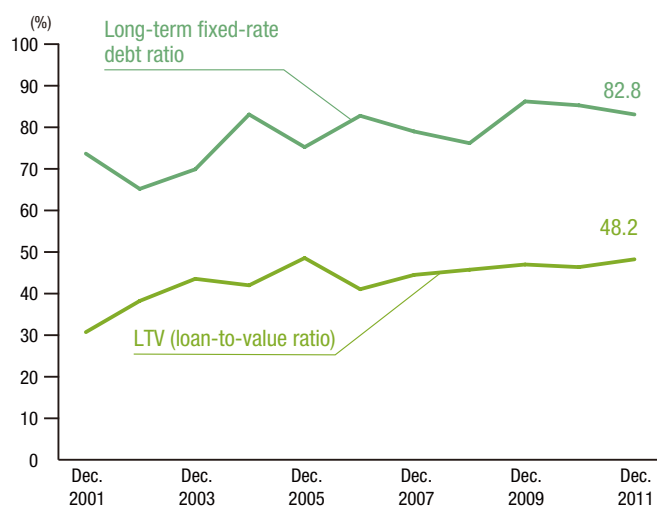
NBF will continue to strengthen the soundness of its finances within the current favorable financial environment.

Under a conservative financial strategy, NBF has set a target LTV ratio of 40 to 50 percent, with a maximum of 60 percent. Our LTV ratio as of December 31, 2011 was 48.2 percent, which has since declined to about 47 percent following the equity financing conducted in January 2012. As a result, we have secured a fund reserve of about ¥50 billion, enabling a LTV ratio of up to 50 percent.

With regard to debt financing, NBF manages its long-term fixed-rate interest-bearing debt ratio with a target of 80 percent to 90 percent to limit exposure to interest rate risk, and had a rate of 82.8 percent as of December 31, 2011.

While diversifying the maturities of interest-bearing debt to reduce refinancing risk, NBF has established a total commitment line of ¥60.0 billion to prepare for the

Stable Financial Track Record



Financing (As of December 31, 2011)

Total average cost of debt:	1.56%
Number of lenders:	25
Average years remaining on long-term fixed-rate interest-bearing debt:	4.01 years
Commitment lines:	Total of ¥60 billion* ¥40 billion for 3 years ¥20 billion for 2 years

* As of April 30, 2012

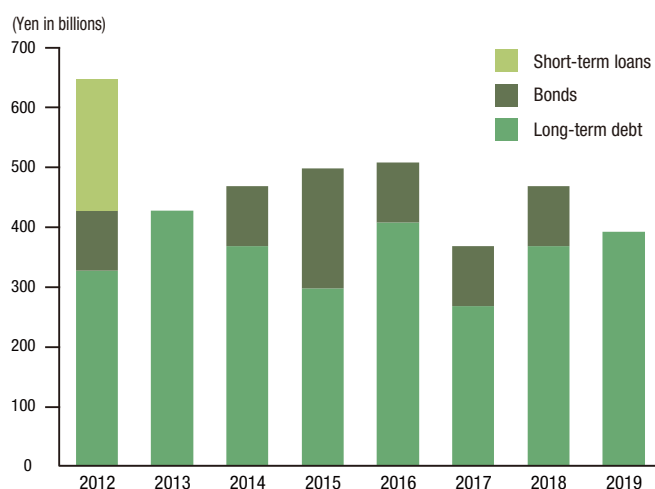
flexible acquisition of new properties and for refinancing. In addition, we procure funds from a wide range of sources, with loans from 25 financial institutions (as of December 31, 2011).

Japan's financial environment is favorable at present, and NBF maintains good relationships at all times with banks and other lenders. We recognize that these relationships are due not only to our high-quality portfolio and stable performance as the number-one J-REIT, but also to the good relationships gained through the sponsorship of Mitsui Fudosan Co., Ltd., with added contri-

bution from our relationships with sponsors such as the Sumitomo Life Insurance Company, Sumitomo Mitsui Banking Corporation and The Sumitomo Trust & Banking Co., Ltd. These advantages are well recognized, and NBF continues to obtain high ratings from credit rating agencies.

NBF will continue to strengthen its financial foundation as the base for further growth.

Diversified Maturities of Interest-Bearing Debt



Financial Ratings (As of April 30, 2012)

Standard & Poor's:	A+ (Long-term corporate)
Moody's:	A2 (Issuer rating)
R&I:	AA (Issuer rating)

Acquisitions in the 21st Period

4 Mitsubishi Heavy Industries Head Office Building

Location: 16-5, Konan 2-chome, Minato-ku, Tokyo

Completion date: April 1, 2003

Acquisition date: September 1, 2011

Acquisition price: ¥36,300 million



2 Nishi-Shinjuku Mitsui Building (Additional Acquisition)

Location: 24-1, Nishi-Shinjuku 6-chome, Shinjuku-ku, Tokyo

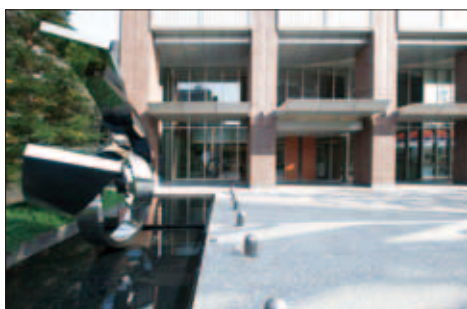
Completion date: April 28, 1999

Acquisition date: December 6, 2011

Acquisition price: ¥99 million



Acquisitions in the 22nd Period



65 Higashi Gotanda Square

Location: 10-2, Higashi-Gotanda 2-chome, Shinagawa-ku, Tokyo

Completion date: April 30, 2009

Acquisition date: February 1, 2012

Acquisition price: ¥8,350 million

66 Ryukakusan Building

Location: 5-12, Higashi-Kanda 2-chome, Chiyoda-ku, Tokyo

Completion date: November 30, 1991

Acquisition date: February 1, 2012

Acquisition price: ¥4,050 million



67 NBF Matsuyama Nichigin-mae Building (Previously: Schloss Nichigin-mae)

Location: 9-6, Sanbancho 4-chome, Matsuyama, Ehime

Completion date: March 11, 2009

Acquisition date: March 30, 2012

Acquisition price: ¥3,310 million



62 Hiroshima Fukuromachi Building (Additional Acquisition)

Location: 5-25, Fukuromachi, Naka-ku, Hiroshima, Hiroshima

Completion date: January 30, 2002

Acquisition date: April 13, 2012

Acquisition price: ¥1,380 million



38 Shin-Kawasaki Mitsui Building (Additional Acquisition)

Location: 890-12, Kashimada, Saiwai-ku, Kawasaki, Kanagawa

Completion date: May 22, 1989

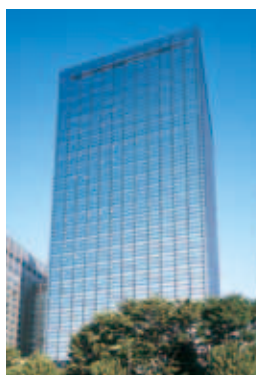
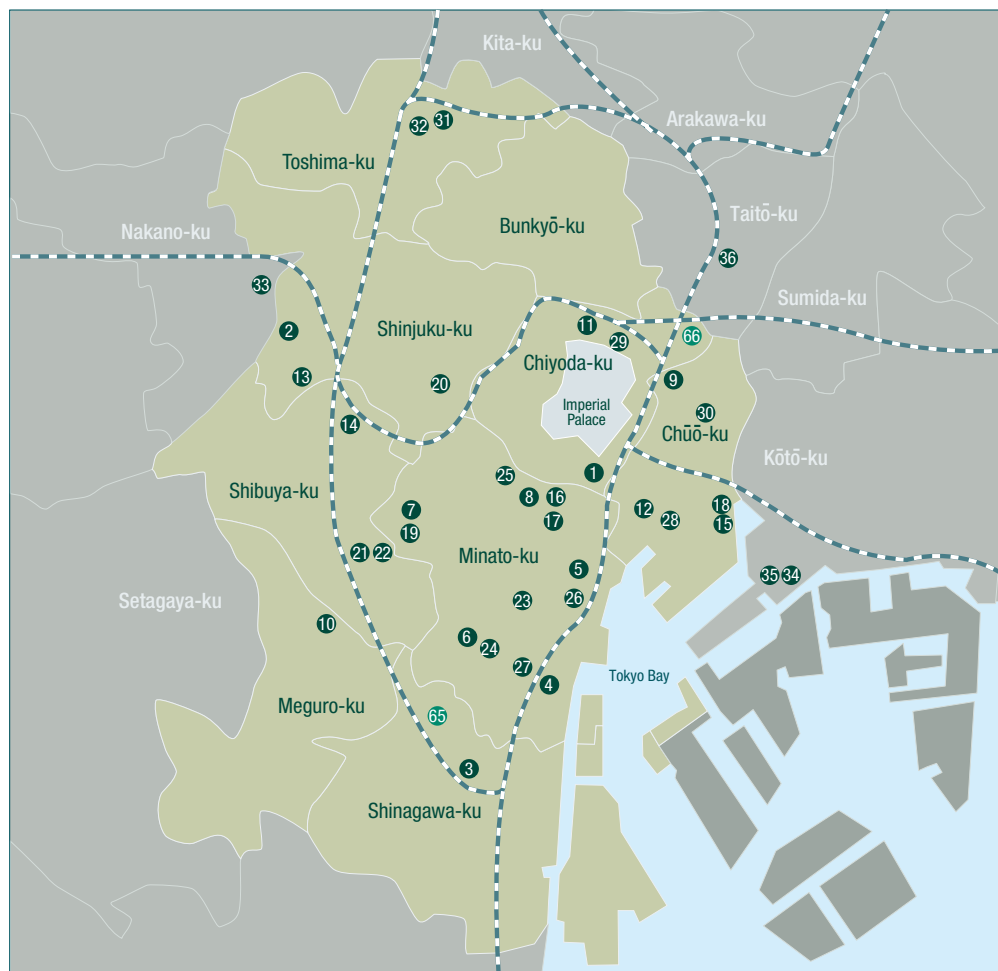
Acquisition date: March 30, 2012

