



**17<sup>th</sup> Period**  
NBF Report July – December 2009

# Intelligent Portfolio Expansion

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



A photograph of a modern office interior. The ceiling is made of large glass panels held by a dark metal grid, with several small, round, recessed lights. The walls are also made of glass, reflecting the interior and exterior. The floor is a light-colored, polished material, possibly stone or tile, with a grid pattern. On the right side, there is a large, colorful abstract artwork with red, pink, and green patterns. The overall atmosphere is clean, bright, and professional.

## PROFILE

On September 10, 2001, Nippon Building Fund Inc. (NBF) became the first Japanese real estate investment trust (J-REIT) investment corporation with its listing 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 shareholder 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. Its fiscal periods are six months long. NBF primarily invests in office buildings in the central business districts of Tokyo, other Greater Tokyo and other cities in Japan. The Investment Trust Law of Japan requires an external entity to manage the assets of an investment corporation; NBF entrusts asset management to Nippon Building Fund Management Ltd. (NBFM). NBF maintains a close relationship with NBFM's major shareholder Mitsui Fudosan Co., Ltd., and employs that company's expertise to invest in carefully selected, high-quality properties, with the aim of generating further asset growth.

# Intelligent Portfolio Expansion

## CONTENTS

Building on Our Strengths	2
Financial Highlights	4
To Our Shareholders	6
Feature: Intelligent Portfolio Expansion	8
A Track Record of Steady Growth and High Occupancy Rates	13
Main Properties	14
Location of Office Properties	20
Portfolio Overview	22
Management Team and Management Structure	24
Management's Discussion and Analysis	28
Financial Statements	39
Appendix	53
Investment and Distribution Policies	55
Corporate Data	62
Investors' Information	63

### On the Cover



The Toranomon Kotohira Tower, acquired in stages in 2004 and 2006, is located in Tokyo's convenient Kasumigaseki and Toranomon districts, a center of Japanese business and government which historically has been a premier office building area. This is a core NBF property for which tenant demand has remained firm, for reasons including its proximity to government institutions.



# Building on Our Strengths

Over the 17 periods, or roughly eight and a half years, since its listing on the J-REIT section of the Tokyo Stock Exchange in September 2001, NBF has established a track record of stable profit distribution.

As a result of steady growth, NBF has built a solid position in the J-REIT market from several perspectives, including scale advantage, portfolio scope, financial stability and level of return.

NBF will continue to make maximum use of its strengths and competitive advantages, as well as the expertise of Mitsui Fudosan Co., Ltd., to steadily increase value for shareholders.

## Japan's First and Largest J-REIT

- ◆ In September 2001, NBF was listed as the first real estate investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.
- ◆ The largest total market capitalization of any J-REIT (¥**382.7** billion)\*
- ◆ The largest scale of managed assets (¥**783.1** billion)\* (total acquisition price)

## High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **61\*** properties, mainly large-scale office buildings in the Tokyo Central Business Districts
- ◆ Diversified in other Tokyo markets as well as in regional cities
- ◆ Total rentable area of **770,150m<sup>2</sup>\***
- ◆ **898\*** diversified tenants

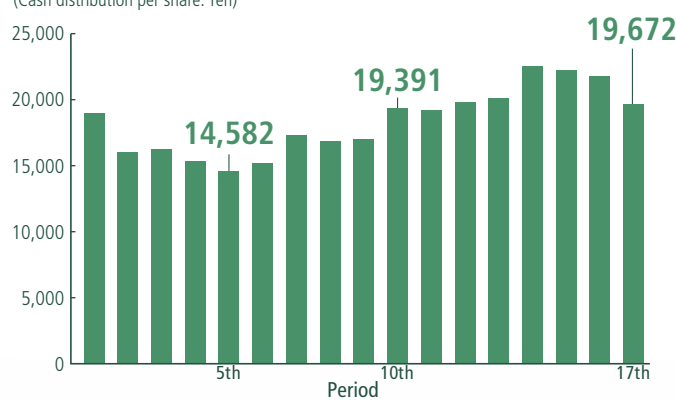
# NBF's Strengths

## Stable Returns

◆ Cash distribution of ¥**19,672** per share for the 17th Period

◆ Aims to increase distributions to shareholders over the medium to long term

(Cash distribution per share: Yen)



