



# 22<sup>nd</sup> Period

## NBF Report January – June 2012



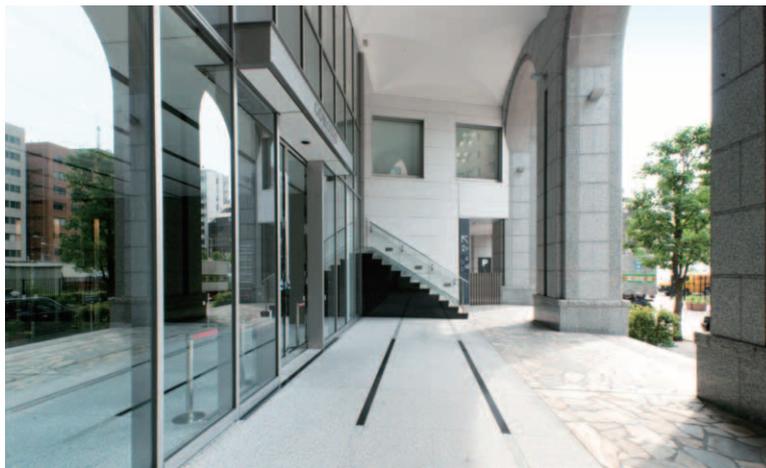


## Profile

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

NBF employs funds raised through unitholder subscriptions and 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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## 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

#### Japan's Largest J-REIT

Scale of Managed Assets  
(Total acquisition price)

¥892.8 billion \*



¥921.6 billion

(Including NBF COMODIO Shiodome, as of September 30, 2012)

Total Market Capitalization

¥515.5 billion

(As of September 30, 2012)

#### Strong Portfolio

Occupancy Rate

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

97.7% \*

#### Sound Finances

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

Standard &  
Poor's

**A+** \*  
(Long-term corporate)

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

#### Stable Returns

Distribution per Unit for the 22nd Period

Over the 22 periods since our listing, we have steadily distributed profits to unitholders.

¥15,480

Outlook for the 23rd Period

¥15,500

#### Strategic Partnership with Mitsui Fudosan

##### Strategic Partnership with Mitsui Fudosan

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.



\* As of June 30, 2012

# Financial Highlights

		22nd Period from January 1, 2012 to June 30, 2012	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	22nd Period from January 1, 2012 to June 30, 2012
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	¥ 30,244	¥ 29,773	¥ 28,081	¥ 27,314	\$ 378,947
Income before income taxes		9,490	9,128	8,758	8,400	118,913
Net income		9,489	9,127	8,757	8,399	118,899
Funds from operations	Note 3	15,628	15,226	14,291	13,570	195,814
Net operating income from property leasing activities	Note 3	19,857	19,530	18,664	17,661	248,809
Total amount of cash distribution	(a)	9,489	8,793	8,757	8,398	118,898
Total assets		871,140	852,855	823,705	765,203	10,915,178
Interest-bearing debt		374,000	377,375	350,750	325,125	4,686,130
Net assets	(b)	445,836	424,242	423,872	394,575	5,586,224
LTV (Loan to value)	Note 3	46.8%	48.2%	46.5%	46.3%	
Total number of units issued (units)	(c)	613,000	578,500	578,500	542,000	
Net assets per unit (Yen/\$)	(b) / (c)	727,302	733,348	732,709	727,996	9,113
Distribution per unit (Yen/\$)	(a) / (c)	15,480	15,200	15,138	15,495	194
Funds from operations per unit (Yen/\$)	Note 3	25,713	26,320	24,937	25,036	322

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥79.81 = U.S.\$1.00, the approximate exchange rate on June 30, 2012.

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

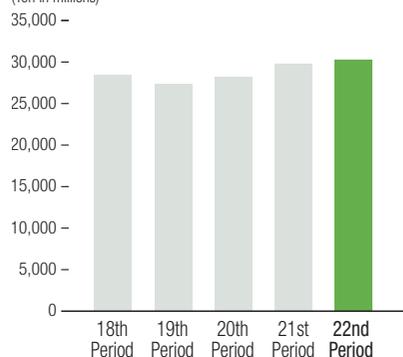
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

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

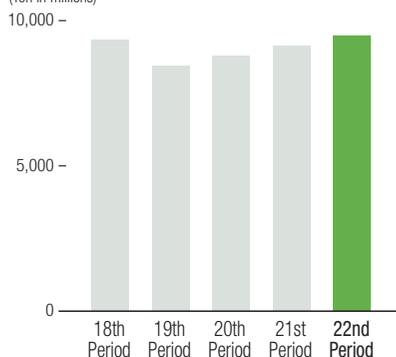
## Operating Revenues

(Yen in millions)



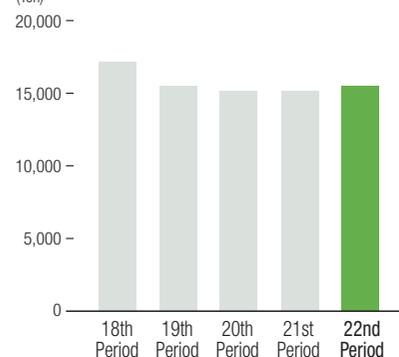
## Net Income

(Yen in millions)



## Distribution per Unit

(Yen)





A stylized, handwritten signature of Kenichi Tanaka in white ink, positioned on a dark background.

**Kenichi Tanaka**

President and CEO of Nippon Building Fund Management Ltd.

**Profile**

- 1982 Joined Mitsui Fudosan Co., Ltd.
- 2006 Manager of the Strategy Planning and Administration Department, Accommodations Business Division, Mitsui Fudosan Co., Ltd.
- 2007 Business Administration Manager of Mitsui Fudosan Co., Ltd.
- 2010 Rental Housing Business Manager, Accommodation Business Department of Mitsui Fudosan Co., Ltd.
- 2012 Seconded to Nippon Building Fund Management Ltd.
- 2012 Appointed President and CEO of Nippon Building Fund Management Ltd.

## Performance during the Six Months Ended June 30, 2012

As the market begins to show signs of recovery, we will accurately identify upcoming growth opportunities.

In April 2012, I was appointed President and CEO of Nippon Building Fund Management Ltd., which manages NBF's assets. Going forward, I shall do my utmost to meet all of your expectations.

In the 22nd Period, both revenues and income increased compared with the previous period, despite a downward trend in revenues from existing properties. Operating revenues increased ¥470 million, or 1.6 percent, to ¥30,244 million, operating income increased ¥259 million, or 2.1 percent, to ¥12,446 million, and net income increased ¥362 million, or 4.0 percent, to ¥9,489 million. As a result, distribution per unit was ¥15,480, an increase of ¥280 from the previous period. (See Management's Discussion and Analysis on page 24 for details.) NBF acquired five properties (including additional acquisitions) at a total cost of ¥22.6 billion after completing equity financing in January 2012.

The office building leasing market is beginning to show signs of recovery. In response, while maintaining high occupancy rates, we will work to ensure that we accurately grasp changing trends in the rental market after the peak in vacancy rates. Achieving external growth will also be important to accurately identify growth opportunities. (See pages 6–9 for details.)

Under these circumstances, the performance outlook for our 23rd and 24th Periods is as shown in the table below. We will maintain an accurate grasp of market conditions for flexible management of assets. We look forward to your continued support as we work to consistently increase value for unitholders.

### Performance Outlook (As of August 14, 2012)

(Yen in millions)

	23rd Period (Projected) from July 1, 2012 to December 31, 2012	24th Period (Projected) from January 1, 2013 to June 30, 2013*
Operating revenues	¥31,277	¥30,618
Net income	9,501	9,256
Distribution per unit (Yen)	15,500	15,100
Occupancy rate (End of period)	98.1%	97.5%

\* For reference only.

**Market vacancy rates are likely to peak in the second half of 2012, followed by a recovery in market asking rents in the second half of 2013. However, demand will recover earlier for competitive buildings.**

**Market Conditions**

As signs of recovery appear in the rental market, activity has also been gradually picking up in the property sales market.

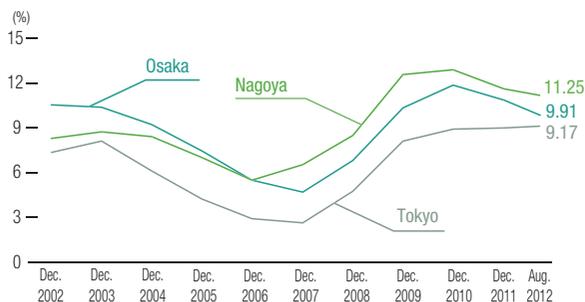
In the office building leasing market, vacancy rates had been in the 8 to 9 percent range since the bankruptcy of Lehman Brothers in 2008. However, the average vacancy rate in Tokyo's central business districts (CBDs) rose to a high of over 9 percent in 2012, largely due to a surge in new supply, particularly from buildings that were completed with space still available. Asking rents remained at a low level due to the high vacancy rate.

However, vacancy rates in Tokyo's CBDs are expected to peak in the second half of 2012. This is because the bulk of the supply of new office buildings was concentrated in the first half of the year, and supply in the second half and beyond will be limited. Rents are projected to begin to recover in the second half of 2013, lagging the recovery in vacancy rates by about one year.

Under these conditions, there are concerns about a further drop in demand for properties that are inferior in terms of location or earthquake resistance. On the other hand, at buildings where rents have been adjusted to reflect favorable locations and specifications, such as proximity to train stations, spacious floor area and recent construction, vacancy rates are expected to improve and rents are expected to recover ahead of other buildings.

In the real estate brokerage market, demand currently exceeds supply and both the volume and value of transactions are increasing. Prices are rising in particular for medium-sized properties in good locations, but sales of large-scale properties, NBF's target, remain few and the number of market players is limited.

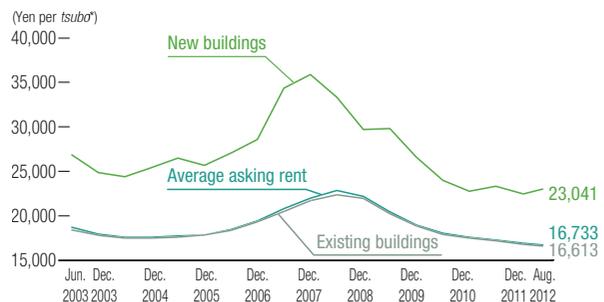
**Office Building Vacancy Rates in CBDs (Three Cities)**



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

Source: Miki Shoji Co., Ltd.

**Average Asking Rents in Tokyo CBDs**



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

Source: Miki Shoji Co., Ltd.

## NBF's Condition

The effects of the new office building supply are temporary.

The occupancy rate of NBF's leased buildings remained at a high level of 97.7 percent at the end of the 22nd Period.