Acquisition price: ¥5,520 million



Tokyo Central Business Districts (CBDs)

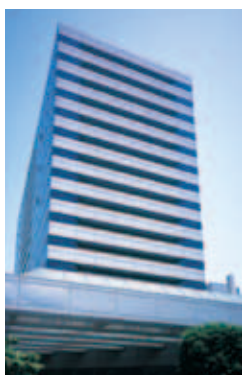
- ① NBF Hibiya Building
- ② Nishi-Shinjuku Mitsui Building
(Additional acquisition in December 2011)
- ③ Gate City Ohsaki
- ④ Mitsubishi Heavy Industries Head Office Building
(Acquired in September 2011)
- ⑤ Shiba NBF Tower
- ⑥ NBF Platinum Tower
- ⑦ NBF Minami-Aoyama Building
- ⑧ Toranomon Kotohira Tower
- ⑨ NBF Nihonbashi Muromachi Center Building
- ⑩ Nakameguro GT Tower
- ⑪ Mitsui Oseimei Ochanomizu Building
- ⑫ NBF Ginza Street Building
- ⑬ Shinjuku Mitsui Building No. 2
- ⑭ GSK Building
- ⑮ River City M-SQUARE
- ⑯ NBF Toranomon Building
- ⑰ Kowa Nishi-Shinbashi Building B
- ⑱ Nippon Steel Building No. 2
- ⑲ NBF Alliance
- ⑳ Yotsuya Medical Building
- ㉑ Shibuya Garden Front
- ㉒ NBF Shibuya East
- ㉓ NBF Shibakouen Building
- ㉔ NBF Takanawa Building
- ㉕ NBF Akasaka Sanno Square
- ㉖ NBF Shibakouen Daimon Street Building
- ㉗ Sumitomo Densetsu Building
- ㉘ NBF Higashi-Ginza Square
- ㉙ NBF Ogawamachi Building
- ㉚ Nihonbashi Kabuto-cho M-SQUARE
- ㉛ NBF Ikebukuro Tower
- ㉜ NBF Ikebukuro City Building
- ㉝ Higashi Gotanda Square
(Acquired in February 2012)
- ㉞ Ryukakusan Building
(Acquired in February 2012)



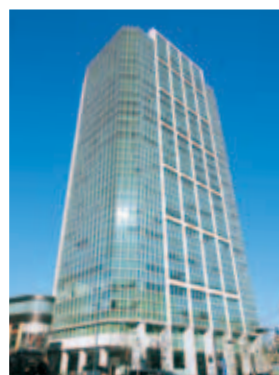
① NBF Hibiya Building



③ Gate City Ohsaki



⑤ Shiba NBF Tower

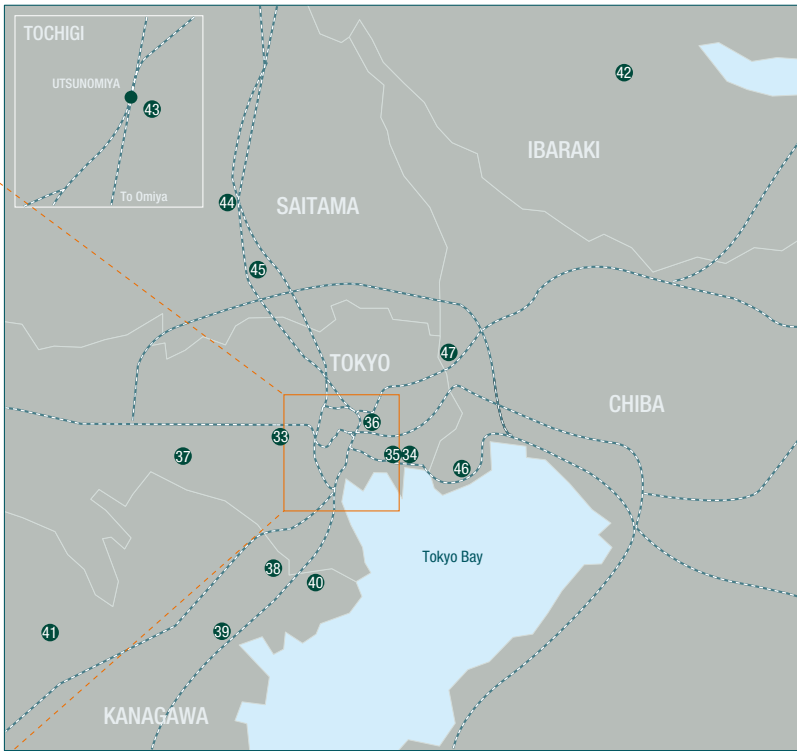


⑥ NBF Platinum Tower



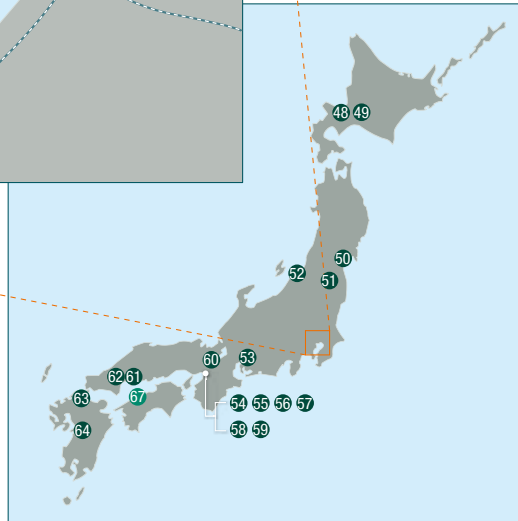
⑦ NBF Minami-Aoyama Building

Other Greater Tokyo



- 33 Nakanosakaue Sunbright Twin
- 34 NBF Toyosu Canal Front
- 35 NBF Toyosu Garden Front
- 36 NBF Ueno Building
- 37 Chofu South Gate Building
- 38 Shin-Kawasaki Mitsui Building
(Additional acquisition in March 2012)
- 39 Yokohama ST Building
- 40 Parale Mitsui Building
- 41 NBF Atsugi Building
- 42 Tsukuba Mitsui Building
- 43 NBF Utsunomiya Building
- 44 S-ino Omiya North Wing
- 45 NBF Urawa Building
- 46 NBF Shin-Urayasu Tower
- 47 NBF Matsudo Building

Other Cities



- 48 Sapporo L-Plaza
- 49 NBF Sapporo Minami Nijo Building
- 50 NBF Sendai Honcho Building
- 51 NBF Unix Building
- 52 NBF Niigata Telecom Building
- 53 NBF Nagoya Hirokoji Building
- 54 Aqua Dojima NBF Tower
- 55 Shinanobashi Mitsui Building
- 56 Sun Mullion NBF Tower
- 57 Sakaisuji-Honmachi Center Building
- 58 NBF Sakai-Higashi Building
- 59 Aqua Dojima East
- 60 NBF Shijo Karasuma Building
- 61 NBF Hiroshima Tatemachi Building
- 62 Hiroshima Fukuromachi Building
(Additional acquisition in April 2012)
- 63 Hakata Gion M-SQUARE
- 64 NBF Kumamoto Building
- 67 NBF Matsuyama Nichigin-mae Building
(Previously: Schloss Nichigin-mae)
(Acquired in March 2012)



33 Nakanosakaue
Sunbright Twin



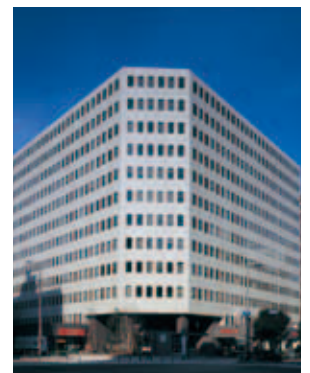
34 NBF Toyosu Canal Front



35 NBF Toyosu Garden Front



54 59 Aqua Dojima NBF Tower,
Aqua Dojima East



55 Shinanobashi Mitsui Building

Portfolio Overview

NBF's properties as of December 31, 2011 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership	Year Built	Acquisition Price	Book Value
			(%)		(Yen in millions)	
Tokyo Central Business Districts (CBDs)						
1 NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,487
2 Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.4	1999	45,002	34,985
3 Gate City Ohsaki	Ownership	Compartmented ownership	18.6	1999	41,731	35,256
4 Mitsubishi Heavy Industries Head Office Building	Trust	Compartmented ownership	18.1	2003	36,300	37,520
5 Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	29,119
6 NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	28,813
7 NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,541
8 Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	20,037
9 NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,196
10 Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	20,084
11 Mitsui Seimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,123
12 NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,582
13 Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	16,411
14 GSK Building	Trust	Fee simple	100.0	1990	15,616	13,607
15 River City M-SQUARE	Ownership	Fee simple	100.0	2010	13,350	13,423
16 NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,350
17 Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	11,635
18 Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,042
19 NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,438
20 Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,287
21 Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	7,952
22 NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,118
23 NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,467
24 NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,502
25 NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,292
26 NBF Shibakouen Daimon Street Building	Trust	Co-ownership of compartmented ownership	87.0	1991	6,100	6,316
27 Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,761
28 NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,760
29 NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	5,126
30 Nihonbashi Kabuto-cho M-SQUARE	Ownership	Fee simple	100.0	2009	4,850	4,874
31 NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,581
32 NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,304
NBF Sudacho Verde Building	—	—	—	1988	—	—
Other Greater Tokyo						
33 Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	81.0	1996	40,750	37,591
34 NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	32,022
35 NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	24,330
36 NBF Ueno Building	Ownership	Compartmented	78.1	2010	10,400	10,403
37 Chofu South Gate Building	Ownership	Compartmented	84.4	2007	9,320	9,320
38 Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	18,218
39 Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,315
40 Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,230
41 NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,196
42 Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	6,998
43 NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,381
44 S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	14,828
45 NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,920
46 NBF Shin-Urayasu Tower	Ownership	Fee simple	100.0	1990	15,700	15,824
47 NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,202
Other Cities						
48 Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	3,704
49 NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,700
50 NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,559
51 NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,080
52 NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,610
53 NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	6,942
54 Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,229
55 Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,327
56 Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,036
57 Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,118
58 NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,957
59 Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,710
60 NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,376
61 NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,857
62 Hiroshima Fukuromachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	835	681
63 Hakata Gion M-SQUARE	Ownership	Fee simple	100.0	2009	8,000	7,950
64 NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,424
Total					870,230	811,032