## Sound Finances

### ◆ Ratings\*

- Standard & Poor's  
Long-term Corporate: A+, Short-term Corporate: A-1
- Moody's Issuer Rating: A1
- R & I Issuer Rating: AA

◆ LTV: **46.9%**\*

◆ Percentage of long-term fixed-rate debt included in interest-bearing debt: **86.2%**\*

◆ Average years remaining on long-term fixed-rate interest-bearing debt: **4.51** years\*

◆ Total average cost: **1.68%**\*

## Strategic Partnership with Mitsui Fudosan

◆ Access to the expertise of Mitsui Fudosan Co., Ltd., the leading real estate company in Japan

- Acquisition of properties developed by Mitsui Fudosan
- Use of property information-gathering capabilities of Mitsui Fudosan
- Use of Mitsui Fudosan's tenant mediation and building management capabilities in office management

\* As of December 31, 2009

# Financial Highlights

		17th Period from July 1, 2009 to December 31, 2009	16th Period from January 1, 2009 to June 30, 2009	15th Period from July 1, 2008 to December 31, 2008	14th Period from January 1, 2008 to June 30, 2008	17th Period from July 1, 2009 to December 31, 2009
		(Yen in millions, except per share data or where otherwise indicated)				U.S. dollars in thousands (Note 1)
Operating revenues	Note 2	¥ 29,928	¥ 30,761	¥ 31,218	¥ 30,088	\$ 321,529
Income before income taxes		10,663	11,803	12,062	12,223	114,560
Net income		10,662	11,802	12,061	12,222	114,549
Funds from operations	Note 3	15,944	17,157	17,417	16,630	171,297
Net operating income from property leasing activities	Note 3	20,124	21,005	21,346	20,318	216,195
Total amount of cash distribution	(a)	10,662	11,802	12,061	12,222	114,549
Total assets		782,311	783,793	766,249	725,627	8,404,720
Interest-bearing debt		337,875	338,500	318,500	280,500	3,629,942
Net assets	(b)	396,838	397,978	398,237	398,398	4,263,410
LTV (Loan to value)	Note 3	46.9%	47.0%	45.5%	42.8%	
Total number of common shares issued (shares)	(c)	542,000	542,000	542,000	542,000	
Net assets per share (Yen/\$)	(b) / (c)	732,173	734,276	734,753	735,050	7,866
Distribution per share (Yen/\$)	(a) / (c)	19,672	21,775	22,252	22,549	211
Funds from operations per share (Yen/\$)	Note 3	29,417	31,654	32,134	31,066	316

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93.08 = U.S.\$1.00, the approximate exchange rate on December 31, 2009.

2. Operating revenues do not include consumption taxes.

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

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

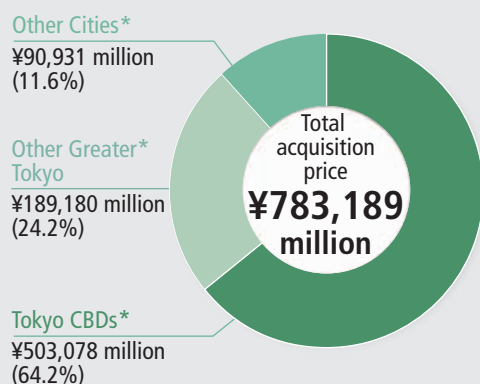
Loan to value: (Interest-bearing debt + Deposits under management) / Total assets

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

Weighted average number of common shares issued and outstanding during the period