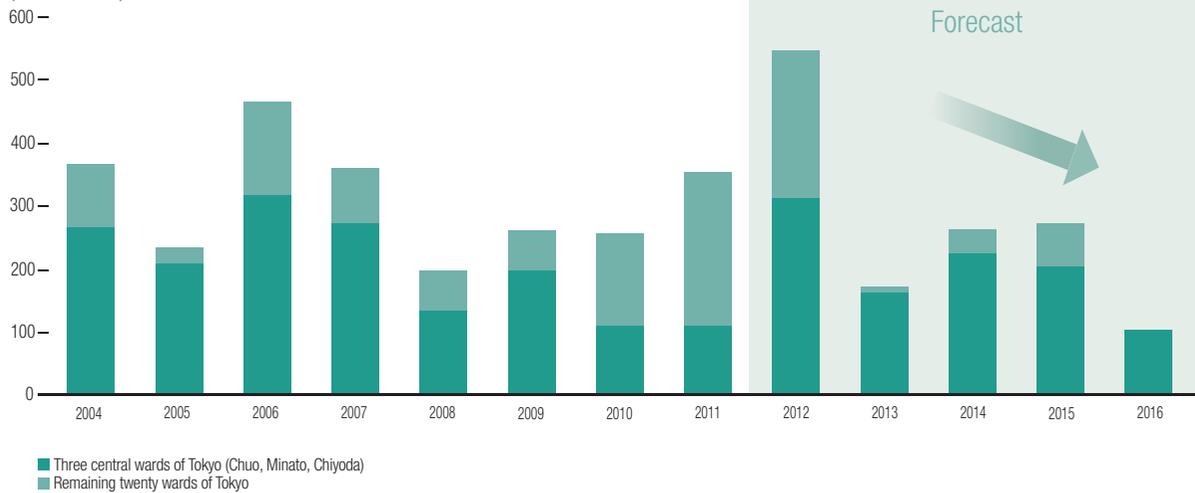
Declining revenues from existing properties, partly reflecting the effects of the current large volume of new supply, are factored into the outlook for the 23rd and 24th Periods. However, we plan to offset this decline with new property acquisitions. The performance outlook also reflects the results of tenant negotiations, but we believe their effect will only be temporary. The trend is improving overall, with about 80 percent of tenant rent revision negotiations in the first half of 2012 resulting in unchanged rents.

In the real estate acquisition market, we are seeing more transactions not only by J-REITs but also by other players such as business firms and foreign funds. Activity is also increasing for properties priced at several billion yen.

The volume of information NBF received on properties for sale increased 20 to 30 percent compared with 2011, and the number of investment targets is also gradually increasing. These trends indicate growing acquisition opportunities such as NBF COMODIO Shiodome, a property in a Tokyo CBD that we acquired in July 2012 for ¥28.8 billion. The large-scale office building sector is not yet overheated as the number of players is currently limited, and we believe there are still ample opportunities for new acquisitions.

### Trends in the Supply of New Office Buildings

(Thousand *tsubo*\*)



Source: Mori Building Co., Ltd.

## We will take a balanced approach to achieve strong growth when the market recovers.

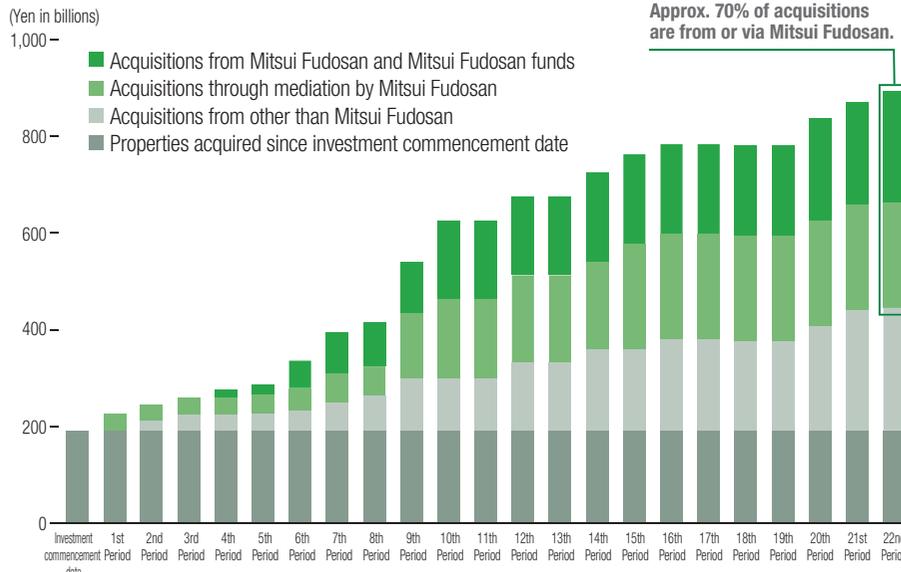
### External Growth

Looking toward market recovery, we plan to invest in central Tokyo properties with high growth potential.

With the leasing market forecast to recover, our policy for external growth will be to proactively make carefully selected investments in high-potential properties in central Tokyo. Over more

than a decade since its listing, NBF has accumulated assets of ¥921.6 billion (as of September 30, 2012), making it the largest J-REIT. We plan to take advantage of our scale and continue to use various approaches to expand our portfolio. We will also reshuffle our portfolio to enhance its quality. For this purpose, we will strengthen collection of property information from various channels while taking advantage of our pipeline with Mitsui Fudosan Co., Ltd., which is NBF's sponsor and a leading real estate company in Japan.

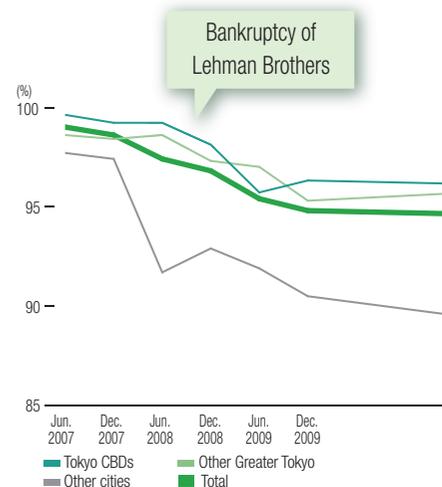
#### Scale of Managed Assets by Acquisition Channel



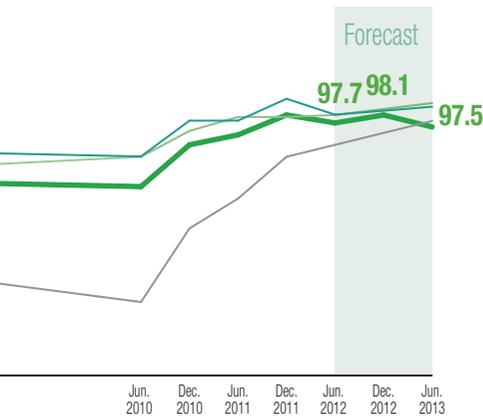
### Internal Growth

Accurately perceiving market trends, we will pursue an appropriate strategy while maintaining high occupancy rates.

#### Maintaining High Occupancy Rates



For internal growth, NBF will focus on maintaining occupancy rates at their current high level. With the recovery of the real estate leasing market now in sight, we will work to ensure that we accurately grasp changing market trends after vacancy rates peak. To that end, we will take the initiative with proactive renovation of properties to strengthen their competitiveness and enhance tenant satisfaction.



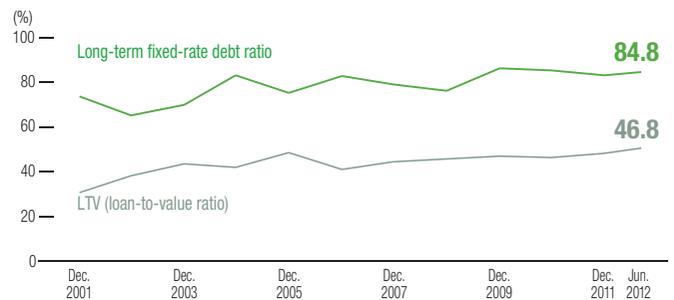
## Finances

To achieve external and internal growth, we will maintain sound finances to ensure flexible financial management.

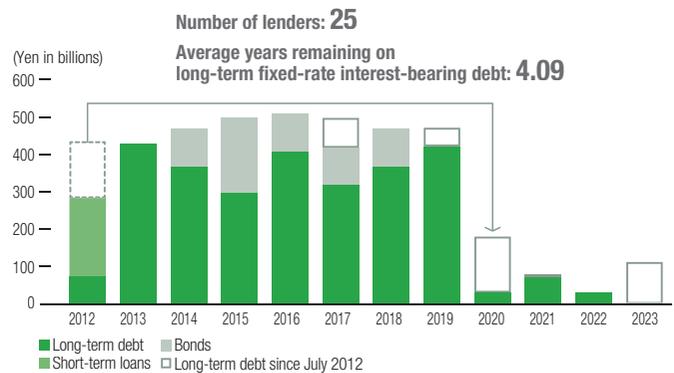
The soundness of our finances, which partly stems from fund procurement at low interest rates (total average cost of debt at the end of the 22nd Period: 1.49%), will be the foundation of these

external and internal growth initiatives. Under our conservative financial strategy, we have set a target loan-to-value (LTV) ratio of 40 to 50 percent, with a maximum of 60 percent, and a long-term fixed-rate interest-bearing debt ratio of 80 to 90 percent. In addition, we are taking measures including shifting short-term loans to longer-term debt and raising long-term funds with new borrowing to prepare for flexible management of finances.