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 ²)	(m ²)	(%)		(Yen in millions)	(%)	(%)
55,400	27,576	27,058	98.1	85	1,465	4.9	1.6
44,100	33,092	33,092	100.0	1	1,087	3.7	1.8
40,700	29,940	29,940	100.0	1	1,386	4.7	1.5
38,900	35,641	35,641	100.0	12	Note 2	Note 2	1.7
26,400	24,728	24,383	98.6	32	996	3.4	2.3
51,200	33,503	33,503	100.0	6	1,532	5.2	1.5
16,900	9,631	9,521	98.9	8	457	1.5	4.7
30,700	16,848	16,848	100.0	1	880	3.0	1.6
27,100	16,309	15,957	97.8	14	833	2.8	4.8
21,700	21,423	21,423	100.0	1	894	3.0	1.2
14,700	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
14,600	14,874	14,717	98.9	47	532	1.8	1.6
21,700	20,426	20,426	100.0	1	Note 2	Note 2	0.8
13,800	16,232	16,232	100.0	8	617	2.1	4.0
17,100	10,067	8,498	84.4	12	674	2.3	8.4
15,700	10,088	10,061	99.7	2	Note 2	Note 2	2.0
13,970	17,338	17,338	100.0	2	Note 2	Note 2	3.5
10,300	4,043	4,043	100.0	8	264	0.9	7.3
7,400	7,481	7,481	100.0	1	245	0.8	5.6
13,900	8,258	8,258	100.0	1	Note 2	Note 2	3.4
6,570	4,993	4,993	100.0	5	192	0.6	4.4
8,200	7,087	7,087	100.0	6	306	1.0	5.9
7,640	10,458	10,458	100.0	6	309	1.0	5.3
7,000	5,258	5,258	100.0	6	221	0.7	9.9
4,400	3,428	3,428	100.0	7	142	0.5	2.8
4,990	5,991	5,991	100.0	1	Note 2	Note 2	5.2
7,210	4,871	4,871	100.0	8	233	0.8	3.1
5,530	4,805	4,805	100.0	1	163	0.6	4.2
4,860	3,298	3,298	100.0	2	Note 2	Note 2	6.4
5,000	5,652	4,669	82.6	12	182	0.6	3.9
4,930	5,127	4,758	92.8	10	173	0.6	9.9
—	—	—	—	—	Note 2	Note 2	—
30,300	32,082	31,358	97.7	9	1,091	3.7	1.4
35,700	36,638	36,154	98.7	9	1,049	3.5	4.2
28,700	28,300	28,300	100.0	4	985	3.3	3.5
8,630	8,504	8,504	100.0	6	283	1.0	1.9
9,320	13,762	13,762	100.0	1	Note 2	Note 2	4.3
14,500	27,924	27,924	100.0	1	859	2.9	2.1
13,900	20,030	19,158	95.6	94	636	2.1	1.7
3,530	12,545	12,545	100.0	1	287	1.0	2.8
2,100	5,242	4,759	90.8	17	110	0.4	16.9
7,290	16,785	16,318	97.2	60	441	1.5	0.5
2,090	6,160	5,857	95.1	39	126	0.4	0.5
18,000	20,698	19,990	96.6	38	703	2.4	1.8
1,770	3,455	3,455	100.0	13	101	0.3	10.2
11,500	22,838	22,096	96.8	41	582	2.0	2.6
2,280	4,770	4,420	92.7	23	126	0.4	7.8
6,560	11,396	11,396	100.0	12	322	1.1	0.3
1,540	5,351	5,351	100.0	3	107	0.4	1.0
2,860	7,539	6,962	92.4	9	166	0.6	2.1
3,310	13,329	13,178	98.9	48	260	0.9	2.9
2,980	10,208	9,837	96.4	33	204	0.7	4.9
7,230	9,876	9,696	98.2	23	252	0.9	6.7
18,200	21,917	20,762	94.7	46	709	2.4	3.3
13,400	25,314	25,314	100.0	1	573	1.9	4.9
7,930	14,954	14,027	93.8	29	377	1.3	1.6
6,390	11,435	10,324	90.3	42	242	0.8	3.6
1,620	5,255	4,196	79.8	19	105	0.4	6.6
1,780	3,243	2,832	87.3	19	76	0.3	3.4
1,230	3,932	3,448	87.7	15	72	0.2	1.6
2,400	5,568	5,243	94.2	30	131	0.4	3.9
770	1,309	1,309	100.0	17	39	0.1	3.1
8,070	14,328	14,328	100.0	16	388	1.3	Less than 0.1
3,710	7,934	7,801	98.3	15	193	0.7	3.0
856,690	861,153	844,704	98.1	1,042	29,773	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 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

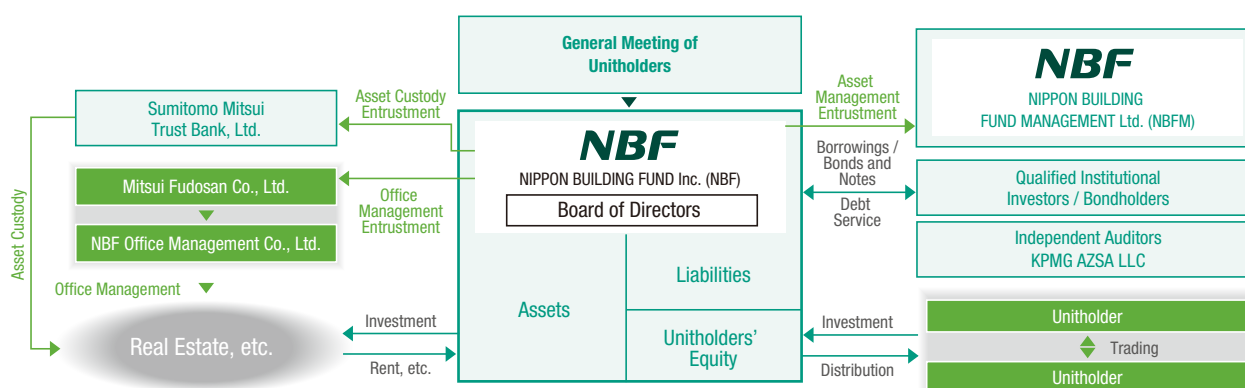
Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Unitholders, which convenes at least once every two years, in principle. The seventh General Meeting of Unitholders convened on March 10, 2011. 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 December 31, 2011, NBF had two executive directors and three supervisory directors. As of April 1, 2012, following the retirement of Koichi Nishiyama, NBF has one executive director.

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: Sadao Kamiyama, Tsutomu Nishikawa, Hatsuo Komatsu, Yoshiyuki Hirai

	Name	Background 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	Hatsuo Komatsu	Attorney. Appointed Supervisory Director of NBF in March 2007.
	Sadao Kamiyama	Certified Public Accountant. Certified Public Tax Accountant. Appointed Supervisory Director of NBF in March 2007.
	Yoshiyuki Hirai	Appointed Supervisory Director of NBF in March 2009. Real Estate Appraiser.

The Board of Directors consists of the executive and supervisory directors. Its responsibilities include authorizing business execution and supervising the performance of the executive 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. Both of the executive directors serving as of December 31, 2011, all three supervisory directors and the substitute supervisory director were elected at the General Meeting of Unitholders held on March 10, 2011, and assumed office on March 17, 2011.

Nippon Building Fund Management Ltd.

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

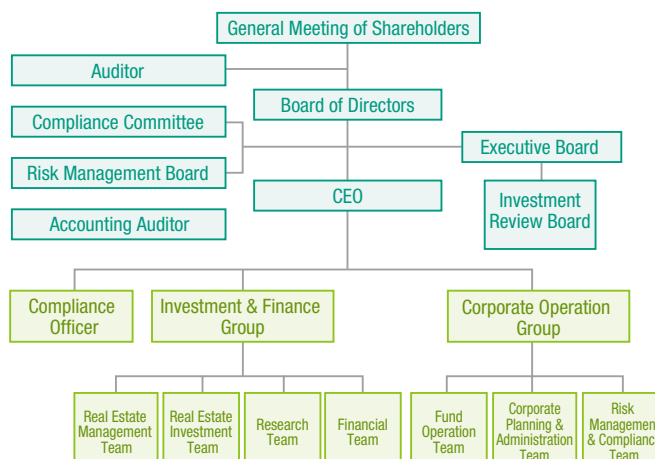
Matters Entrusted to Nippon Building Fund Management Ltd.

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. also 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 operations

Management Structure



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

Nippon Building Fund Management Ltd. Management Team (As of April 1, 2012)

Name	Title	Career Summary
Kenichi Tanaka	President and CEO	Apr. 1982 Joined Mitsui Fudosan Co., Ltd. Apr. 2007 Business Administration Manager of Mitsui Fudosan Co., Ltd. Apr. 2010 Rental Housing Business Manager, Accommodation Business Department of Mitsui Fudosan Co., Ltd. (current position) Apr. 2012 Appointed President and CEO of Nippon Building Fund Management Ltd. (current position)
Yasushi Akimoto	Director, Head of Investment & Finance Group	Apr. 1983 Joined Mitsui Fudosan Co., Ltd. Apr. 1998 Seconded to Daiichi Engai Co., Ltd. under the supervision of Personnel Department of Mitsui Fudosan Apr. 2006 Head of Group under Business Promotion Section, Building Department of Mitsui Fudosan Apr. 2008 Seconded to Nippon Building Fund Management Ltd. under the supervision of Personnel Department of Mitsui Fudosan (current position) Apr. 2011 Became Director of Nippon Building Fund Management Ltd. (current position)
Masahiko Misao	Director, Head of Corporate Operation Group	Apr. 1980 Joined Sumitomo Life Insurance Company Apr. 2003 Manager of Real Property Department, Sumitomo Life Insurance Company Mar. 2008 Director and General Manager, Commercial Operation Department, Shinagawa Intercity Management Co., Ltd. (current position) Mar. 2012 Appointed Director and Head of Corporate Operation Group of Nippon Building Fund Management Ltd. (current position)
Masato Shikata	Director (Part-time)	Apr. 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Fukuhisa Kumada	Director (Part-time)	Sep. 2010 Became Director of Nippon Building Fund Management Ltd. (current position)
Toru Suzuki	Auditor (Part-time)	Apr. 2008 Became Auditor of Nippon Building Fund Management Ltd. (current position)
Hideo Yoshimura	Auditor (Part-time)	Jul. 2011 Became Auditor of Nippon Building Fund Management Ltd. (current position)

Compliance Initiatives

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

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

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

Risk Management System

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

■ NBF

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

■ Nippon Building Fund Management Ltd.