## Portfolio Highlights (As of December 31, 2009)

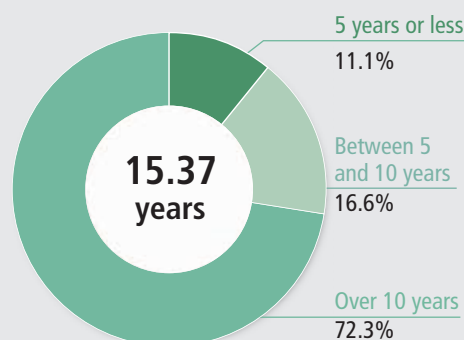
### Regional Allocation



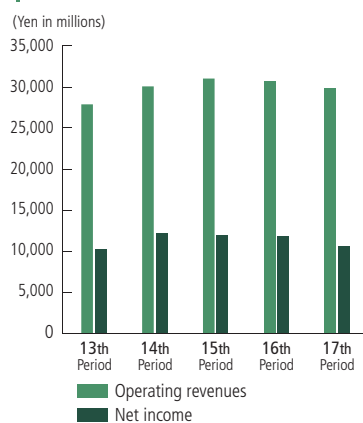
\* Tokyo CBDs (Central Business Districts): The 9 central wards of Tokyo, comprising Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro  
Other Greater Tokyo: The other 14 wards of Tokyo, and neighboring cities  
Other Cities: Principal regional cities

### Average Age

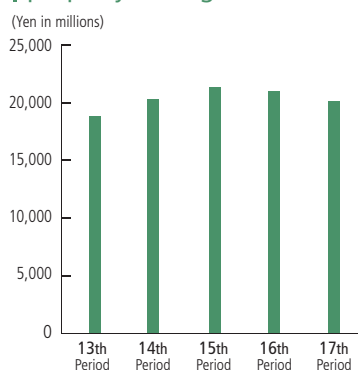
(Average age of properties weighted by acquisition price of each property)



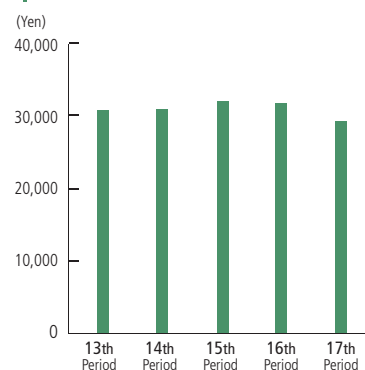
## Operating revenues / Net income



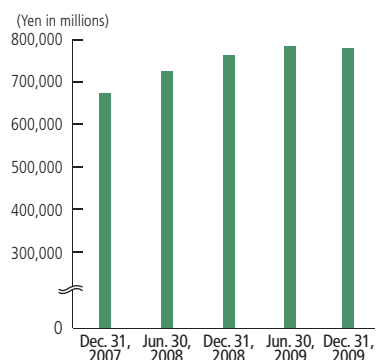
## Net operating income from property leasing activities