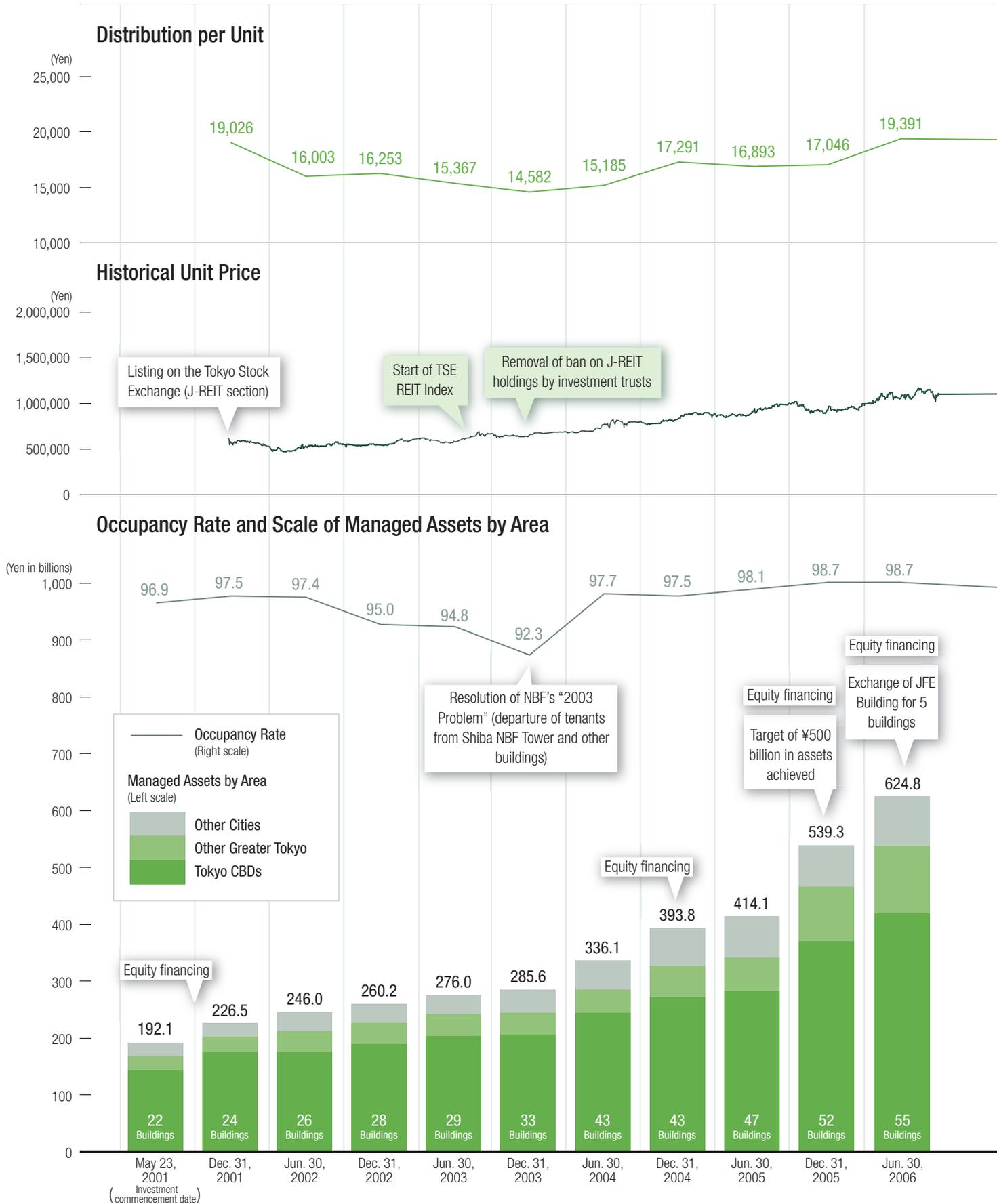
### Stable Financial Track Record

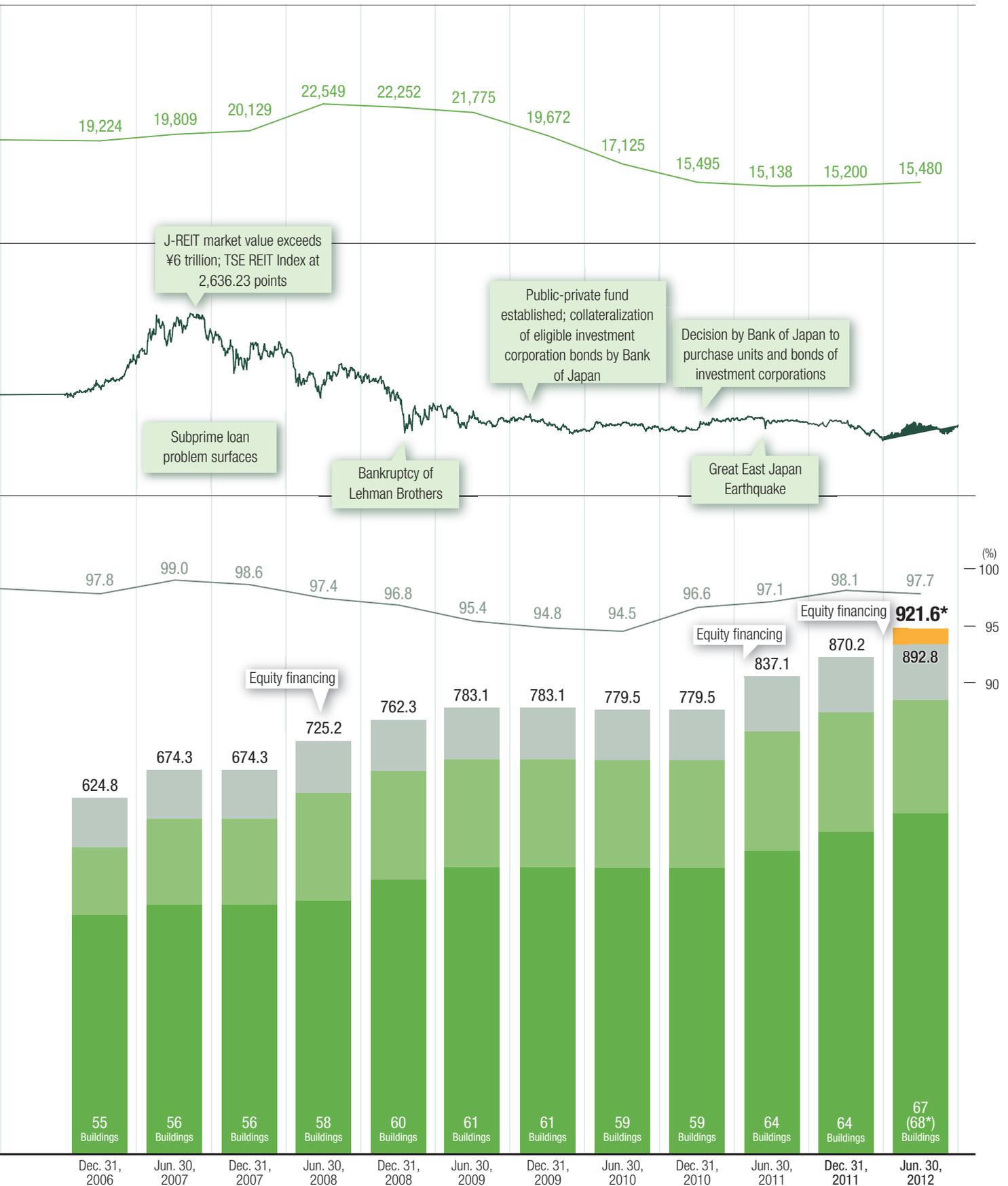


### Diversified Maturities of Interest-Bearing Debt



# A Track Record of Steady Growth





\*Including acquisitions in the 23rd Period, as of September 30, 2012



### 68 NBF COMODIO Shiodome

Location: 14-1, Higashi-Shinbashi 2-chome, Minato-ku, Tokyo  
Completion date: July 10, 2006  
Acquisition date: July 2, 2012  
Acquisition price: ¥28,800 million

## Acquisitions in the 22nd Period

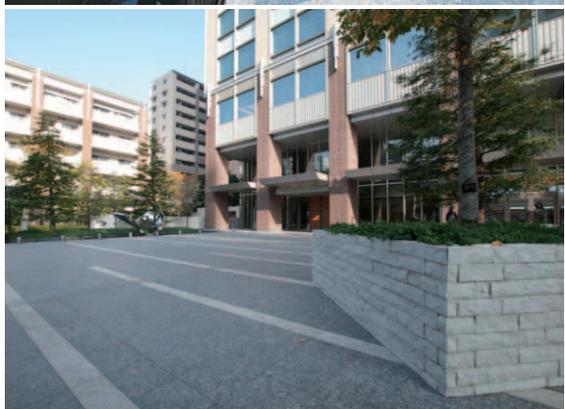
### 22 Higashi Gotanda Square

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





### 65 NBF Matsuyama Nichigin-mae Building

Location: 9-6, Sanbancho 4-chome, Matsuyama, Ehime  
Completion date: March 11, 2009  
Acquisition date: March 30, 2012  
Acquisition price: ¥3,310 million



### 34 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



**40 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



**64 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



## Tokyo Central Business Districts (CBDs)

- ① NBF Hibiya Building
- ② Nishi-Shinjuku Mitsui Building
- ③ Gate City Ohsaki
- ④ Mitsubishi Heavy Industries Head Office Building
- 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 Mitsuseimei 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 NBF Shinkawa Building  
(Name changed in October 2012)
- ⑲ NBF Alliance
- ⑳ Yotsuya Medical Building
- ㉑ Shibuya Garden Front
- ㉒ Higashi Gotanda Square
- ㉓ NBF Shibuya East
- ㉔ NBF Shibakouen Building
- ㉕ NBF Takanawa Building
- ㉖ NBF Akasaka Sanno Square
- ㉗ NBF Shibakouen Daimon Street Building
- ㉘ Sumitomo Densetsu Building
- ㉙ NBF Higashi-Ginza Square
- ㉚ NBF Ogawamachi Building
- ㉛ Nihonbashi Kabuto-cho M-SQUARE
- ㉜ NBF Ikebukuro Tower
- ㉝ NBF Ikebukuro City Building
- ㉞ Ryukakusan Building
- ⑶⑧ NBF COMODIO Shiodome  
(Acquired in July 2012)



① NBF Hibiya Building



③ Gate City Ohsaki



⑤ Shiba NBF Tower



⑥ NBF Platinum Tower



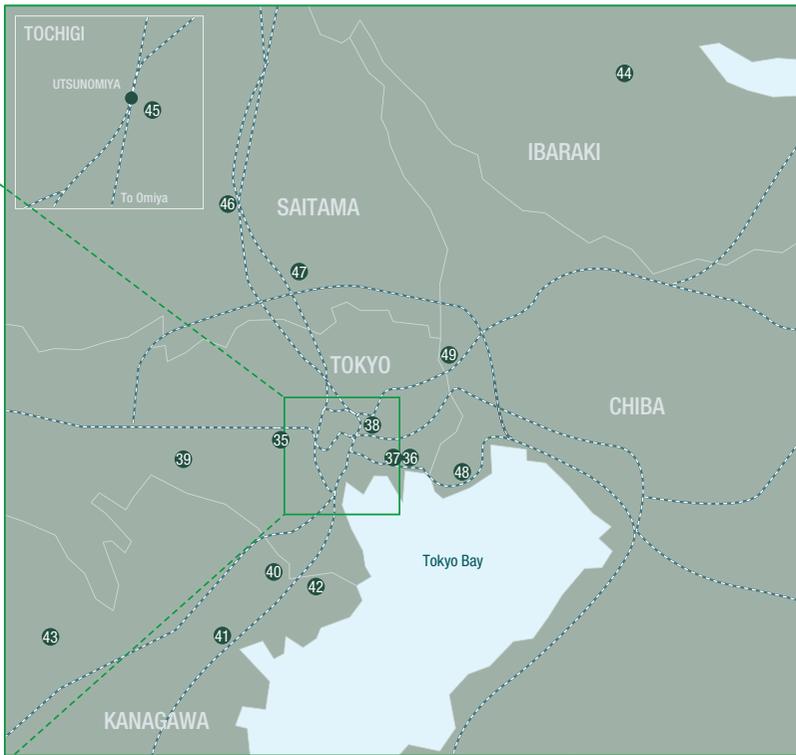
⑦ NBF Minami-Aoyama Building

## Other Greater Tokyo

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

## Other Cities

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



35 Nakanosakaue Sunbright Twin



36 NBF Toyosu Canal Front



37 NBF Toyosu Garden Front



56 Aqua Dojima NBF Tower  
61 Aqua Dojima East



57 Shinanobashi Mitsui Building

# Portfolio Overview

NBF's properties as of June 30, 2012 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership	Year Built	Acquisition Price	Book Value
			(%)		(Yen in millions)	
<b>Tokyo Central Business Districts (CBDs)</b>						
1 NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,492
2 Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.4	1999	45,002	34,757
3 Gate City Ohsaki	Ownership	Compartmented ownership	18.6	1999	41,731	35,068
4 Mitsubishi Heavy Industries Head Office Building	Trust	Compartmented ownership	18.1	2003	36,300	37,323
5 Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	28,860
6 NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	28,574
7 NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,480
8 Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	19,876
9 NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,144
10 Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	19,817
11 Mitsuseimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,017
12 NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,577
13 Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	16,459
14 GSK Building	Trust	Fee simple	100.0	1990	15,616	13,598
15 River City M-SQUARE	Ownership	Fee simple	100.0	2010	13,350	13,299
16 NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,302
17 Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	11,587
18 NBF Shinkawa Building	Ownership	Fee simple	100.0	1989	12,614	10,936
19 NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,442
20 Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,253
21 Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	7,896
22 Higashi Gotanda Square	Ownership	Compartmented ownership	38.4	2009	8,350	8,406
23 NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,107
24 NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,444
25 NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,492
26 NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,356
27 NBF Shibakouen Daimon Street Building	Trust	Co-ownership of compartmented ownership	87.0	1991	6,100	6,318
28 Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,834
29 NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,720
30 NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	5,153
31 Nihonbashi Kabuto-cho M-SQUARE	Ownership	Fee simple	100.0	2009	4,850	4,842
32 NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,562
33 NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,280
34 Ryukakusan Building	Ownership	Compartmented ownership	89.0	1991	4,050	4,163
<b>Other Greater Tokyo</b>						
35 Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	81.0	1996	40,750	37,297
36 NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	31,742
37 NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	24,172
38 NBF Ueno Building	Ownership	Compartmented	78.1	2010	10,400	10,294
39 Chofu South Gate Building	Ownership	Compartmented	84.4	2007	9,320	9,209
40 Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	25,820	23,777
41 Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,280
42 Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,210
43 NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,232
44 Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	6,897
45 NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,378
46 S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	14,687
47 NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,913
48 NBF Shin-Urayasu Tower	Ownership	Fee simple	100.0	1990	15,700	15,813
49 NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,194
<b>Other Cities</b>						
50 Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	3,648
51 NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,718
52 NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,538
53 NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,065
54 NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,596
55 NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	6,876
56 Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,296
57 Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,236
58 Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	7,927
59 Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,095
60 NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,964
61 Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,729
62 NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,386
63 NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,848
64 Hiroshima Fukuromachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	2,215	2,074
65 NBF Matsuyama Nichigin-mae Building	Ownership	Fee simple	100.0	2009	3,310	3,435
66 Hakata Gion M-SQUARE	Ownership	Fee simple	100.0	2009	8,000	7,882
67 NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,381
<b>Total</b>					<b>892,840</b>	<b>830,226</b>