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

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

Policy and Management System for Dealing with Conflict of Interest Transactions

■ Fundamental Policy on Conflict of Interest Transactions

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

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

■ Voluntary Rules for Conflict of Interest Transactions Stipulated in Internal Bylaws

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

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

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

Management's Discussion and Analysis

Summary of Selected Financial Data

		21st Period from July 1, 2011 to December 31, 2011	20th Period from January 1, 2011 to June 30, 2011	19th Period from July 1, 2010 to December 31, 2010	21st Period from July 1, 2011 to December 31, 2011
Yen in millions, except per unit data or where otherwise indicated					U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 29,773	¥ 28,081	¥ 27,314	\$ 386,770
Revenue from property leasing activities		29,773	28,081	27,314	386,770
Gain on sale of investment property		—	—	—	—
Operating expenses		17,587	16,162	15,995	228,463
Rental expenses		16,145	14,951	14,824	209,734
Loss on sale of investment property		197	—	—	2,559
Income before income taxes		9,128	8,758	8,400	118,577
Net income	(a)	9,127	8,757	8,399	118,565
Funds from operations	Note 3	15,226	14,291	13,570	197,789
Net operating income from property leasing activities	Note 3	19,530	18,664	17,661	253,701
Total amount of cash distribution	(b)	8,793	8,757	8,398	114,227
Depreciation and amortization		5,902	5,534	5,171	76,665
Capital expenditures		1,975	1,695	1,769	25,656
Total assets	(c)	852,855	823,705	765,203	11,078,916
Interest-bearing debt		377,375	350,750	325,125	4,902,247
Net assets	(d)	424,242	423,872	394,575	5,511,071
Total number of units issued (units)	(e)	578,500	578,500	542,000	
Net assets per unit (Yen/\$)	(d) / (e)	733,348	732,709	727,996	9,526
Distribution per unit (Yen/\$)	(b) / (e)	15,200	15,138	15,495	197
Funds from operations per unit (Yen/\$)	Note 3	26,320	24,937	25,036	342
ROA	Note 3	1.1%	1.1%	1.1%	
(Annual rate)		(2.2%)	(2.3%)	(2.2%)	
ROE	Note 3	2.2%	2.1%	2.1%	
(Annual rate)		(4.3%)	(4.3%)	(4.3%)	
LTV (Loan to value)	Note 3	48.2%	46.5%	46.3%	
Capital ratio	(d) / (c)	49.7%	51.5%	51.6%	
Payout ratio	(b) / (a) Note 4	96.3%	100.0%	100.0%	
Number of days		184	181	184	
Number of investment properties	Note 5	64	64	59	
Number of tenants	Note 5	1,042	1,011	952	
Total rentable area (m ²)		861,153	828,491	762,983	
Occupancy rate	Note 5	98.1%	97.1%	96.6%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥76.98 = U.S. \$1.00, the approximate exchange rate on December 31, 2011.

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

Loan to value: (Interest-bearing debt + Deposits under management) / 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 is the ratio of gross leased area to total rentable area at the end of the period.

Operating Environment and Results

In the Japanese economy during the six months ended December 31, 2011 (the "21st Period"), factors including restoration of facilities damaged by the Great East Japan Earthquake of March 2011 resulted in a moderate increase in capital investment. Personal consumption firmed as well. On the other hand, exports and production were flat due to the deceleration of overseas economies, the appreciation of the yen and the lingering effects of flooding in Thailand.

In the office building leasing market, vacancy rates remained at high levels. At the same time, market rents remained weak and near bottom. However, with downward adjustment in rents and demand to consolidate and move to larger offices, occupancy rates in the central business districts (CBDs) of Tokyo seem to have bottomed out. Occupancy rates showed improvement particularly in high-quality large-scale properties with superior anti-seismic features, with expansion of floor space in certain buildings.

In the real estate acquisition market, despite a temporary decrease in transactions due to the effects of the Great East Japan Earthquake, activity was apparent, mainly in Tokyo CBDs, due to factors including stabilization of the fund procurement environment and adjustment of property prices.

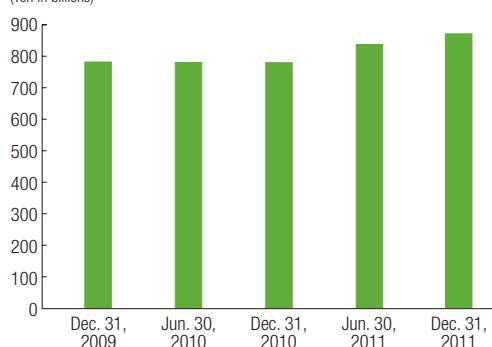
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size and infrastructure, and are expected to have stable cash flow from rents. During the 21st Period, NBF acquired two properties: the Mitsubishi Heavy Industries Head Office Building (acquisition price of ¥36,300 million) in September and the Nishi-Shinjuku Mitsui Building (additional acquisition of ¥99 million) in December. In line with its asset replacement strategy, NBF sold the NBF Sudacho Verde Building (sale price of ¥3,250 million).

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

As a result of these efforts, NBF's real estate portfolio as of December 31, 2011 totaled 64 properties. Total investment on an acquisition price basis was ¥870,230 million. Total rentable area was 861,153m². The occupancy rate increased 1.0 percentage points from June 30, 2011 to 98.1 percent. The number of tenants totaled 1,042.

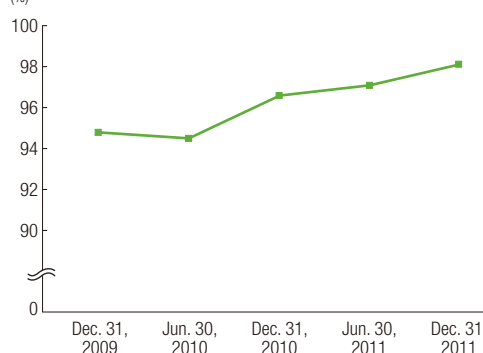
Total Investment

(Yen in billions)



Occupancy Rate

(%)

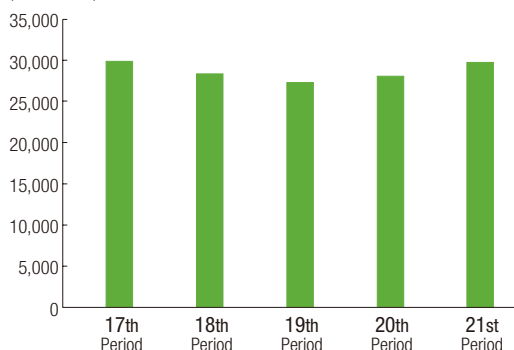


Overview of Performance

Operating revenues for the six months ended December 31, 2011 increased ¥1,692 million, or 6.0 percent, compared with the previous six-month period to ¥29,773 million, mainly because of the full-period occupancy of the six properties acquired during the period ended June 30, 2011, including additional acquisitions, and the new occupancy of the two properties acquired during the period ended December 31, 2011, including additional acquisitions. Operating income increased ¥267 million, or 2.2 percent, to ¥12,186 million. Net income increased ¥370 million, or 4.2 percent, to ¥9,127 million. Distribution per unit was ¥15,200.

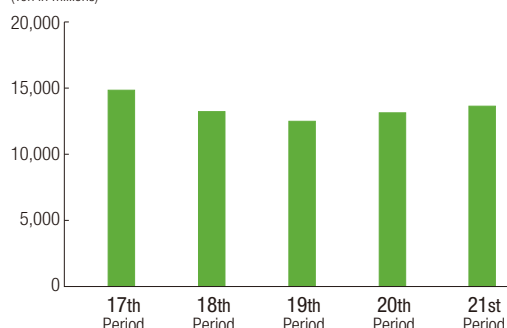
Operating Revenues

(Yen in millions)



Operating Income From Property Leasing Activities

(Yen in millions)



Distribution for the Current Period

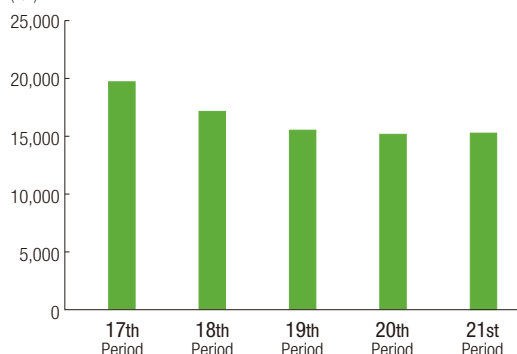
Distribution per unit for the current period was ¥15,200. NBF expects to distribute all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law of Japan to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
(Yen in thousands, except per unit amounts)			
Retained earnings	¥9,127,289	¥8,757,477	¥8,398,598
Undistributed earnings	—	144	308
Reserve for advanced depreciation	334,089	—	—
Total cash distribution	8,793,200	8,757,333	8,398,290
(Cash distribution per unit)	15,200	15,138	15,495
Distribution of accumulated earnings	8,793,200	8,757,333	8,398,290
(Distribution of accumulated earnings per unit)	15,200	15,138	15,495
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

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

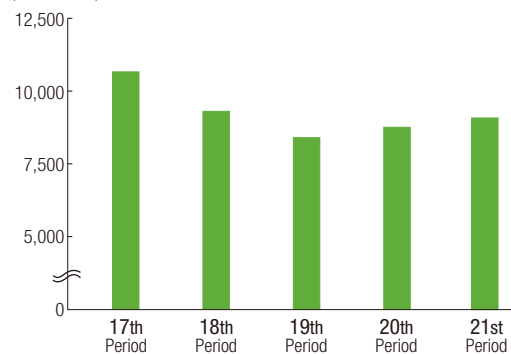
Distribution per Unit

(Yen)



Total Amount of Cash Distribution

(Yen in millions)



Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2011, total assets increased by ¥29,150 million to ¥852,855 million compared with June 30, 2011. Return on average total assets (ROA) for the six months ended December 31, 2011 decreased to 1.09 percent from 1.13 percent for the previous six-month period.