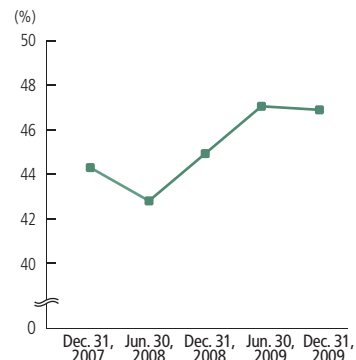
## Funds from operations per share



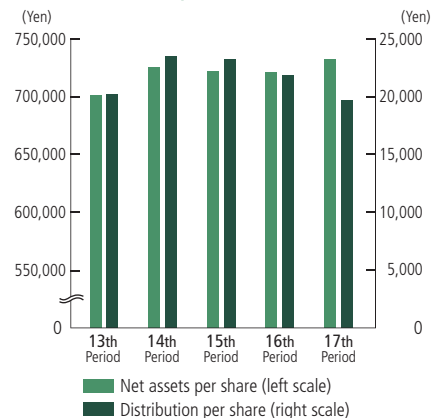
## Total assets



## LTV

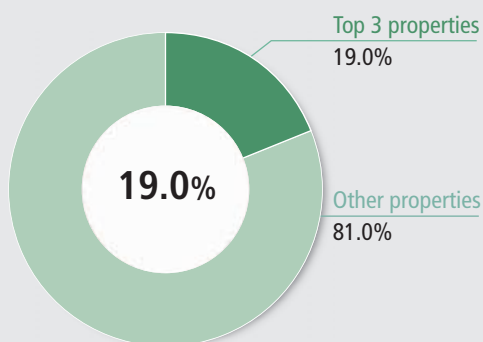


## Net assets per share / Distribution per share



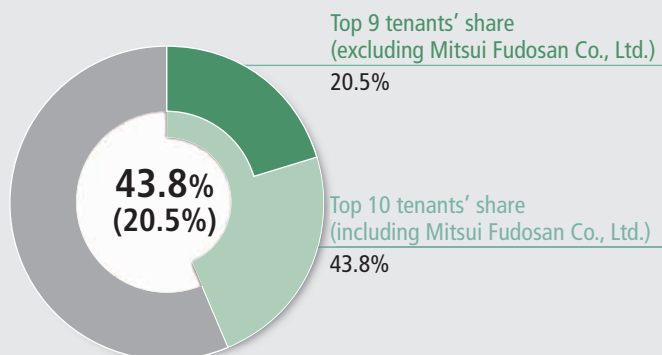
## Property Concentration Risk Diversification

(Ratio of total acquisition price of top 3 properties to total acquisition price)



## Tenant Risk Diversification

(Top 10 tenants' share of total floor space)



# To Our Shareholders



**NBF aims for steady distributions to shareholders over the medium-to-long term by generating well-balanced internal and external growth based on its sound financial strategy.**

**Koichi Nishiyama**

Executive Director of Nippon Building Fund Inc.

President and CEO of Nippon Building Fund Management Ltd.

Performance during the Six Months Ended December 31, 2009

**As a result of ongoing solid management, distribution per share was ¥19,672.**

During the six months ended December 31, 2009 (the “17th Period”), the global economic slowdown caused decreases in corporate profits and capital investment, and the employment situation rapidly deteriorated. Despite some signs of recovery including increased exports centered on Asia, economic conditions remained severe, with the unemployment rate hovering at a high level.

In the office building leasing market, the move to reduce the

amount of space leased and cancel lease contracts continued as companies relocated, integrated and downsized their operations due to intensifying pressure to reduce costs in response to weaker corporate earnings. As a result, occupancy rates and rent levels continued to decrease.

Meanwhile, there was renewed activity in the office building acquisition market, primarily transactions in central business districts (CBDs), as the turmoil in the financial market eased and real estate prices adjusted. A strong desire to invest was particularly evident for excellent properties in CBDs, which are scarce. However, the acquisition market remained sluggish due

## Performance Outlook (As of February 12, 2010)

(Yen in millions)

	18th Period (Projected) from January 1, 2010 to June 30, 2010	19th Period (Projected) from July 1, 2010 to December 31, 2010
Operating revenues	¥28,054	¥27,467
Net income	8,834	8,184
Distribution per share (Yen)	16,300	15,100



to the ongoing shortage of superior, high-spec properties for sale in good locations.

In these conditions, NBF continued to manage its assets in accordance with its fundamental policy of investing in high-quality office buildings that are highly competitive from various points of view and are expected to have stable cash flow from rents. In addition, NBF considered new property acquisitions, but ultimately did not make any during the 17th period. As a result, NBF's real estate portfolio at December 31, 2009 comprised 61 properties with a total investment value of over ¥783.1 billion on an acquisition price basis.

Operating revenues for the six months ended December 31, 2009 decreased ¥833 million, or 2.7 percent, compared with the previous six-month period to ¥29,928 million. Behind this decrease was the decline in rental revenue due to higher tenant turnover and the lower occupancy rate. Operating income decreased ¥772 million, or 5.4 percent, to ¥13,524 million. Net income decreased ¥1,139 million, or 9.7 percent, to ¥10,662 million. Distribution per share decreased ¥2,103 to ¥19,672.