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

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

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

Appraisal Value	Rentable Area	Leased Area at End of Period	Occupancy Rate at End of Period	Total Number of Tenants at End of Period	Revenue	Percentage of Total Revenues (Note 1)	Probable Maximum Loss (PML)
(Yen in millions)	(m <sup>2</sup> )	(m <sup>2</sup> )	(%)		(Yen in millions)	(%)	(%)
54,600	27,576	25,974	94.2	88	1,363	4.5	1.6
44,100	33,092	33,092	100.0	1	1,126	3.7	1.8
40,900	29,924	29,924	100.0	1	1,231	4.1	1.5
39,300	35,641	35,641	100.0	12	Note 2	Note 2	1.7
25,800	24,728	24,562	99.3	31	1,013	3.4	2.3
51,400	33,503	33,503	100.0	6	1,536	5.1	1.5
16,900	9,631	7,372	76.5	7	393	1.3	4.7
30,700	16,848	16,848	100.0	1	903	3.0	1.6
26,700	16,308	16,308	100.0	14	834	2.8	4.8
20,400	21,423	21,423	100.0	1	850	2.8	1.2
12,300	6,627	6,627	100.0	1	Note 2	Note 2	5.8
14,500	3,440	3,440	100.0	1	Note 2	Note 2	8.2
14,700	14,874	14,289	96.1	46	552	1.8	1.6
20,900	20,426	20,426	100.0	1	Note 2	Note 2	0.8
13,800	16,232	16,232	100.0	8	614	2.0	4.0
16,600	10,067	8,805	87.5	13	457	1.5	8.4
15,700	10,088	10,061	99.7	2	Note 2	Note 2	2.0
13,340	17,307	17,307	100.0	2	Note 2	Note 2	3.5
10,200	4,033	3,695	91.6	6	261	0.9	7.3
7,430	7,481	7,481	100.0	1	243	0.8	5.6
13,800	8,258	8,258	100.0	1	Note 2	Note 2	3.4
8,350	6,166	6,166	100.0	1	251	0.8	2.0
6,490	4,993	4,993	100.0	5	196	0.7	4.4
8,170	7,087	7,087	100.0	6	301	1.0	5.9
7,670	10,458	10,458	100.0	6	307	1.0	5.3
6,490	5,258	3,853	73.3	5	144	0.5	9.9
4,320	3,428	2,446	71.3	6	119	0.4	2.8
4,930	5,991	5,991	100.0	1	Note 2	Note 2	5.2
7,220	4,871	4,871	100.0	8	232	0.8	3.1
5,540	4,805	4,805	100.0	1	169	0.6	4.2
4,870	3,298	3,137	95.1	1	Note 2	Note 2	6.4
5,000	5,652	5,205	92.1	14	174	0.6	3.9
4,910	5,127	4,758	92.8	10	165	0.6	9.9
4,130	5,332	5,332	100.0	9	199	0.7	4.4
30,300	32,082	31,358	97.7	9	1,054	3.5	1.4
35,700	36,638	36,625	100.0	9	1,046	3.5	4.2
28,700	28,319	27,363	96.6	4	961	3.2	3.5
8,660	8,504	8,504	100.0	6	293	1.0	1.9
9,300	13,762	13,762	100.0	1	Note 2	Note 2	4.3
20,700	39,837	39,837	100.0	1	1,041	3.4	2.1
13,300	20,030	19,268	96.2	94	641	2.1	1.7
3,540	12,545	12,545	100.0	1	283	0.9	2.8
2,110	5,242	4,759	90.8	17	112	0.4	16.9
6,960	16,842	16,279	96.7	61	440	1.5	0.5
2,110	6,160	6,160	100.0	40	128	0.4	0.5
17,900	20,698	19,453	94.0	39	697	2.3	1.8
1,780	3,455	3,455	100.0	13	104	0.3	10.2
11,500	22,832	21,764	95.3	41	576	1.9	2.6
2,050	4,770	4,420	92.7	23	125	0.4	7.8
6,620	11,396	11,396	100.0	12	321	1.1	0.3
1,310	5,351	5,351	100.0	3	107	0.4	1.0
2,990	7,539	7,095	94.1	9	169	0.6	2.1
3,270	13,329	13,267	99.5	49	275	0.9	2.9
3,070	10,208	10,134	99.3	33	204	0.7	4.9
7,230	9,876	9,876	100.0	24	258	0.9	6.7
18,200	21,917	21,339	97.4	47	669	2.2	3.3
13,400	25,314	25,314	100.0	1	564	1.9	4.9
7,870	14,954	14,027	93.8	29	364	1.2	1.6
6,390	11,435	10,182	89.0	44	247	0.8	3.6
1,610	5,255	5,071	96.5	22	104	0.3	6.6
1,770	3,243	3,129	96.5	19	83	0.3	3.4
1,230	3,932	3,332	84.7	15	70	0.2	1.6
2,430	5,567	5,351	96.1	31	126	0.4	3.9
2,320	3,927	3,927	100.0	17	73	0.2	3.1
3,490	6,012	6,012	100.0	17	92	0.3	3.6
8,090	14,328	14,328	100.0	16	399	1.3	Less than 0.1
3,710	7,931	7,872	99.3	16	192	0.6	3.0
871,770	893,203	872,923	97.7	1,080	30,244	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

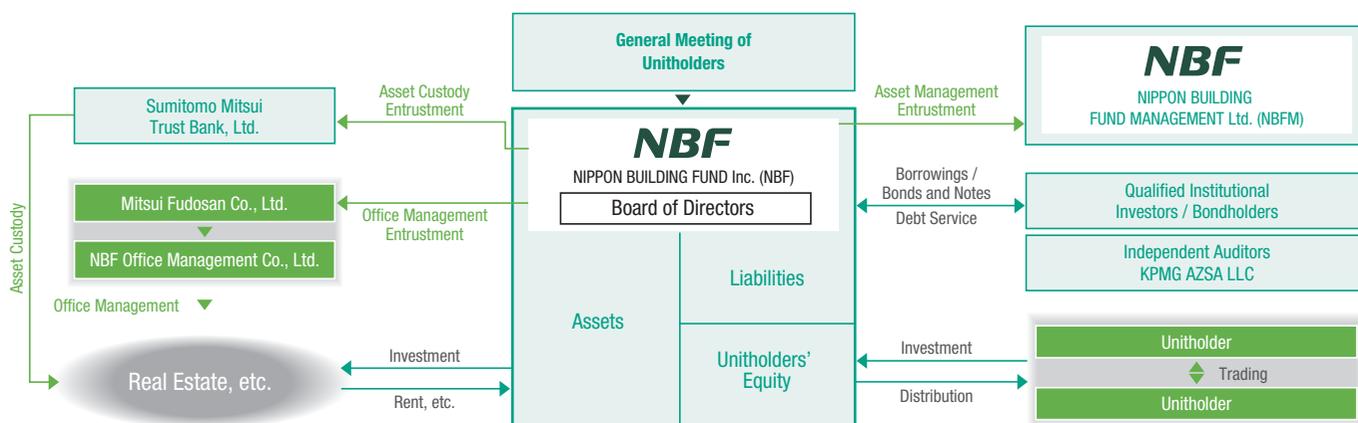
on the basis of a simple majority of the voting rights of unitholders in attendance, unless otherwise stipulated by laws, regulations or NBF's articles of incorporation. Decisions on substantive matters such as changes in the articles of incorporation require the attendance of unitholders that control 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 June 30, 2012, NBF has one executive director and three supervisory directors.

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

The Board of Directors consists of the executive and supervisory directors. Its responsibilities include authorizing business execution and



## 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.

supervising the performance of the executive directors. Resolutions by the Board of Directors require a simple majority with more than half of the members of the Board in attendance.

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

The terms of office of executive directors and supervisory directors are two years from the time they assume office. The terms of executive

directors and supervisory directors selected to fill a vacancy or to increase the number of directors expire at the same time as the remaining terms of their predecessors or the current directors.

The executive director serving as of June 30, 2012 was elected with the consent of all unitholders on March 10, 2011. The 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.

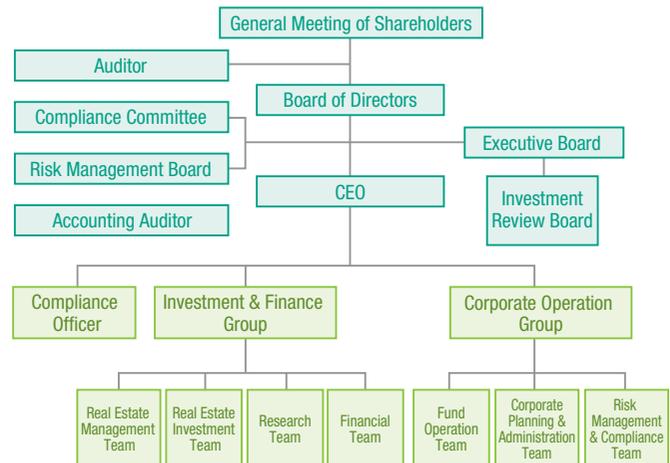
### Matters Entrusted to Nippon Building Fund Management Ltd.

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 of Nippon Building Fund Management Ltd. The heads of the

### Management Structure



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

### Nippon Building Fund Management Ltd. Management Team

Name	Title	Career Summary
Kenichi Tanaka	President and CEO	<p>Apr. 1982 Joined Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2007 Business Administration Manager of Mitsui Fudosan Co., Ltd.</p> <p>Apr. 2010 Rental Housing Business Manager, Accommodation Business Department of Mitsui Fudosan Co., Ltd. (current position)</p> <p>Apr. 2012 Appointed President and CEO of Nippon Building Fund Management Ltd. (current position)</p>
Yasushi Akimoto	Director, Head of Investment & Finance Group	<p>Apr. 1983 Joined Mitsui Fudosan Co., Ltd.</p> <p>Apr. 1998 Seconded to Daiichi Engei Co., Ltd. under the supervision of Personnel Department of Mitsui Fudosan</p> <p>Apr. 2006 Head of Group under Business Promotion Section, Building Department of Mitsui Fudosan</p> <p>Apr. 2008 Seconded to Nippon Building Fund Management Ltd. under the supervision of Personnel Department of Mitsui Fudosan (current position)</p> <p>Apr. 2011 Became Director of Nippon Building Fund Management Ltd. (current position)</p>
Masahiko Misao	Director, Head of Corporate Operation Group	<p>Apr. 1980 Joined Sumitomo Life Insurance Company</p> <p>Apr. 2003 Manager of Real Property Department, Sumitomo Life Insurance Company</p> <p>Mar. 2008 Director and General Manager, Commercial Operation Department, Shinagawa Intercity Management Co., Ltd. (current position)</p> <p>Mar. 2012 Appointed Director and Head of Corporate Operation Group of Nippon Building Fund Management Ltd. (current position)</p>
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