Current assets decreased by ¥1,682 million to ¥36,418 million compared with June 30, 2011. Investment properties increased by ¥30,643 million to ¥810,998 million compared with June 30, 2011.

Liabilities

Current liabilities decreased by ¥8,034 million to ¥74,392 million compared with June 30, 2011, primarily because of a decrease in long-term debt due within one year compared with June 30, 2011.

Long-term debt increased by ¥35,625 million to ¥312,625 million compared with June 30, 2011.

As a result, total interest-bearing liabilities increased by ¥26,625 million to ¥377,375 million compared to June 30, 2011. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities increased to 82.8 percent as of December 31, 2011 from 79.0 percent as of June 30, 2011. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 48.2 percent as of December 31, 2011 from 46.5 percent as of June 30, 2011.

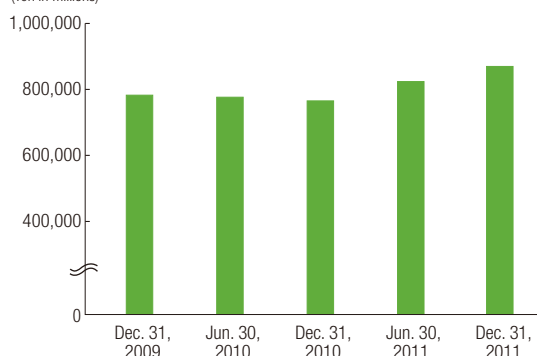
In addition, NBF worked to diversify funding sources. In January 2011, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

Net assets

Net assets increased by ¥370 million to ¥424,242 million compared with June 30, 2011.

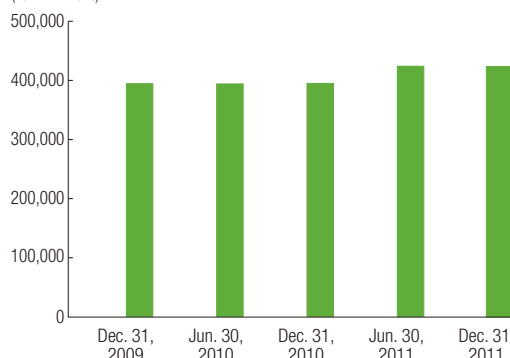
Total Assets

(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, 2011, NBF had issued 578,500 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

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.

Market Price of Units

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

	For the six months ended December 31, 2011	For the six months ended June 30, 2011 (Yen)	For the six months ended December 31, 2010
High	¥830,000	¥871,000	¥850,000
Low	620,000	735,000	702,000

Borrowings

Borrowings from financial institutions as of December 31, 2011 are shown below.

Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Mitsubishi UFJ Trust and Banking Corporation	¥15,000	0.3%	January 31, 2012	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
The Gunma Bank, Ltd.	2,000	0.5%	January 31, 2012			
The 77 Bank, Ltd.	2,000	0.5%	February 29, 2012			
Shinkin Central Bank	1,000	0.5%	January 31, 2012			
The Joyo Bank, Ltd.	1,000	0.5%	February 29, 2012			
The Chugoku Bank, Limited	1,000	0.5%	March 30, 2012			
Total short-term loans	¥22,000					

Long-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	(Note 2) (Note 3)		
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
	4,375	2.2%	April 28, 2019			
	9,000	2.2%	August 30, 2019			
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			
Sumitomo Life Insurance Company	7,000	2.1%	May 23, 2018	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	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			
	4,000	1.5%	December 28, 2012			
	6,000	1.9%	April 28, 2014			
	1,000	1.8%	June 30, 2014			
Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
The Chuo Mitsui Trust and Banking Co., LIMITED	10,000	1.2%	June 1, 2018			
	10,000	1.1%	December 30, 2019			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
	8,000	1.7%	July 31, 2013			
	7,000	1.2%	November 30, 2018			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
	3,000	1.9%	May 29, 2014			
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			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			
	7,000	1.6%	April 27, 2012			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.0%	June 1, 2017			
	3,000	0.7%	December 30, 2016			
Resona Bank, Limited.	3,000	2.0%	October 30, 2015			
	1,000	1.0%	June 1, 2017			
	3,000	1.0%	March 8, 2019			
THE BANK OF FUKUOKA, Ltd.	4,000	1.9%	July 12, 2012			
	2,000	1.0%	June 1, 2017			
Nippon Life Insurance Company	2,000	1.4%	April 1, 2015			
	2,000	1.3%	October 19, 2018			
	2,000	1.3%	May 31, 2019			
Meiji Yasuda Life Insurance Company	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
DAIDO LIFE INSURANCE COMPANY	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
	2,000	1.6%	February 3, 2015			
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			
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			

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)	Fixed rate Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	2,000	1.0%	February 25, 2016			
The Yamaguchi Bank, Ltd.	1,000	0.9%	January 4, 2017			
	1,000	1.1%	May 1, 2019			
The Yamanashi Chuo Bank, Ltd.	1,000	1.1%	December 28, 2012			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
Total long-term loans	¥285,375					
Total borrowings (Note 6)	¥307,375					

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	¥42,750	¥36,750	¥29,750	¥40,750

NBF Bonds

Issue	Issue date	Balance as of December 31, 2011 (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. 8 Unsecured Bonds	March 7, 2007	10,000	1.48%	March 7, 2012	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
Total (Note 6)		¥70,000					

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

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

Others

NBF has security deposits totaling ¥41,510 million as of December 31, 2011.

Capital Expenditures

1. Planning

As of December 31, 2011, 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, 2011 to December 31, 2011)	Cumulative amount paid
				(Yen in millions)	
NBF Shin-Urayasu Tower	Renovation of air conditioning	From October 2012 to November 2012	¥270	¥ —	¥ —
Sumitomo Densetsu Bldg.	Renovation of air conditioning	From July 2012 to December 2012	142	—	—
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning	From July 2012 to December 2012	130	—	—
Aqua Dojima NBF Tower	Renovation of air conditioning	From January 2012 to April 2012	123	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of common area	From July 2012 to December 2012	119	—	—
Nakanosakaue Sunbright Twin	Renovation of automatic control	From July 2012 to December 2012	119	—	—
Shin-Kawasaki Mitsui Bldg.	Renovation of heating equipment	From September 2011 to February 2012	113	—	—
Sumitomo Densetsu Bldg.	Renovation of air conditioning	From January 2012 to June 2012	112	—	—
Aqua Dojima NBF Tower	Renovation of air conditioning	From October 2012 to December 2012	101	—	—
NBF Takanawa Bldg.	Renovation of air conditioning	From July 2012 to December 2012	93	—	—
NBF Unix Bldg.	Renovation of air conditioning	From October 2012 to October 2012	58	—	—
NBF Ogawamachi Bldg.	Renovation of air conditioning	From March 2012 to May 2012	53	—	—
NBF Atsugi Bldg.	Renovation of air conditioning	From January 2012 to March 2012	52	—	—
Aqua Dojima East	Renovation of central monitoring board	From March 2012 to May 2012	34	—	—
NBF Utsunomiya Bldg.	Attachment of sunshine adjustment film	From April 2012 to June 2012	25	—	—
NBF Shijo Karasuma Bldg.	Renovation of car parking tower	From September 2012 to September 2012	20	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,976 million in capital expenditures together with ¥836 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning, renovation of restroom, renovation of total enthalpy heat exchanger, etc.	From July 2011 to December 2011	¥ 194
Aqua Dojima NBF Tower	Renovation of air conditioning, renovation of fire information equipment, renovation of security system, etc.		192
NBF Takanawa Bldg.	Renovation of air conditioning, renovation of incoming and transforming facilities, renovation of steel door in common area, etc.		133
Sumitomo Densetsu Bldg.	Renovation of air conditioning, renovation of elevator, attachment of power demand monitor, etc.		115
GSK Bldg.	Renovation of air conditioning, renovation of lighting distribution board, renovation of incoming and transforming facilities, etc.		107
Yotsuya Medical Bldg.	Leasehold improvement, movement of equipment, renovation of emergency generator, etc.		106
NBF Hibiya Bldg.	Renovation of cooling tower, renovation of air conditioning, leasehold improvement, etc.		102
NBF Sendai Honcho Bldg.	Leasehold improvement, renovation of central monitoring board, attachment of sunshine adjustment film, etc.		78
NBF Atsugi Bldg.	Renovation of air conditioning, renovation of incoming and transforming facilities, leasehold improvement, etc.		40
NBF Shijo Karasuma Bldg.	Renovation of lightning equipment, renovation of car parking tower, renovation of restroom, etc.		17
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		892
Total			¥1,976

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, 2011	As of June 30, 2011
	(Yen in millions)	
Reserve balance at the beginning of the period	¥2,755	¥1,182
Amount accumulated in the current period	1,817	4,414
Withdrawal from reserves in the current period	2,942	2,841
Amount carried forward	¥1,630	¥2,755

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 ¥4,958 million as of December 31, 2011.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
	(Yen in millions)		
Asset management fees	¥1,027	¥ 973	¥ 943
Asset custody fees	39	36	37
Agent fees (stock transfer, accounting and administrative)	46	51	44
Directors' remuneration	16	17	19
Auditor's fees	13	13	13
Other expenses	104	121	115
Total	¥1,245	¥1,211	¥1,171

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 held in trust, acquired and sold by NBF in the current period.