#### Outlook for 2010

**NBF expects the occupancy rate to bottom out in mid-2010.**

In the office building leasing market, contract cancellations increased in March and April 2009 due to corporate cost reductions. However, signs of recovery began to appear in May, including growing demand for better offices due to factors such as lower rents and moves by tenants that have restructured to find properties with better lease conditions. Accordingly, NBF expects the occupancy rate to bottom out in mid-2010. In addition, NBF anticipates that asking rents will follow suit about six months later, bottoming out at the end of 2010.

As a result, NBF expects rental revenue to decrease an annualized 8 percent over 2010. Although NBF projects an increase of 1 percent due to the full-year contributions of new acquisitions, the outlook assumes a negative impact of 9 percent.

This includes a decrease of 4 percent from rent revisions at contract renewal and a 5 percent decrease from rent-free periods and rent decreases upon re-leasing of units to new tenants.

Based on these assumptions, NBF expects distributions per share of ¥16,300 for the six months ending June 30, 2010 (the "18th Period") and ¥15,100 per share for the six months ending December 31, 2010 (the "19th Period").

#### Future Management Policies

**Under its fundamental policy of aiming for steady distributions over the medium-to-long term, NBF will shift from internal growth to external growth.**

NBF expects the operating environment to remain challenging in 2010. However, NBF will continue to implement its fundamental policy of providing steady distributions to shareholders over the medium-to-long term by generating well-balanced internal and external growth based on its sound financial strategy.

By making the most of the advantages of the high-quality portfolio it has built up since it began asset management and the leasing capabilities of its sponsor, Mitsui Fudosan Co., Ltd., NBF will prevent contract cancellation by strengthening tenant relationships, bolster marketing to attract new tenants, strategically invest in renovation to enhance competitiveness, and review administrative and other costs. Moreover, with signs of change beginning to appear in the economy, NBF intends to shift from internal growth to external growth based on fund procurement capabilities that leverage its sound fundamentals. In addition to turning over its existing portfolio, NBF will aggressively and selectively invest in excellent properties.



**Koichi Nishiyama**  
Executive Director of Nippon Building Fund Inc.  
President and CEO of Nippon Building Fund Management Ltd.

# Feature: Intelligent Portfolio Expansion

NBF is strengthening leasing and focusing on maintaining the occupancy rate of its properties.

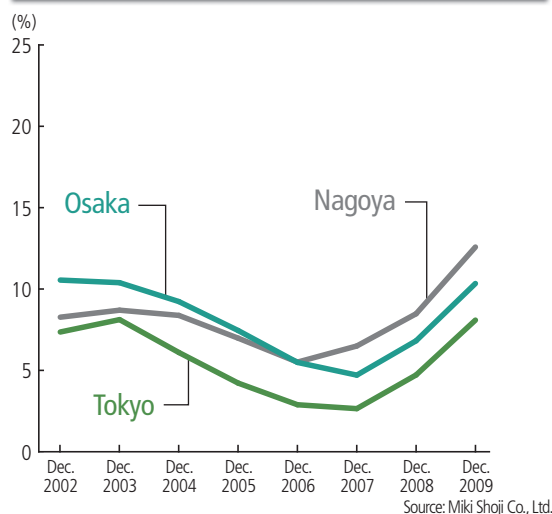
In the office building leasing market, occupancy rates in the major business centers of Tokyo, Osaka and Nagoya remain in a downtrend due to the economic slowdown. In particular, the occupancy rate in central Tokyo has decreased to the 2003 level.

Annual new office space supply in the 23 wards of Tokyo is projected to be approximately 1,000,000m<sup>2</sup>. The impact of this additional space on the supply and demand balance will be limited for most locations. Moreover, since May 2009, companies have begun seeking better offices due to lower rents, and those that have reorganized their businesses have begun looking for better lease conditions. As a result of these and other factors, demand remained firm at NBF.