		22nd Period from January 1, 2012 to June 30, 2012	21st Period from July 1, 2011 to December 31, 2011	20th Period from January 1, 2011 to June 30, 2011	22nd Period from January 1, 2012 to June 30, 2012
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	¥ 30,244	¥ 29,773	¥ 28,081	\$ 378,947
Revenue from property leasing activities		30,244	29,773	28,081	378,947
Operating expenses		17,798	17,587	16,162	223,006
Rental expenses		16,525	16,145	14,951	207,053
Loss on sale of investment property		—	197	—	—
Income before income taxes		9,490	9,128	8,758	118,913
Net income	(a)	9,489	9,127	8,757	118,899
Funds from operations	Note 3	15,628	15,226	14,291	195,814
Net operating income from property leasing activities	Note 3	19,857	19,530	18,664	248,809
Total amount of cash distribution	(b)	9,489	8,793	8,757	118,898
Depreciation and amortization		6,139	5,902	5,534	76,915
Capital expenditures		2,137	1,975	1,695	26,782
Total assets	(c)	871,140	852,855	823,705	10,915,178
Interest-bearing debt		374,000	377,375	350,750	4,686,130
Net assets	(d)	445,836	424,242	423,872	5,586,224
Total number of units issued (units)	(e)	613,000	578,500	578,500	
Net assets per unit (Yen/\$)	(d) / (e)	727,302	733,348	732,709	9,113
Distribution per unit (Yen/\$)	(b) / (e)	15,480	15,200	15,138	194
Funds from operations per unit (Yen/\$)	Note 3	25,713	26,320	24,937	322
ROA	Note 3	1.1%	1.1%	1.1%	
(Annual rate)		(2.2%)	(2.2%)	(2.3%)	
ROE	Note 3	2.2%	2.2%	2.1%	
(Annual rate)		(4.4%)	(4.3%)	(4.3%)	
LTV (Loan to value)	Note 3	46.8%	48.2%	46.5%	
Capital ratio	(d) / (c)	51.2%	49.7%	51.5%	
Payout ratio	(b) / (a) Note 4	100.0%	96.3%	100.0%	
Number of days		182	184	181	
Number of investment properties	Note 5	67	64	64	
Number of tenants	Note 5	1,080	1,042	1,011	
Total rentable area (m <sup>2</sup> )		893,203	861,153	828,491	
Occupancy rate	Note 5	97.7%	98.1%	97.1%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥79.81 = U.S. \$1.00, the approximate exchange rate on June 30, 2012.

2. Operating revenues do not include consumption tax.

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

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

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

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

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

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

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

The Japanese economy recovered gradually during the six months ended June 30, 2012 (the “22nd Period”) with the emergence of demand related to restoration of facilities damaged by the Great East Japan Earthquake of March 2011. Capital investment increased as corporate earnings improved, and personal consumption was also firm, reflecting factors including the government’s policy of subsidizing purchases of eco-cars. Exports and production showed signs of improvement despite the continuing deceleration of overseas economies in general.

In the office building leasing market, office demand itself was firm, and strong-performing companies made forward-looking relocations to upgraded or larger offices, or moved to high-quality properties with superior anti-seismic features. However, vacancy rates remained high due to a temporary oversupply of new buildings in the central business districts (CBDs) of Tokyo.

In the real estate acquisition market, the value of office building transactions by J-REITs trended upward, primarily in Tokyo CBDs, reflecting ongoing adjustments in the office building rental market and a strong fund procurement environment that included increases in the amounts of new loans to the real estate industry and public offerings of J-REITs.

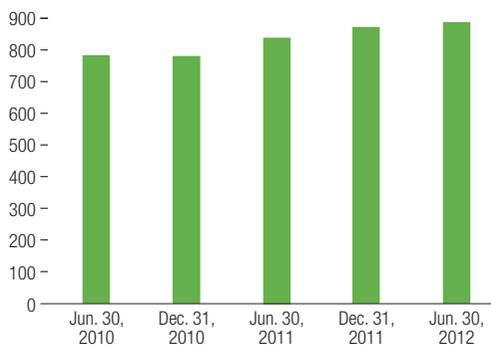
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size and infrastructure, and are expected to have stable cash flow from rents. During the 22nd Period, after careful deliberation in accordance with this policy, NBF acquired Higashi Gotanda Square (acquisition price of ¥8,350 million) and the Ryukakusan Building (acquisition price of ¥4,050 million) in February 2012, the Shin-Kawasaki Mitsui Building (additional acquisition of ¥5,520 million) and NBF Matsuyama Nichigin-mae Building (acquisition price of ¥3,310 million) in March, and the Hiroshima Fukuromachi Building (additional acquisition of ¥1,380 million) in April. In June, NBF also made the decision to acquire NBF COMODIO Shiodome (acquisition price of ¥28,800 million).

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

NBF’s real estate portfolio as of June 30, 2012 totaled 67 properties. Total investment on an acquisition price basis was ¥892,840 million. Total rentable area was 893,203m<sup>2</sup>. The occupancy rate decreased 0.4 percentage points from December 31, 2011 to 97.7 percent. The number of tenants totaled 1,080.

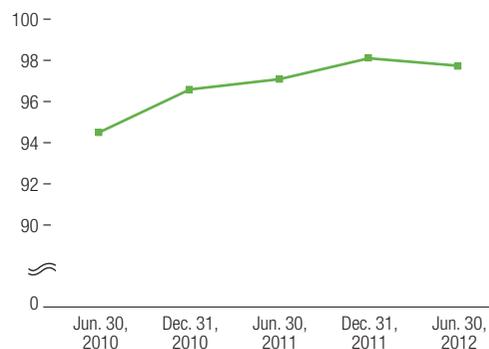
### Total Investment

(Yen in billions)



### Occupancy Rate

(%)

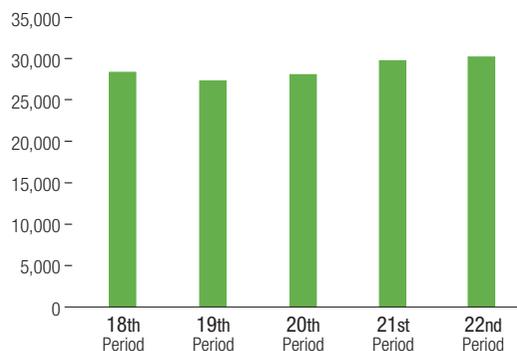


## Overview of Performance

In addition to new operation of the five properties acquired during the six months ended June 30, 2012 (including additional acquisitions), properties acquired in the previous period were in operation for the full period. On the other hand, revenue from existing buildings was in a downward trend. As a result, operating revenues for the six months ended June 30, 2012 increased ¥470 million, or 1.6 percent, to ¥30,244 million. Operating income increased ¥259 million, or 2.1 percent, to ¥12,446 million. Net income increased ¥362 million, or 4.0 percent, to ¥9,489 million. Distribution per unit was ¥15,480.

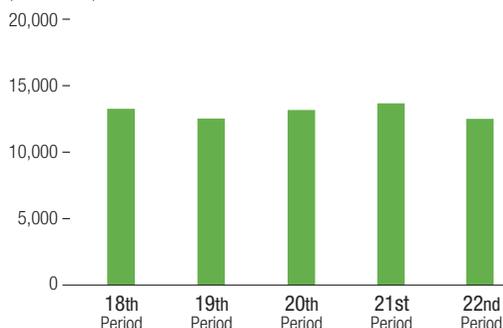
### Operating Revenues

(Yen in millions)



### Operating Income From Property Leasing Activities

(Yen in millions)



## Distribution for the Current Period

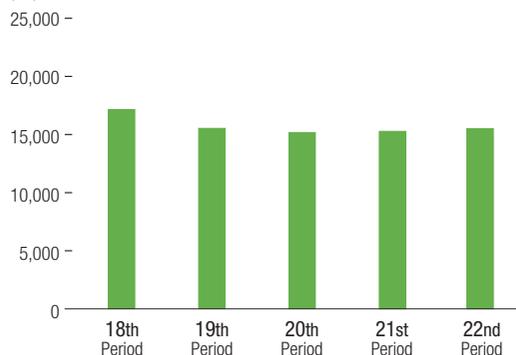
Distribution per unit for the current period was ¥15,480. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
(Yen in thousands, except per unit amounts)			
Retained earnings	¥9,489,337	¥9,127,289	¥8,757,477
Undistributed earnings	97	—	144
Reserve for advanced depreciation	—	334,089	—
Total cash distribution	9,489,240	8,793,200	8,757,333
(Cash distribution per unit)	15,480	15,200	15,138
Distribution of accumulated earnings	9,489,240	8,793,200	8,757,333
(Distribution of accumulated earnings per unit)	15,480	15,200	15,138
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

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

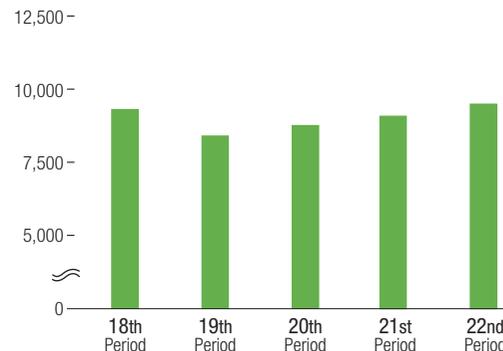
### Distribution per Unit

(Yen)



### Total Amount of Cash Distribution

(Yen in millions)



## Changes in Assets, Liabilities and Net Assets

### Assets

As of June 30, 2012, total assets increased by ¥18,285 million to ¥871,140 million compared with December 31, 2011. Return on average total assets (ROA) for the six months ended June 30, 2012 increased to 1.10 percent from 1.09 percent for the previous six-month period.

Current assets decreased by ¥1,118 million to ¥35,300 million compared with December 31, 2011. Investment properties increased by ¥19,204 million to ¥830,202 million compared with December 31, 2011.

### Liabilities

Current liabilities decreased by ¥8,282 million to ¥66,110 million compared with December 31, 2011, primarily because of a decrease in long-term debt due within one year compared with December 31, 2011.

Long-term debt increased by ¥4,625 million to ¥317,250 million compared with December 31, 2011.

As a result, total interest-bearing liabilities decreased by ¥3,375 million to ¥374,000 million compared to December 31, 2011. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities increased to 84.8 percent as of June 30, 2012 from 82.8 percent as of December 31, 2011.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 46.8 percent as of June 30, 2012 from 48.2 percent as of December 31, 2011.

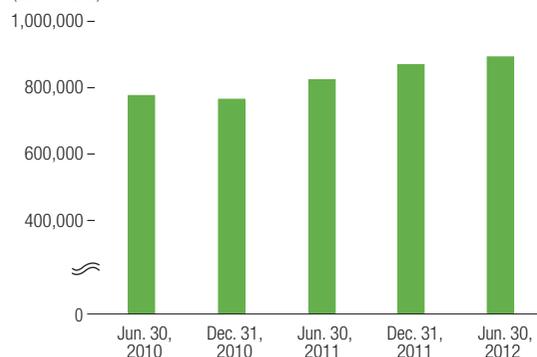
In addition, NBF worked to diversify funding sources. In January 2011, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

### Net assets

Net assets increased by ¥21,594 million to ¥445,836 million compared with December 31, 2011.