(Yen in millions)		
Acquisitions		
Name of building	Date	Acquisition price (Note 1)
Mitsubishi Heavy Industries Head Office Bldg.	September 1, 2011	¥36,300
Nishi-Shinjuku Mitsui Bldg. (additional acquisition)	December 6, 2011	99
Total		¥36,399

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

(Yen in millions)		
Sale		
Name of building	Date	Sale price
NBF Sudacho Verde Bldg.	August 1, 2011	¥3,250
	December 26, 2011	
Total		¥3,250

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, 2011 to December 31, 2011

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A
		Paid to	Amount of payment (B) (Yen in millions)	
Office management fees, etc. (Note 4)	¥1,252	Mitsui Fudosan Co., Ltd.	¥1,215	97.0%
		NBF Office Management Co., Ltd.	32	2.5%
Property maintenance fees	2,989	First Facilities Co., Ltd.	517	17.3%
		Mitsui Fudosan Co., Ltd.	343	11.5%
		Mitsui Fudosan Building Management Co., Ltd.	174	5.8%
		First Facilities West Co., Ltd.	119	4.0%
		First Facilities Yokohama Co., Ltd.	11	0.4%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.1%
Leasing related service fees	55	Mitsui Fudosan Co., Ltd.	24	43.5%
		NBF Office Management Co., Ltd.	9	15.5%
		Mitsui Fudosan Building Management Co., Ltd.	1	1.0%

- 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, 2011 to December 31, 2011, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd., and Mitsui Real Estate Sales 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. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, 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.	¥590
First Facilities West Co., Ltd.	332
Mitsui Fudosan Co., Ltd.	306
Mitsui Fudosan Building Management Co., Ltd.	160
Mitsui Fudosan Housing Lease Co., Ltd.	9
Mitsui Real Estate Sales Co., Ltd.	0
First Facilities Yokohama Co., Ltd.	0
LaLaport Management Co., Ltd.	0
Mitsui Home Linkage Co., Ltd.	0

Balance Sheets

NIPPON BUILDING FUND INC.
As of December 31, 2011 and June 30, 2011

	As of December 31, 2011	As of June 30, 2011
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents (Note 4)	¥ 35,486	¥ 35,995
Tenant receivables	294	286
Other current assets	638	1,819
Total current assets	36,418	38,100
Investment Properties:		
Land including trust accounts (Notes 5, 15)	530,202	503,240
Buildings and improvements including trust accounts (Notes 5, 15)	316,673	307,783
Other tangible assets (Notes 5, 15)	10,073	9,585
Less: accumulated depreciation (Notes 5, 15)	(81,601)	(75,905)
Leasehold rights in trust accounts and other intangible assets (Note 15)	35,651	35,652
Total investment properties, net	810,998	780,355
Other Assets	5,439	5,250
Total Assets	¥852,855	¥823,705
Liabilities		
Current Liabilities:		
Short-term loans (Notes 4, 7)	¥ 22,000	¥ 8,000
Long-term debt due within one year (Notes 4, 7)	42,750	65,750
Accounts payable	3,889	3,630
Rents received in advance	3,795	3,648
Provision for loss on disaster (Note 10)	—	43
Accrued expenses and other liabilities	1,958	1,355
Total current liabilities	74,392	82,426
Long-term Debt (Notes 4, 7)	312,625	277,000
Tenant Security Deposits Including Trust Accounts (Note 4)	41,510	40,328
Other Liabilities	86	79
Total Liabilities	428,613	399,833
Net Assets (Note 6)		
Unitholders' Equity		
Unitholders' capital	415,115	415,115
Units authorized: 2,000,000 units		
Units issued and outstanding: 578,500 units		
Retained earnings	9,127	8,757
Total Net Assets	424,242	423,872
Total Liabilities and Net Assets	¥852,855	¥823,705

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, 2011, June 30, 2011 and December 31, 2010

	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
	(Yen in millions)		
Operating Revenues and Expenses			
Operating Revenues:			
Rental (Note 8)	¥27,041	¥25,773	¥24,747
Other revenues related to property leasing (Note 8)	2,732	2,308	2,567
Total Operating Revenues	29,773	28,081	27,314
Operating Expenses:			
Property management fees (Note 8)	4,217	3,947	3,776
Real estate taxes (Note 8)	2,645	2,678	2,621
Repairs and maintenance (Note 8)	836	579	718
Insurance (Note 8)	34	32	32
Other rental expenses (Note 8)	2,511	2,181	2,506
Depreciation and amortization (Note 8)	5,902	5,534	5,171
Loss on sale of investment property (Note 9)	197	—	—
Asset management fees	1,027	973	943
Other operating expenses	218	238	228
Total Operating Expenses	17,587	16,162	15,995
Operating Income	12,186	11,919	11,319
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	4	4	7
Non-Operating Expenses:			
Interest expense	(3,006)	(2,861)	(2,888)
Amortization of bond issuance costs	(9)	(5)	(5)
New investment units issuance costs	—	(58)	—
Other non-operating expenses, net	(47)	(35)	(33)
Ordinary Income	9,128	8,964	8,400
Extraordinary Loss:			
Loss on disaster (Note 10)	—	(163)	—
Provision for loss on disaster (Note 10)	—	(43)	—
Income before Income Taxes	9,128	8,758	8,400
Current and deferred income taxes (Note 11)	(1)	(1)	(1)
Net Income	¥ 9,127	¥ 8,757	¥ 8,399

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, 2011, June 30, 2011 and December 31, 2010

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of June 30, 2010	542,000	¥386,176	¥9,282	¥395,458
Cash dividends declared	—	—	(9,282)	(9,282)
Net income	—	—	8,399	8,399
Balance as of December 31, 2010	542,000	386,176	8,399	394,575
Cash dividends declared	—	—	(8,399)	(8,399)
Issuance of new units through public offering as of January 26, 2011	34,000	26,957	—	26,957
Issuance of new units through allocation to a third party as of February 22, 2011	2,500	1,982	—	1,982
Net income	—	—	8,757	8,757
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

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, 2011, June 30, 2011 and December 31, 2010

	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 9,128	¥ 8,758	¥ 8,400
Depreciation and amortization	5,902	5,534	5,171
Amortization of bond issuance costs	9	5	5
Increase (Decrease) in provision for loss on disaster	(43)	43	—
Interest expense	3,006	2,861	2,888
(Increase) Decrease in tenant receivables	(8)	(6)	21
Increase (Decrease) in accounts payable	272	(162)	757
Increase (Decrease) in rents received in advance	147	300	(28)
Decrease in investment properties due to sale	3,319	—	—
Cash payments of interest expense	(3,004)	(2,864)	(2,887)
(Increase) Decrease in consumption tax refund receivable	1,102	(1,102)	—
Others, net	690	(272)	(226)
Net Cash Provided by Operating Activities	20,520	13,095	14,101
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(39,809)	(60,042)	(1,756)
Proceeds from tenant security deposits	2,663	5,039	4,213
Payments for tenant security deposits	(1,481)	(1,348)	(4,727)
Payments for security deposits paid to lessors	(8)	(10)	(15)
Others, net	(208)	(517)	(92)
Net Cash Used in Investing Activities	(38,843)	(56,878)	(2,377)
Cash Flows from Financing Activities:			
Proceeds from (Repayment of) short-term loans, net	14,000	—	(8,000)
Proceeds from long-term debt	47,000	32,000	2,000
Repayment of long-term debt	(34,375)	(6,375)	(2,375)
Proceeds from issuance of new units	—	28,881	—
Payments for bond issuance costs	(53)	—	—
Payment of dividends	(8,758)	(8,396)	(9,281)
Net Cash Provided by (Used in) Financing Activities	17,814	46,110	(17,656)
Net Change in Cash and Cash Equivalents	(509)	2,327	(5,932)
Cash and Cash Equivalents at the Beginning of Period	35,995	33,668	39,600
Cash and Cash Equivalents at the End of Period	¥ 35,486	¥ 35,995	¥ 33,668

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, 2011, June 30, 2011 and December 31, 2010

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., The Chuo Mitsui Trust and Banking Co., Ltd., 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, 2011, NBF had ownership or beneficiary interests in 64 office properties containing approximately 861,153 square meters of rentable office space. As of December 31, 2011, NBF had leased office space to 1,042 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 98.1%.

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.

Provision for Loss on Disaster

Provision for loss on disaster is recorded at the amount reasonably estimated at the period-end to provide for repair costs for assets damaged by the Great East Japan Earthquake.

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 ¥66 million for the period ended December 31, 2011 and ¥293 million for the period ended June 30, 2011. No capitalized real estate taxes were incurred for the period ended December 31, 2010.

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 Change in Accounting Policy

The New Accounting Standard for Asset Retirement Obligations

Effective from the fiscal period ended December 31, 2010, NBF adopted “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 18 issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008). There was no impact on its financial position or results of the operation as a result of such adoption.

Note 4 Financial Instruments

(For the six months ended December 31, 2011)

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, 2011 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).

	Book value	Fair value	Difference
(Yen in millions)			
Assets			
(1) Cash and cash equivalents	¥ 35,486	¥ 35,486	¥ —
Total	¥ 35,486	¥ 35,486	¥ —
Liabilities			
(1) Short-term loans	¥ 22,000	¥ 22,000	¥ —
(2) Long-term debt due within one year	42,750	42,932	182
(3) Long-term debt	312,625	322,838	10,213
Total	¥377,375	¥387,770	¥10,395

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

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

	Book value	Fair value	Difference
(Yen in millions)			
(1) Investment corporation bonds	¥10,000	¥10,020	¥ 20
(2) Long-term loans	32,750	32,912	162
Total	¥42,750	¥42,932	¥182

1) Investment corporation bonds

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

2) Long-term loans

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

(3) Long-term debt

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

	Book value	Fair value	Difference
(Yen in millions)			
(1) Investment corporation bonds	¥ 60,000	¥ 61,860	¥ 1,860
(2) Long-term loans	252,625	260,978	8,353
Total	¥312,625	¥322,838	¥10,213

1) Investment corporation bonds

The 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)

	Book value
Tenant Security Deposits Including Trust Accounts	¥41,510

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

(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	¥35,486	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds

(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	¥22,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	10,000	—	10,000	20,000	10,000	20,000
Long-term loans	32,750	42,750	36,750	29,750	40,750	102,625
Total	¥64,750	¥42,750	¥46,750	¥49,750	¥50,750	¥122,625

(For the six months ended June 30, 2011)

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

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

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of June 30, 2011 are as follows.