Taking a comprehensive view of these conditions, NBF projects that the overall occupancy rate for its

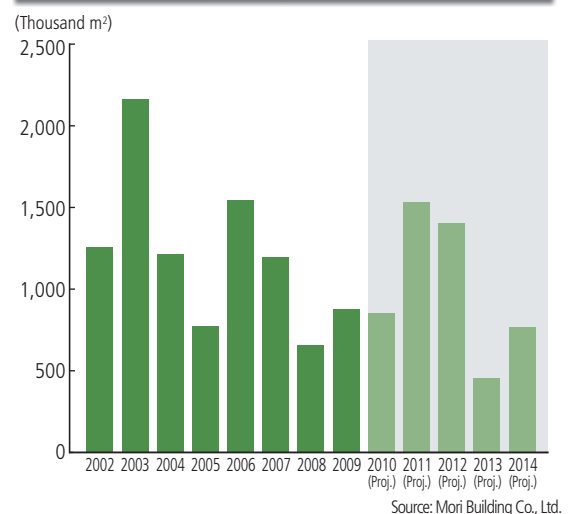
## Internal Growth: Maintaining the Occupancy Rate

Market Vacancy Rates



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

Office Floor Space Supply in the 23 Wards of Tokyo



portfolio will bottom out in mid-2010 and recover to 95.0 percent by the end of December.

Average asking rents in Tokyo CBDs continued to decrease substantially for new office buildings. However, rents were stable overall because of relatively steady asking rents for existing properties, which make up the majority of office buildings in Tokyo.

NBF's current portfolio is concentrated in Greater Tokyo and has diversified rent levels. Over half of the properties have monthly rents of less than ¥25,000/*tsubo*. These properties have exhibited comparatively small rent decreases. As a result, total rent revenue is stable.

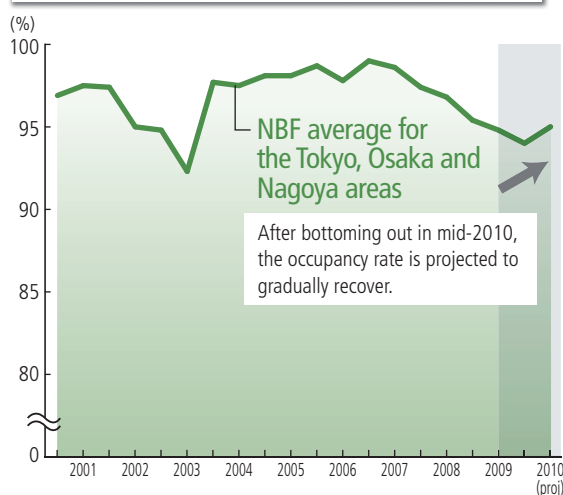
In its day-to-day leasing activities, NBF senses that companies are beginning to actively seek better lease

conditions due to lower rents and business reorganization, and therefore anticipates that rent levels will stop declining soon. Specifically, NBF expects rent levels to follow occupancy rates and bottom out in the second half of 2010.

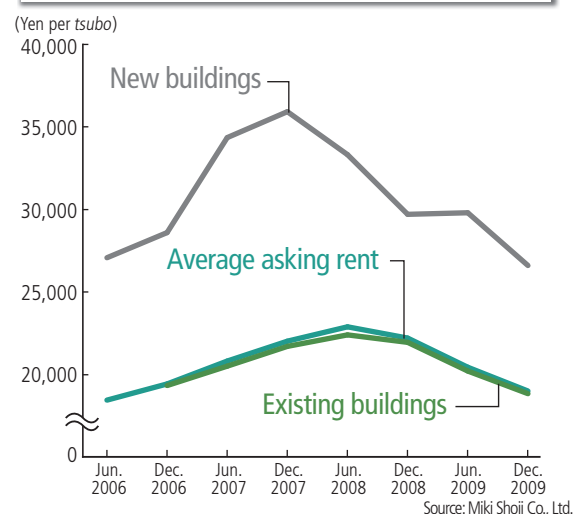
NBF will focus on maintaining the occupancy rate of its properties to minimize negative impacts on results by making the most of the advantages of its high-quality portfolio and the leasing capabilities of its sponsor, Mitsui Fudosan Co., Ltd.