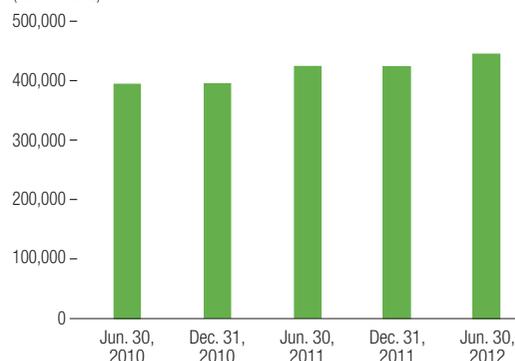
#### Total Assets

(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 June 30, 2012, NBF had issued 613,000 units out of 2,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

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

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

## Market Price of Units

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

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
(Yen)			
High	¥809,000	¥830,000	¥871,000
Low	629,000	620,000	735,000

## Borrowings

Borrowings from financial institutions as of June 30, 2012 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%	July 31, 2012	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
Sumitomo Mitsui Trust Bank, Limited	7,000	0.3%	July 31, 2012			
The Gunma Bank, Ltd.	2,000	0.5%	July 31, 2012			
The 77 Bank, Ltd.	2,000	0.5%	August 31, 2012			
Shinkin Central Bank	1,000	0.5%	July 31, 2012			
The Joyo Bank, Ltd.	1,000	0.5%	August 31, 2012			
The Chugoku Bank, Limited	1,000	0.5%	September 28, 2012			
<b>Total short-term loans</b>	<b>¥29,000</b>					

## Long-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	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			
	4,250	2.2%	April 28, 2019			
	8,750	2.2%	August 30, 2019			
Sumitomo Mitsui Trust Bank, Limited	5,000	1.6%	September 30, 2013			
	10,000	1.2%	June 1, 2018			
	10,000	1.1%	December 30, 2019			
	5,000	1.2%	March 5, 2021			
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			
	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			
Mizuho Corporate Bank, Ltd.	8,000	1.7%	July 31, 2013			
	7,000	1.2%	November 30, 2018			
	2,000	0.7%	February 7, 2017			
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			
MITSUI LIFE INSURANCE COMPANY, LIMITED	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			
	2,000	1.1%	February 13, 2020			
	2,000	0.9%	March 29, 2019			
	2,000	1.2%	March 30, 2021			
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			
DAIDO LIFE INSURANCE COMPANY	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
	2,000	1.6%	February 3, 2015			
	1,000	0.9%	March 29, 2019			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014			
	2,000	1.0%	February 25, 2016			
TAIYO LIFE INSURANCE COMPANY	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
	1,000	2.0%	August 31, 2015			
Meiji Yasuda Life Insurance Company	3,000	1.3%	April 27, 2022			

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Yamaguchi Bank, Ltd.	1,000	0.9%	January 4, 2017	Bullet payment	(Note 4)	Fixed rate Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	1,000	1.1%	May 1, 2019			
	1,000	1.1%	September 4, 2020			
The Daishi Bank, Ltd.	2,000	0.7%	March 3, 2017			
The Yamanashi Chuo Bank, Ltd.	1,000	1.1%	December 28, 2012			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
The Joyo Bank, Ltd.	1,000	0.7%	March 3, 2017			
<b>Total long-term loans</b>	<b>¥285,000</b>					
<b>Total borrowings (Note 6)</b>	<b>¥314,000</b>					

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

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥41,750	¥26,750	¥61,750	¥19,750

## NBF Bonds

Issue	Issue date	Balance as of June 30, 2012 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Notes 2 and 4
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
No. 11 Unsecured Bonds	January 28, 2010	10,000	1.23%	January 28, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 12 Unsecured Bonds	September 15, 2011	10,000	0.64%	September 15, 2016	Bullet payment	Note 1	Notes 3 and 5
<b>Total (Note 6)</b>		<b>¥60,000</b>					

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

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

## Others

NBF has security deposits totaling ¥41,864 million as of June 30, 2012.

## Capital Expenditures

### 1. Planning

As of June 30, 2012, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from January 1, 2012 to June 30, 2012)	Cumulative amount paid
(Yen in millions)					
Nippon Steel Building No.2	Renovation of air conditioning	From January 2013 to June 2013	¥342	¥—	¥—
Ryukakusan Bldg.	Renovation of air conditioning	From September 2012 to November 2012	236	—	—
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	—	—
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning	From January 2013 to June 2013	130	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of common area	From July 2012 to March 2013	128	—	—
Aqua Dojima NBF Tower	Renovation of air conditioning	From January 2013 to April 2013	126	—	—
Nakanosakaue Sunbright Twin GSK Bldg.	Renovation of automatic control	From July 2012 to November 2012	119	—	—
Shin-Kawasaki Mitsui Bldg.	Renovation of air conditioning	From January 2013 to May 2013	112	—	—
Shin-Kawasaki Mitsui Bldg.	Renovation of exterior	From September 2012 to February 2013	110	—	—
Aqua Dojima NBF Tower	Renovation of air conditioning	From October 2012 to December 2012	101	—	—
NBF Takanaawa Bldg.	Renovation of air conditioning	From July 2012 to December 2012	93	—	—
Shibuya Garden Front	Renovation of air conditioning	From March 2013 to May 2013	83	—	—
Ryukakusan Bldg.	Renovation of air conditioning	From March 2013 to May 2013	69	—	—
NBF Sakai-Higashi Building	Renovation of air conditioning	From March 2013 to June 2013	58	—	—
NBF Unix Bldg.	Renovation of air conditioning	From April 2013 to May 2013	32	—	—
NBF Sakai-Higashi Building	Renovation of exterior	From March 2013 to May 2013	25	—	—
NBF Shijo Karasuma Bldg.	Renovation of car parking tower	From September 2012 to September 2012	20	—	—
NBF Shijo Karasuma Bldg.	Renovation of air conditioning	From April 2013 to May 2013	18	—	—

## 2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥2,137 million in capital expenditures together with ¥731 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Aqua Dojima NBF Tower	Renovation of air conditioning, renovation of automatic fire information facilities, renovation of guide light, etc.	From January 2012 to June 2012	¥ 216
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning, renovation of restroom, renovation of lighting equipment, etc.		178
Shin-Kawasaki Mitsui Bldg.	Renovation of heating equipment, renovation of common use department guide light, renovation of restroom, etc.		137
NBF Hibiya Bldg.	Renovation of guide light, renovation of surveillance camera facilities, renovation of air conditioning, etc.		134
GSK Bldg.	Renovation of hot and chilled water generator, attachment of multi-purpose restroom, renovation of elevator, etc.		107
Sumitomo Densetsu Bldg.	Renovation of air conditioning, attachment of stairs handrail, renovation of hot and chilled water generator, etc.		101
NBF Akasaka Sanno Square	Renovation of restroom, renovation of battery facilities, renovation of mechanical parking lot facilities, etc.		85
NBF Atsugi Bldg.	Renovation of air conditioning, renovation of mechanical parking lot facilities, renovation of fire extinguishing facilities, etc.		57
Aqua Dojima East	Renovation of central monitoring board, renovation of access control system, renovation of guide light, etc.		40
NBF Utsunomiya Bldg.	Attachment of heat shield window shade, renovation of elevator, pavement of asphalt, etc.		39
NBF Sapporo Minami Nijo Bldg.	Renovation of air conditioning, renovation of all heat exchangers, renovation of parking lot facilities, etc.		36
NBF Shijo Karasuma Bldg.	Renovation of fire extinguishing facilities, renovation of automatic fire information facilities, renovation of common use department lighting equipment, etc.		24
NBF Sakai-Higashi Building	Renovation of air conditioning, construction of parking lot, renovation of air conditioning, etc.		24
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		959
<b>Total</b>			

### 3. Cash Reserve for Capital Improvements

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

	As of June 30, 2012	As of December 31, 2011
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,630	¥2,755
Amount accumulated in the current period	2,884	1,817
Withdrawal from reserves in the current period	3,337	2,942
Amount carried forward	¥1,177	¥1,630

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.  
2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥5,039 million as of June 30, 2012.

### Expenses regarding Entrustment, etc.

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

Item	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
	(Yen in millions)		
Asset management fees	¥1,050	¥1,027	¥ 973
Asset custody fees	40	39	36
Agent fees (stock transfer, accounting and administrative)	47	46	51
Directors' remuneration	14	16	17
Auditor's fees	14	13	13
Other expenses	108	104	121
<b>Total</b>	<b>¥1,273</b>	<b>¥1,245</b>	<b>¥1,211</b>

### Trading Activities during the Current Period

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

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

Name of building	Date	Acquisitions
		Acquisition price (Note 1)
Higashi Gotanda Square	February 1, 2012	¥ 8,350
Ryukakusan Bldg.	February 1, 2012	4,050
Shin-Kawasaki Mitsui Bldg. (additional acquisition)	March 30, 2012	5,520
NBF Matsuyama Nichigin-mae Bldg.	March 30, 2012	3,310
Hiroshima Fukuromachi Bldg. (additional acquisition)	April 13, 2012	1,380
<b>Total</b>		<b>¥22,610</b>

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

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

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

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

#### (1) Ongoing Transactions

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

#### (2) Fees Paid for the Period from January 1, 2012 to June 30, 2012

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A
Office management fees, etc. (Note 4)	¥1,267	Mitsui Fudosan Co., Ltd.	¥1,227	96.8%
		NBF Office Management Co., Ltd.	34	2.7%
Property maintenance fees	3,109	First Facilities Co., Ltd.	524	16.8%
		Mitsui Fudosan Co., Ltd.	357	11.5%
		Mitsui Fudosan Building Management Co., Ltd.	185	6.0%
		First Facilities West Co., Ltd.	120	3.9%
		First Facilities Yokohama Co., Ltd.	11	0.3%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.1%
Leasing related service fees	38	NBF Office Management Co., Ltd.	10	26.9%
		Mitsui Fudosan Co., Ltd.	5	12.7%
		Mitsui Fudosan Building Management Co., Ltd.	0	1.1%

- 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. (11 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, Higashi Gotanda Square, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
5. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

	(Yen in millions)
First Facilities Co., Ltd.	¥601
First Facilities West Co., Ltd.	323
Mitsui Fudosan Building Management Co., Ltd.	303
Mitsui Fudosan Co., Ltd.	296
Mitsui Designtec Co., Ltd.	19
Mitsui Fudosan Housing Lease Co., Ltd.	12
Uniliving Co., Ltd.	1
Mitsui Fudosan Realty Co., Ltd.	0
LaLaport Management Co., Ltd.	0

# Balance Sheets

NIPPON BUILDING FUND INC.  
As of June 30, 2012 and December 31, 2011

	As of June 30, 2012	As of December 31, 2011
	(Yen in millions)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (Note 3)	¥ 34,484	¥ 35,486
Tenant receivables	296	294
Other current assets	520	638
Total current assets	35,300	36,418
Investment Properties:		
Land including trust accounts (Notes 4, 14)	542,002	530,202
Buildings and improvements including trust accounts (Notes 4, 14)	329,703	316,673
Other tangible assets (Notes 4, 14)	10,578	10,073
Less: accumulated depreciation (Notes 4, 14)	(87,730)	(81,601)
Leasehold rights in trust accounts and other intangible assets (Note 14)	35,649	35,651
Total investment properties, net	830,202	810,998
Other Assets	5,638	5,439
<b>Total Assets</b>	<b>¥871,140</b>	<b>¥852,855</b>
<b>Liabilities</b>		
Current Liabilities:		
Short-term loans (Notes 3, 6)	¥ 29,000	¥ 22,000
Long-term debt due within one year (Notes 3, 6)	27,750	42,750
Accounts payable	4,195	3,889
Rents received in advance	3,830	3,795
Accrued expenses and other liabilities	1,335	1,958
Total current liabilities	66,110	74,392
Long-term Debt (Notes 3, 6)	317,250	312,625
Tenant Security Deposits Including Trust Accounts (Note 3)	41,864	41,510
Other Liabilities	80	86
<b>Total Liabilities</b>	<b>425,304</b>	<b>428,613</b>
<b>Net Assets (Note 5)</b>		
Unitholders' Equity		
Unitholders' capital	436,013	415,115
Units authorized: 2,000,000 units		
Units issued and outstanding: 613,000 units as of June 30, 2012 and 578,500 units as of December 31, 2011		
Retained earnings	9,823	9,127
<b>Total Net Assets</b>	<b>445,836</b>	<b>424,242</b>
<b>Total Liabilities and Net Assets</b>	<b>¥871,140</b>	<b>¥852,855</b>