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

	(Yen in millions)		
	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 35,995	¥ 35,995	¥ —
Total	¥ 35,995	¥ 35,995	¥ —
Liabilities			
(1) Short-term loans	¥ 8,000	¥ 8,000	¥ —
(2) Long-term debt due within one year	65,750	66,089	339
(3) Long-term debt	277,000	286,276	9,276
Total	¥350,750	¥360,365	¥9,615

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

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

	(Yen in millions)		
	Book value	Fair value	Difference
(1) Investment corporation bonds	¥20,000	¥20,079	¥ 79
(2) Long-term loans	45,750	46,010	260
Total	¥65,750	¥66,089	¥339

1) Investment corporation bonds

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

2) Long-term loans

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

(3) Long-term debt

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

	(Yen in millions)		
	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 50,000	¥ 51,763	¥1,763
(2) Long-term loans	227,000	234,513	7,513
Total	¥277,000	¥286,276	¥9,276

1) Investment corporation bonds

The 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)
	Book value
Tenant Security Deposits Including Trust Accounts	¥40,328

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

	(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	¥35,995	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds

	(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	¥ 8,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	20,000	—	10,000	10,000	10,000	20,000
Long-term loans	45,750	27,750	41,750	26,750	61,750	69,000
Total	¥73,750	¥27,750	¥51,750	¥36,750	¥71,750	¥89,000

Note 5 Schedule of Tangible Assets of Investment Properties

Tangible assets as of December 31, 2011 and June 30, 2011 consisted of the following:

	As of December 31, 2011			As of June 30, 2011		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥245,812	¥ —	¥245,812	¥248,256	¥ —	¥248,256
Land in trust	284,390	—	284,390	254,984	—	254,984
Land including trust total	530,202	—	530,202	503,240	—	503,240
Buildings and improvements	170,556	(32,492)	138,064	170,905	(29,674)	141,231
Buildings and improvements in trust	146,117	(44,833)	101,284	136,878	(42,298)	94,580
Building and improvements including those in trust	316,673	(77,325)	239,348	307,783	(71,972)	235,811
Structures	2,684	(1,025)	1,659	2,673	(941)	1,732
Machinery and equipment	1,432	(612)	820	1,424	(553)	871
Tools, furniture and fixtures	1,098	(462)	636	1,071	(416)	655
Structures in trust	2,047	(732)	1,315	1,936	(680)	1,256
Machinery and equipment in trust	1,589	(792)	797	1,373	(728)	645
Tools, furniture and fixtures in trust	1,214	(653)	561	1,101	(615)	486
Construction in process	9	—	9	—	—	—
Construction in process in trust	—	—	—	7	—	7
Other tangible assets total	10,073	(4,276)	5,797	9,585	(3,933)	5,652
Total	¥856,948	¥(81,601)	¥775,347	¥820,608	¥(75,905)	¥744,703

Note 6 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 7 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, 2011 and June 30, 2011 ranged from 0.33% to 0.49% and from 0.54% to 0.65%, respectively. Long-term debt is at fixed rates and as of December 31, 2011 and June 30, 2011 consisted of the following:

	As of December 31, 2011	As of June 30, 2011
	(Yen in millions)	
Unsecured loans due 2012 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.4%	¥285,375	¥272,750
1.60% unsecured bonds due 2011 (Note 1)	—	10,000
1.48% unsecured bonds due 2012 (Note 2)	10,000	10,000
1.74% unsecured bonds due 2014 (Note 2)	10,000	10,000
1.23% unsecured bonds due 2015 (Note 2)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 2)	10,000	10,000
0.64% unsecured bonds due 2016 (Note 2)	10,000	—
2.04% unsecured bonds due 2017 (Note 2)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 1)	10,000	10,000
	355,375	342,750
Less: amount due within one year	42,750	65,750
	¥312,625	¥277,000

Notes: 1. Subject to provision of collateral and financial restrictions pursuant to material decline in credit rating.
2. Subject to provision of collateral restrictions.

The annual maturities of long-term debt as of December 31, 2011 were as follows:

	(Yen in millions)
Due after one to two years	¥ 42,750
Due after two to three years	46,750
Due after three to four years	49,750
Due after four to five years	50,750
Due after five years	122,625

During the period ended December 31, 2011, 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, 2011.

Note 8 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2011, June 30, 2011 and December 31, 2010 were as follows:

	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
	(Yen in millions)		
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥24,359	¥23,061	¥22,025
Common area charges	2,568	2,598	2,608
Others	114	114	114
Subtotal	27,041	25,773	24,747
Other revenues related to property leasing:			
Parking lots	566	554	531
Facility charge	175	156	138
Incidental income	1,719	1,483	1,808
Cancellation fees	219	64	46
Miscellaneous income	53	51	44
Subtotal	2,732	2,308	2,567
Total revenues from property leasing	29,773	28,081	27,314
Rental Expenses:			
Property management fees	4,217	3,947	3,776
Real estate taxes	2,645	2,678	2,621
Repairs and maintenance	836	579	718
Insurance	34	32	32
Other rental expenses	2,511	2,181	2,506
Depreciation and amortization	5,902	5,534	5,171
Total rental expenses	16,145	14,951	14,824
Operating Income from Property Leasing Activities	¥13,628	¥13,130	¥12,490

Note 9 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 June 30, 2011 and December 31, 2010.

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 10 Extraordinary Loss

Repair costs for assets damaged by the Great East Japan Earthquake were recognized as extraordinary loss.

Note 11 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, 2011, June 30, 2011 and December 31, 2010. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
Statutory tax rate	39.33%	39.33%	39.33%
Deductible dividends	(37.89)	(39.33)	(39.33)
Others	(1.43)	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

Note 12 Per Unit Information

Information about earnings per unit for the periods ended December 31, 2011, June 30, 2011 and December 31, 2010 and net assets per unit as of December 31, 2011, June 30, 2011 and December 31, 2010 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 December 31, 2011	For the six months ended June 30, 2011	For the six months ended December 31, 2010
		(Yen)	
Earnings per Unit:			
Net income	¥15,777	¥15,280	¥15,495
Weighted average number of units outstanding	578,500	573,086	542,000
	As of December 31, 2011	As of June 30, 2011	As of December 31, 2010
Net Assets per Unit	¥733,348	¥732,709	¥727,996

Note 13 Leases**As Lessor**

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of December 31, 2011 and June 30, 2011, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of December 31, 2011	As of June 30, 2011
	(Yen in millions)	
Due within one year	¥23,687	¥22,450
Due after one year	36,864	32,119
Total	¥60,551	¥54,569

As Lessee

NBF leases some of its investment properties from outside parties under non-cancelable operating leases. As of December 31, 2011 and June 30, 2011, future minimum rental expenses under the non-cancelable operating leases are as follows:

	As of December 31, 2011	As of June 30, 2011
	(Yen in millions)	
Due within one year	¥2	¥2
Due after one year	3	4
Total	¥5	¥6

Note 14 Transactions with Related Parties

(For the six months ended December 31, 2011)

- (1) Parent Company and Major Corporate Unitholders
None applicable.
- (2) Affiliates
None applicable.
- (3) Sister Companies
None applicable.
- (4) Directors and Major Individual Unitholders

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

Notes: 1. Koichi Nishiyama 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 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 June 30, 2011)

- (1) Parent Company and Major Corporate Unitholders
None applicable.
- (2) Affiliates
None applicable.
- (3) Sister Companies
None applicable.
- (4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction Yen in millions	Account	Balance at end of period Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,244 (Note 2) (Note 4)	Accounts payable	¥285 (Note 4)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 3)	¥7 (Note 4)	Accounts payable	¥1 (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 ¥272 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 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, 2010)

(1) Parent Company and Major Corporate Unitholders
None applicable.

(2) Affiliates
None applicable.

(3) Sister Companies
None applicable.

(4) Directors and Major Individual Unitholders

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)	¥943 (Note 3)	Accounts payable	¥241 (Note 3)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 2)	¥2 (Note 3)	Accounts payable	¥1 (Note 3)

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. 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 Regarding the Management of Institutions" concluded between NBF and NBFM.
3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

Note 15 Investment and Rental Property

(For the six months ended December 31, 2011)

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.

Carrying amount			Fair value
As of June 30, 2011	Net increase	As of December 31, 2011	As of December 31, 2011
¥780,381	¥30,651	¥811,032	¥856,690

Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major increase in the carrying amount during the period was mainly due to the acquisitions of 2 properties (Mitsubishi Heavy Industries Head Office Bldg. and Nishi-Shinjuku Mitsui Bldg. (additional acquisition), ¥37,746 million) and the major decrease was mainly due to sale of NBF Sudacho Verde Bldg. which amounted to ¥3,319 million and recognition of depreciation costs.
3. Fair value as of December 31, 2011 is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the six months ended December 31, 2011 is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Loss on Sale of Investment Property).

(For the six months ended June 30, 2011)

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.

Carrying amount			Fair value
As of December 31, 2010	Net increase	As of June 30, 2011	As of June 30, 2011
¥725,823	¥54,558	¥780,381	¥822,483

Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major increase in the carrying amount during the period was mainly due to the acquisitions of 6 properties (NBF Ueno Bldg., River City M-SQUARE, Nihonbashi Kabutocho M-SQUARE, Hakata Gion M-SQUARE, Gate City Ohsaki (additional acquisition), and Chofu South Gate Bldg., ¥58,409 million) and the major decrease was mainly due to recognition of depreciation costs.
3. Fair value as of June 30, 2011 is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the six months ended June 30, 2011 is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Loss on Sale of Investment Property).

Note 16 Segment Information

Effective from the fiscal period ended December 31, 2010, NBF has adopted the "Accounting Standard for Disclosure of Segment Information" (ASBJ Statement No. 17, revised on March 27, 2009) and the "Guidance on Accounting Standard for Disclosure of Segment Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

(For the six months ended December 31, 2011)

Segment Information

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

Related Information

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.

(For the six months ended June 30, 2011)

Segment Information

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

Related Information

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.	¥6,320	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, 2010)

Segment Information

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

Related Information

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.	¥6,306	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.