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

# Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2012, December 31, 2011 and June 30, 2011

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
	(Yen in millions)		
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental (Note 7)	¥27,710	¥27,041	¥25,773
Other revenues related to property leasing (Note 7)	2,534	2,732	2,308
<b>Total Operating Revenues</b>	<b>30,244</b>	<b>29,773</b>	<b>28,081</b>
<b>Operating Expenses:</b>			
Property management fees (Note 7)	4,346	4,217	3,947
Real estate taxes (Note 7)	2,785	2,645	2,678
Repairs and maintenance (Note 7)	732	836	579
Insurance (Note 7)	34	34	32
Other rental expenses (Note 7)	2,489	2,511	2,181
Depreciation and amortization (Note 7)	6,139	5,902	5,534
Loss on sale of investment property (Note 8)	—	197	—
Asset management fees	1,050	1,027	973
Other operating expenses	223	218	238
<b>Total Operating Expenses</b>	<b>17,798</b>	<b>17,587</b>	<b>16,162</b>
<b>Operating Income</b>	<b>12,446</b>	<b>12,186</b>	<b>11,919</b>
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest income	4	4	4
<b>Non-Operating Expenses:</b>			
Interest expense	(2,863)	(3,006)	(2,861)
Amortization of bond issuance costs	(11)	(9)	(5)
New investment units issuance costs	(47)	—	(58)
Other non-operating expenses, net	(39)	(47)	(35)
<b>Ordinary Income</b>	<b>9,490</b>	<b>9,128</b>	<b>8,964</b>
<b>Extraordinary Loss:</b>			
Loss on disaster (Note 9)	—	—	(163)
Provision for loss on disaster (Note 9)	—	—	(43)
<b>Income before Income Taxes</b>	<b>9,490</b>	<b>9,128</b>	<b>8,758</b>
Current and deferred income taxes (Note 10)	(1)	(1)	(1)
<b>Net Income</b>	<b>¥ 9,489</b>	<b>¥ 9,127</b>	<b>¥ 8,757</b>

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

# Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2012, December 31, 2011 and June 30, 2011

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
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
Cash dividends declared	—	—	(8,793)	(8,793)
Issuance of new units through public offering as of January 25, 2012	30,000	18,172	—	18,172
Issuance of new units through allocation to a third party as of February 21, 2012	4,500	2,726	—	2,726
Net income	—	—	9,489	9,489
Balance as of June 30, 2012	613,000	¥436,013	¥9,823	¥445,836

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

# Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2012, December 31, 2011 and June 30, 2011

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
		(Yen in millions)	
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 9,490	¥ 9,128	¥ 8,758
Depreciation and amortization	6,139	5,902	5,534
Amortization of bond issuance costs	11	9	5
Increase (Decrease) in provision for loss on disaster	—	(43)	43
Interest expense	2,863	3,006	2,861
Increase in tenant receivables	(2)	(8)	(6)
Increase (Decrease) in accounts payable	304	272	(162)
Increase in rents received in advance	35	147	300
Decrease in investment properties due to sale	—	3,319	—
Cash payments of interest expense	(2,937)	(3,004)	(2,864)
(Increase) Decrease in consumption tax refund receivable	—	1,102	(1,102)
Others, net	(381)	690	(272)
<b>Net Cash Provided by Operating Activities</b>	<b>15,522</b>	<b>20,520</b>	<b>13,095</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment properties	(25,276)	(39,809)	(60,042)
Proceeds from tenant security deposits	2,113	2,663	5,039
Payments for tenant security deposits	(1,759)	(1,481)	(1,348)
Payments for security deposits paid to lessors	(10)	(8)	(10)
Others, net	(275)	(208)	(517)
<b>Net Cash Used in Investing Activities</b>	<b>(25,207)</b>	<b>(38,843)</b>	<b>(56,878)</b>
<b>Cash Flows from Financing Activities:</b>			
Net proceeds from short-term loans	7,000	14,000	—
Proceeds from long-term debt	21,000	47,000	32,000
Repayment of long-term debt	(31,375)	(34,375)	(6,375)
Proceeds from issuance of new units	20,851	—	28,881
Payments for bond issuance costs	—	(53)	—
Payment of dividends	(8,793)	(8,758)	(8,396)
<b>Net Cash Provided by Financing Activities</b>	<b>8,683</b>	<b>17,814</b>	<b>46,110</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1,002)</b>	<b>(509)</b>	<b>2,327</b>
Cash and Cash Equivalents at the Beginning of Period	35,486	35,995	33,668
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥ 34,484</b>	<b>¥ 35,486</b>	<b>¥ 35,995</b>

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

# Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2012, December 31, 2011 and June 30, 2011

## Note 1 Organization and Basis of Presentation

### Organization

Nippon Building Fund Inc. (hereinafter "NBF") was formed on March 16, 2001 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan (hereinafter the Investment Trust Law of Japan) with Mitsui Fudosan Co., Ltd., 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 June 30, 2012, NBF had ownership or beneficiary interests in 67 office properties containing approximately 893,203 square meters of rentable office space. As of June 30, 2012, NBF had leased office space to 1,080 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.7%.

### Basis of Presentation

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

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

## Note 2 Summary of Significant Accounting Policies

### Cash and Cash Equivalents

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

### Investment Properties

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

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

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

### Investment Corporation Bond Issuance Costs

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

### New Investment Units Issuance Costs

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

### 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 ¥133 million for the period ended June 30, 2012, ¥66 million for the period ended December 31, 2011 and ¥293 million for the period ended June 30, 2011.

### Revenue Recognition

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

### Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

### Additional Information

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

## Note 3

## Financial Instruments

### Status of Financial Instruments

#### *Policy for Financial Instruments*

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

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

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

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

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

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

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

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

### Supplemental Explanation regarding Fair Values of Financial Instruments

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

### Estimated Fair Value of Financial Instruments

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

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

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

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

##### Assets:

##### (1) Cash and cash equivalents

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

##### Liabilities:

##### (1) Short-term loans

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

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

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

##### (3) Long-term debt

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

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

##### 1) Investment corporation bonds

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

##### 2) Long-term loans

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

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).

(Yen in millions)			
	Book value	Fair value	Difference
<b>Assets</b>			
(1) Cash and cash equivalents	¥ 35,486	¥ 35,486	¥ —
Total	¥ 35,486	¥ 35,486	¥ —
<b>Liabilities</b>			
(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.

(Yen in millions)

	Book value	Fair value	Difference
(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

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

## 2) Long-term loans

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

## (3) Long-term debt

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

(Yen in millions)

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

## (1) Investment corporation bonds

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

## (2) Long-term loans

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

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

(Yen in millions)

	As of June 30, 2012	As of December 31, 2011
Tenant Security Deposits Including Trust Accounts	¥41,864	¥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 as of June 30, 2012

(Yen in millions)

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

## Redemption Schedule for Monetary Claims as of December 31, 2011

(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 as of June 30, 2012

(Yen in millions)

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

## Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2011

(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

## Note 4 Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2012 and December 31, 2011 consisted of the following:

	As of June 30, 2012			As of December 31, 2011		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥257,613	¥ —	¥257,613	¥245,812	¥ —	¥245,812
Land in trust	284,389	—	284,389	284,390	—	284,390
<b>Land including trust total</b>	<b>542,002</b>	<b>—</b>	<b>542,002</b>	<b>530,202</b>	<b>—</b>	<b>530,202</b>
Buildings and improvements	182,270	(35,623)	146,647	170,556	(32,492)	138,064
Buildings and improvements in trust	147,433	(47,441)	99,992	146,117	(44,833)	101,284
<b>Building and improvements including those in trust total</b>	<b>329,703</b>	<b>(83,064)</b>	<b>246,639</b>	<b>316,673</b>	<b>(77,325)</b>	<b>239,348</b>
Structures	2,817	(1,114)	1,703	2,684	(1,025)	1,659
Machinery and equipment	1,562	(680)	882	1,432	(612)	820
Tools, furniture and fixtures	1,199	(517)	682	1,098	(462)	636
Structures in trust	2,066	(786)	1,280	2,047	(732)	1,315
Machinery and equipment in trust	1,621	(866)	755	1,589	(792)	797
Tools, furniture and fixtures in trust	1,297	(703)	594	1,214	(653)	561
Construction in process	13	—	13	9	—	9
Construction in process in trust	3	—	3	—	—	—
<b>Other tangible assets total</b>	<b>10,578</b>	<b>(4,666)</b>	<b>5,912</b>	<b>10,073</b>	<b>(4,276)</b>	<b>5,797</b>
<b>Total</b>	<b>¥882,283</b>	<b>¥(87,730)</b>	<b>¥794,553</b>	<b>¥856,948</b>	<b>¥(81,601)</b>	<b>¥775,347</b>

## Note 5 Net Assets

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

## Note 6 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2012 and December 31, 2011 ranged from 0.33% to 0.49%. Long-term debt is at fixed rates and as of June 30, 2012 and December 31, 2011 consisted of the following:

	As of June 30, 2012	As of December 31, 2011
	(Yen in millions)	
Unsecured loans due 2012 to 2022 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.4%	¥285,000	¥285,375
1.48% unsecured bonds due 2012 (Note 1)	—	10,000
1.74% unsecured bonds due 2014 (Note 1)	10,000	10,000
1.23% unsecured bonds due 2015 (Note 1)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 1)	10,000	10,000
0.64% unsecured bonds due 2016 (Note 1)	10,000	10,000
2.04% unsecured bonds due 2017 (Note 1)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 2)	10,000	10,000
	345,000	355,375
Less: amount due within one year	27,750	42,750
	¥317,250	¥312,625

Notes: 1. Subject to provision of collateral restrictions.

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

The annual maturities of long-term debt as of June 30, 2012 were as follows:

	(Yen in millions)
Due after one to two years	¥ 51,750
Due after two to three years	36,750
Due after three to four years	71,750
Due after four to five years	39,750
Due after five years	117,250

During the period ended June 30, 2012, NBF obtained committed credit lines of ¥60 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion on June 30, 2012.

## Note 7 Rental Revenues and Expenses

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

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
	(Yen in millions)		
<b>Revenues from Property Leasing:</b>			
Rental:			
Rental revenues	¥24,957	¥24,359	¥23,061
Common area charges	2,640	2,568	2,598
Others	113	114	114
Subtotal	27,710	27,041	25,773
Other revenues related to property leasing:			
Parking lots	578	566	554
Facility charge	181	175	156
Incidental income	1,636	1,719	1,483
Cancellation fees	46	219	64
Miscellaneous income	93	53	51
Subtotal	2,534	2,732	2,308
Total revenues from property leasing	30,244	29,773	28,081
<b>Rental Expenses:</b>			
Property management fees	4,346	4,217	3,947
Real estate taxes	2,785	2,645	2,678
Repairs and maintenance	732	836	579
Insurance	34	34	32
Other rental expenses	2,489	2,511	2,181
Depreciation and amortization	6,139	5,902	5,534
Total rental expenses	16,525	16,145	14,951
<b>Operating Income from Property Leasing Activities</b>	<b>¥13,719</b>	<b>¥13,628</b>	<b>¥13,130</b>

## Note 8 Loss on Sale of Investment Property

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

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

## Note 9 Extraordinary Loss

Repair costs for assets damaged by the Great East Japan Earthquake were recognized as extraordinary loss for the period ended June 30, 2011.