Note 17 Significant Subsequent Events

Issuance of New Units

At meetings of the Board of Directors held on January 10, 2012 and January 18, 2012, NBF resolved the issuance of new units. Payments for the new issuance were made on January 25, 2012 and February 21, 2012, and the new units were issued under the conditions described below.

As a result, the total amount of stated capital increased to ¥436,013 million and the number of units issued and outstanding increased to 613,000 units.

A. Issuance of New Units through Public Offering

(I) Number of units issued	30,000 units
(II) Offering price per unit	¥624,975
(III) Total offering price	¥18,749 million
(IV) Issue price per unit	¥605,745
(V) Total issue price	¥18,172 million
(VI) Payment date	January 25, 2012
(VII) Initial date subject to distribution	January 1, 2012

B. Issuance of New Units through Third Party Allotment

(I) Number of units issued	4,500 units
(II) Issue price per unit	¥605,745
(III) Total issue price	¥2,726 million
(IV) Payment date	February 21, 2012
(V) Initial date subject to distribution	January 1, 2012
(VI) Allottee	Nomura Securities Co., Ltd.

Independent Auditors' Report

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

We have audited the accompanying financial statements of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as of December 31, 2011 and June 30, 2011, and the related statements of income, changes in net assets and cash flows for each of the six months ended December 31, 2011, June 30, 2011 and December 31, 2010, 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 the financial statements that are free from material misstatement, 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, but 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of December 31, 2011 and June 30, 2011, and the results of its operations and its cash flows for each of the six months ended December 31, 2011, June 30, 2011 and December 31, 2010, in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 17 to the financial statements, which states that Nippon Building Fund Inc. issued new units.

KPMG AZS'A LLC

Tokyo, Japan
March 28, 2012

■ 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, 2011, NBFM has been entrusted as an asset management company only by NBF.

As of the same date, NBFM has paid-in capital of ¥495 million. There is no capital relationship with NBF. Koichi Nishiyama, President & CEO of NBFM, is concurrently an executive director of 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, 2011)

Name	Number of Shares Owned	Percent
Mitsui Fudosan Co., Ltd.	4,257	43.0%
Sumitomo Life Insurance Company	3,465	35.0
The Chuo Mitsui Trust and Banking Co., Ltd.	495	5.0
Sumitomo Mitsui Banking Corporation	495	5.0
Daido Life Insurance Company	297	3.0
Mitsui Sumitomo Insurance Co., Ltd.	297	3.0
Mitsui Life Insurance Company Limited	297	3.0
Britel Fund Trustees Limited	297	3.0
Total	9,900	100.0%

Directors and Staff

As of December 31, 2011, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 17 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Yasushi Akimoto	Director, Head of Investment & Finance Group (standing)
Hiroshi Yabuki	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, 2011	(Yen in millions)
Total assets	¥1,879
Total liabilities	341
Total net assets	1,538

Profit and loss for the most recent fiscal year:

Year ended March 31, 2011	(Yen in millions)
Operating income	¥2,165
Ordinary profit	1,409
Net income	832

■ Investment Policies of NBF

A. Basic Policies

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

B. Investment Strategy

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

(1) Strategy for Creation of the Portfolio

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

Area Diversification

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

The following table sets forth above said area diversification strategy.

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

Total of above two areas: 70% or more

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

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, 2011, NBF satisfied the criteria.

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

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

b) Due Diligence

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

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

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

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

c) Uncompleted or Unleasable Properties

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

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

(3) Management and Disposition Policies

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

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

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

a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of December 31, 2011, foreseen reserves provided from January 2011 to December 2012 are as follows:

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

Total Foreseen Amount (annual basis): ¥3,560 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 64 properties owned by NBF as of December 31, 2011.

b) Measures to Avoid Reductions and Fluctuations in Operating Income

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

c) Disposition

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

(4) Financial Policies

a) Issuance of Units

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

b) Debt Financing

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

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

c) Loan-to-Value Ratio

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

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

d) Derivative Transactions

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

(5) Disclosure Policy

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

a) Appraisal Value, etc.

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

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

■ Investment Objectives of NBF

Investment Restrictions in Articles of Incorporation

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

A. Principal Investment Objectives among Designated Assets

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

- (1) Real estate, real estate leasehold interests and superficies
- (2) Beneficiary Certificates backed by real estate, real estate leasehold rights and superficies, including inclusive trusts consisting of funds appurtenant to real estate
- (3) *Tokumei kumiai* ownership interests as defined by Article 535 of the Commercial Code of Japan (provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (4) Equity interests in partnerships as defined by Article 667 of the Civil Code of Japan (limited to leased, operating and managed partnership assets primarily referred to in paragraphs (1) and (2) above that are specified in Article 2.2.5 of the Financial Instruments and Exchange Law of Japan)
- (5) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.8 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (6) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.13 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (7) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.10 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above)
- (8) Investment Securities (meaning those specified in Article 2.1.11 of the

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

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

B. Other Investment Objectives among Designated Assets

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

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

C. Assets Other than Designated Assets

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

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

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

■ Distribution Policies of NBF

A. Distributions of Profits

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

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

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

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

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

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

B. Distribution in Excess of Earnings

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

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

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

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

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions, etc.

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

■ Investment Restrictions

A. Investment Restrictions in Articles of Incorporation

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

(1) Investment Location and Currencies

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

(2) Borrowing

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

(3) Concentration of Investment

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

(4) Investment Objectives

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

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

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

(5) Compliance with Laws and Regulations

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

Corporate Data

(As of April 30, 2012)

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 http://www.nbf-m.com/nbf_e/
Date of Inception:	March 16, 2001
Capital:	Contributed capital and units issued and outstanding: ¥415,115 million 578,500 units
Unitholders:	15,220
Transfer Agent:	Sumitomo Mitsui Trust Bank, Ltd. 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of Sumitomo Mitsui Trust Bank, Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Auditors:	KPMG AZSA LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 29, 2012 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2011 to December 31, 2011, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

Investors' Information

(As of December 31, 2011)

Fiscal Periods

Six months ending June 30 and December 31

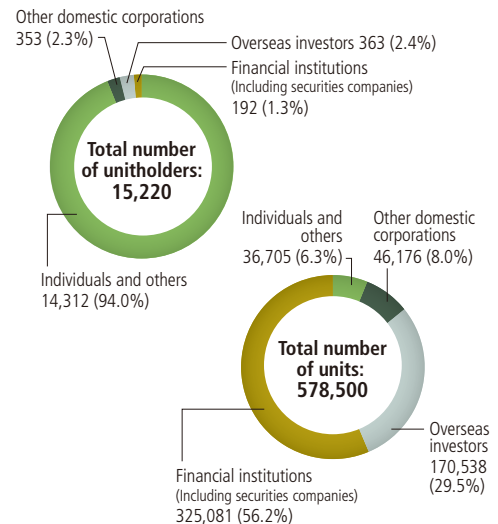
Total Number of Units Issued

21st Period (From July 1, 2011 to December 31, 2011)	578,500 units
20th Period (From January 1, 2011 to June 30, 2011)	578,500 units

Distributions

Expected distribution for the 22nd Period (ending June 2012)	
For the operating period from January 1, 2012 to June 30, 2012 (6 months)	¥15,100 per unit
Confirmed distribution for the 21st Period (ended December 2011)	
For the operating period from July 1, 2011 to December 31, 2011 (6 months)	¥15,200 per unit

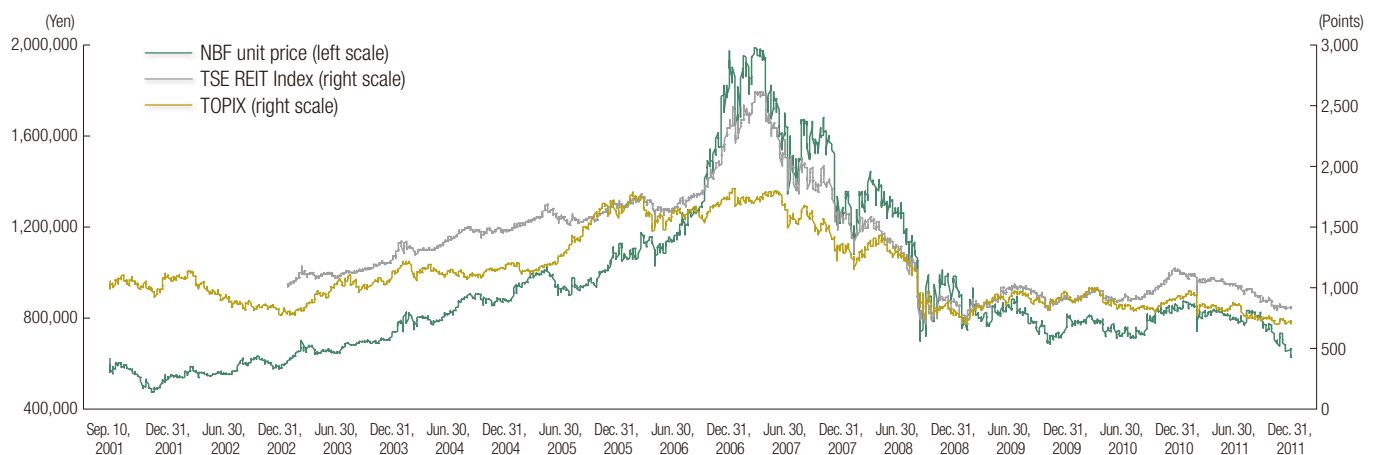
Unitholders



Major Unitholders

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	89,581	15.5%
The Nomura Trust and Banking Co., Ltd. (Trust Account)	46,658	8.1
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	44,831	7.7
Mitsui Fudosan Co., Ltd.	20,815	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,312	3.2
Sumitomo Life Insurance Company	12,256	2.1
Nomura Bank (Luxembourg) SA	11,573	2.0
The Chugoku Bank, Ltd.	7,636	1.3
State Street Bank and Trust Company 505223	7,530	1.3
Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives)	7,071	1.2

Historical Unit Price





Nippon Building Fund Inc.

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9-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-6738, Japan

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