## Note 10 Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.01% for the periods ended June 30, 2012, December 31, 2011 and June 30, 2011. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
Statutory tax rate	39.33%	39.33%	39.33%
Deductible dividends	(39.33)	(37.89)	(39.33)
Others	0.01	(1.43)	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

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

## Note 11 Per Unit Information

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

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

	For the six months ended June 30, 2012	For the six months ended December 31, 2011	For the six months ended June 30, 2011
	(Yen)		
<b>Earnings per Unit:</b>			
Net income per unit (Yen)	¥15,613	¥15,777	¥15,280
Weighted average number of units outstanding	607,783	578,500	573,086
	As of June 30, 2012	As of December 31, 2011	As of June 30, 2011
<b>Net Assets per Unit (Yen)</b>	¥727,302	¥733,348	¥732,709

## Note 12 Leases

### As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2012 and December 31, 2011, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2012	As of December 31, 2011
	(Yen in millions)	
Due within one year	¥19,263	¥23,687
Due after one year	26,382	36,864
Total	¥45,645	¥60,551

## As Lessee

NBF leases some of its investment properties from outside parties under non-cancelable operating leases. As of June 30, 2012 and December 31, 2011, future minimum rental expenses under the non-cancelable operating leases are as follows:

	As of June 30, 2012	As of December 31, 2011
	(Yen in millions)	
Due within one year	¥2	¥2
Due after one year	2	3
Total	¥4	¥5

## Note 13 Transactions with Related Parties

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

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

(For the six months ended June 30, 2011)

None applicable.

### (2) Affiliates

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

(For the six months ended June 30, 2011)

None applicable.

### (3) Sister Companies

(For the six months ended June 30, 2012)

None applicable.

(For the six months ended December 31, 2011)

None applicable.

(For the six months ended June 30, 2011)

None applicable.

### (4) Directors and Major Individual Unitholders

(For the six months ended June 30, 2012)

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

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

(For the six months ended December 31, 2011)

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,120 (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 Agreement Regarding the Management of Institutions" concluded between NBF and NBFM.  
4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(For the six months ended June 30, 2011)

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,244 (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 Agreement Regarding the Management of Institutions" concluded between NBF and NBFM.  
4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

## Note 14 Investment and Rental Property

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

	(Yen in millions)	
	For the six months ended June 30, 2012	For the six months ended December 31, 2011
Carrying amount		
Balance at beginning of the Fiscal Period	¥811,032	¥780,381
Amount of increase (decrease) during current period	19,194	30,651
Balance at end of the Fiscal Period	830,226	811,032
Fair value at end of the period	¥871,770	¥856,690

- Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.  
2. The major increase in the fiscal period ended June 30, 2012 was mainly due to the acquisitions of 5 properties (Higashi Gotanda Square, Ryukakusan Bldg., Shin-Kawasaki Mitsui Bldg. (Additional Acquisition), NBF Matsuyama Nichigin-mae Bldg., and Hiroshima Fukuromachi Bldg. (Additional Acquisition), ¥23,118 million) and the major decrease was mainly due to recognition of depreciation costs.  
The major increase in the fiscal period ended December 31, 2011 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 at end of the period is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties is disclosed in Note 7 (Rental Revenues and Expenses) and Note 8 (Loss on Sale of Investment Property).

## Note 15 Segment Information

### Segment Information

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

## Related Information

(For the six months ended June 30, 2012)

### 1. Information by Products and Services

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

### 2. Information by Geographic Areas

#### (1) Operating revenues

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

#### (2) Investment properties

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

### 3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,727	Real estate leasing business

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

(For the six months ended December 31, 2011)

### 1. Information by Products and Services

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

### 2. Information by Geographic Areas

#### (1) Operating revenues

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

#### (2) Investment properties

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

### 3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,388	Real estate leasing business

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

(For the six months ended June 30, 2011)

### 1. Information by Products and Services

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

### 2. Information by Geographic Areas

#### (1) Operating revenues

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

#### (2) Investment properties

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

### 3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,320	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.

## Note 16 Significant Subsequent Events

None applicable

# Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at June 30, 2012 and December 31, 2011, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended June 30, 2012, December 31, 2011 and June 30, 2011, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

## *Management's Responsibility for the Financial Statements*

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

## *Auditor's Responsibility*

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

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

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

## *Opinion*

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

KPMG AZSA LLC

Tokyo, Japan  
October 12, 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 June 30, 2012, NBFM has been entrusted as an asset management company only by NBF.

### Operation

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

### Fees for the Asset Management Operation

#### Management Fees 1

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

#### Management Fees 2

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

#### Management Fees 3

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

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

## History of NBFM

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

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

## List of Shareholders (as of June 30, 2012)

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

## Directors and Staff

As of June 30, 2012, 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
Kenichi Tanaka	President & CEO (standing)
Yasushi Akimoto	Director, Head of Investment & Finance Group (standing)
Masahiko Misao	Director, Head of Administration Group (standing)
Masato Shikata	Director
Fukuhisa Kumada	Director
Hideo Yoshimura	Corporate Auditor
Toru Suzuki	Corporate Auditor

## Outline of Financial Condition

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

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

Profit and loss for the most recent fiscal year:

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

## Investment Policies of NBF

### A. Basic Policies

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

### B. Investment Strategy

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

#### (1) Strategy for Creation of the Portfolio

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

#### Area Diversification

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

The following table sets forth above said area diversification strategy.

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

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

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

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

#### (2) Acquisition Strategy

##### a) Ratio of Real Estate Assets

NBF will maintain a ratio of 75% or more with respect to the "Designated Real Estate Ratio" ("Investment Objectives and Policies," Articles of Incorporation). As of June 30, 2012, NBF satisfied the criteria.

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

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

##### b) Due Diligence

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

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

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

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> <li>■ Net rentable area, including net rentable area of entire building and standard net rentable area per floor.</li> <li>■ Desired total net rentable area is 1,650m<sup>2</sup> (approximately 500 <i>tsubo</i>) or more.</li> <li>■ Desired standard net rentable area per floor is 330m<sup>2</sup> (approximately 100 <i>tsubo</i>) or more.</li> </ul>
Construction type and specifications of facilities	<ul style="list-style-type: none"> <li>■ Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.</li> </ul>
Earthquake resistance	<ul style="list-style-type: none"> <li>■ Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto (obtain structural appraisal/assessment (appraisal/assessment of the building structure pursuant to the Building Standards Law conducted by The Building Center of Japan), etc.).</li> </ul>
Measures regarding status of legal title	<ul style="list-style-type: none"> <li>■ In cases such as co-ownership, divided condominium ownership, a building erected on leased land, etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated. <ul style="list-style-type: none"> <li>• Measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans.</li> <li>• Appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner’s interest, etc.</li> </ul> </li> </ul>
Tenancy characteristics	<ul style="list-style-type: none"> <li>■ Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.</li> </ul>
Environmental: condition of land, etc.	<ul style="list-style-type: none"> <li>■ Absence of harmful substances such as asbestos (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.</li> </ul>

### c) Uncompleted or Unleasable Properties

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

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

### (3) Management and Disposition Policies

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

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

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

#### a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of June 30, 2012, foreseen reserves provided from July 2012 to June 2013 are as follows:

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

**Total Foreseen Amount (annual basis): ¥3,704 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 67 properties owned by NBF as of June 30, 2012.

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

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

### c) Disposition

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

## (4) Financial Policies

### a) Issuance of Units

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

### b) Debt Financing

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

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

### c) Loan-to-Value Ratio

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

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

### d) Derivative Transactions

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

## (5) Disclosure Policy

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

### a) Appraisal Value, etc.

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

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

## Investment Objectives of NBF

### Investment Restrictions in Articles of Incorporation

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

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

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

- (1) Real estate, real estate leasehold interests and 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 June 30, 2012)

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 <a href="http://www.nbf-m.com/nbf_e/">http://www.nbf-m.com/nbf_e/</a>
Date of Inception:	March 16, 2001
Capital:	Contributed capital and units issued and outstanding: ¥436,013 million 613,000 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 September 27, 2012 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2012 to June 30, 2012, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

## Fiscal Periods

Six months ending June 30 and December 31

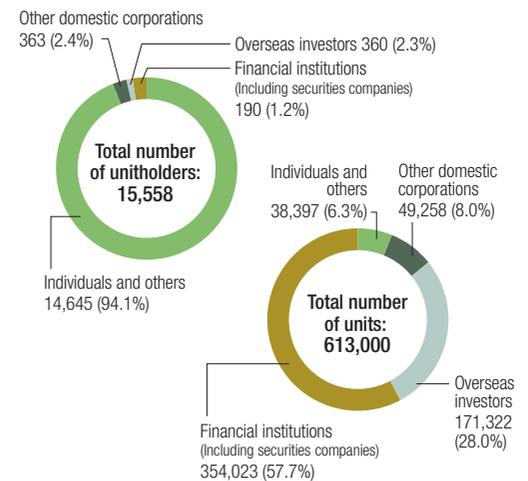
## Total Number of Units Issued

22nd Period (From January 1, 2012 to June 30, 2012)	<b>613,000</b> units
21st Period (From July 1, 2011 to December 31, 2011)	<b>578,500</b> units

## Distributions

Expected distribution for the 23rd Period (ending December 2012)	
For the operating period from July 1, 2012 to December 31, 2012 (6 months)	<b>¥15,500</b> per unit
Confirmed distribution for the 22nd Period (ended June 2012)	
For the operating period from January 1, 2012 to June 30, 2012 (6 months)	<b>¥15,480</b> per unit

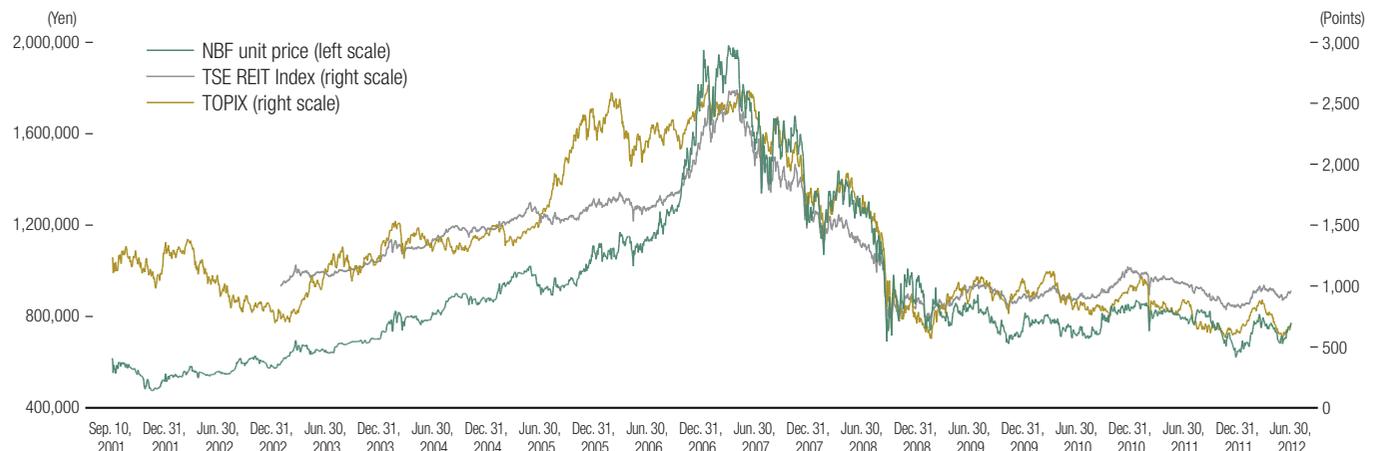
## Unitholders



## Major Unitholders

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	98,937	16.1%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	47,589	7.8
The Nomura Trust and Banking Co., Ltd. (Trust Account)	41,996	6.9
Mitsui Fudosan Co., Ltd.	21,815	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,224	3.3
Nomura Bank (Luxembourg) SA	19,399	3.2
Sumitomo Life Insurance Company	12,256	2.0
Deutsche Securities Inc.	10,210	1.7
The Chugoku Bank, Ltd.	7,636	1.2
Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension	7,283	1.2

## Historical Unit Price



**NBF**  
Nippon Building Fund



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**Nippon Building Fund Inc.**

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

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