## by Strengthening Leasing

### NBF Occupancy Rates



### Average Asking Rents in Tokyo CBDs





## Recognizing the current economic environment as an opportunity to acquire properties, NBF will selectively invest in those with clear advantages.

NBF recognizes that financial conditions are in the process of recovery, and that this presents an opportunity to acquire excellent properties. Accordingly, NBF will selectively invest in outstanding assets based on its rigorous investment strategy while considering asset turnover. NBF concluded a contract to acquire the NBF Ueno Building in August 2008, and planned to complete the acquisition in April 2010. After discussions with

the seller, however, we changed the acquisition date to January 2011 and the acquisition price to ¥10,400 million from ¥11,175 million. In addition, in March 2010 NBF sold two smaller properties: the NBF Ebisu-Minami Building and the NBF Hakata Gion Building.

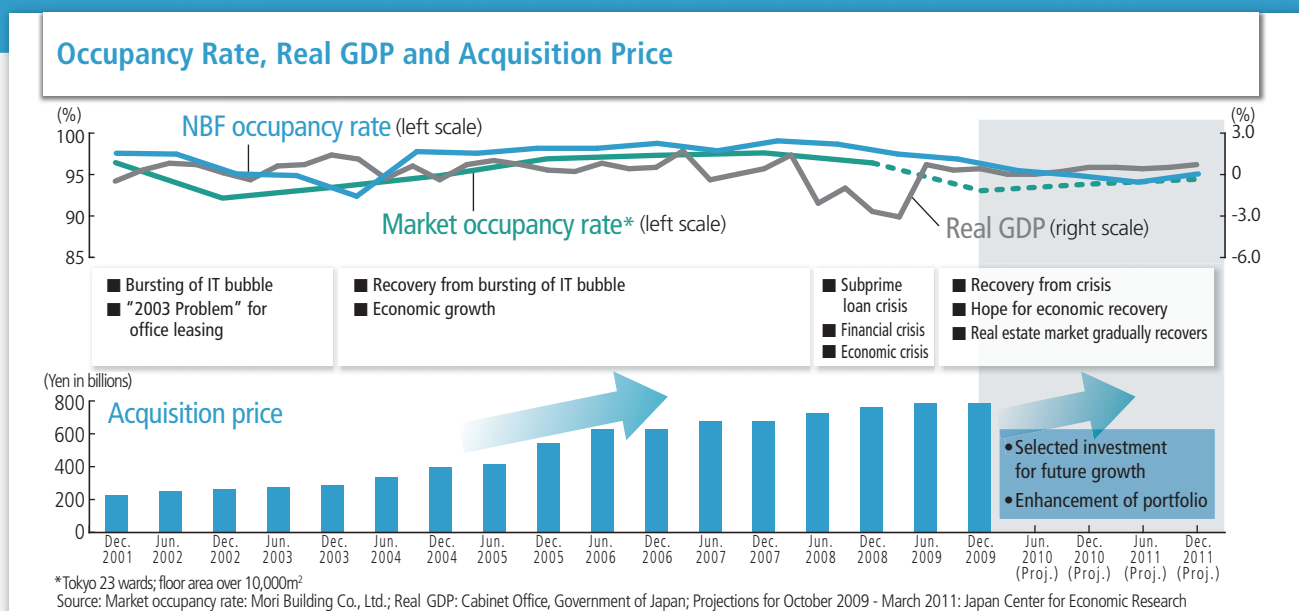
Past results show that NBF has expanded its assets under management during the recovery since the IT bubble burst in 2003. This has contributed to subsequent internal growth and increased distributions.

Currently, occupancy rates and asking rents are at very low levels, and GDP projections point toward a gradual recovery in Japan's economic fundamentals.

NBF believes the time has come to begin shifting its orientation from internal growth to external growth, and will therefore focus on acquiring excellent properties.

# External Growth:

## Strengthening the Portfolio through Selective Investment

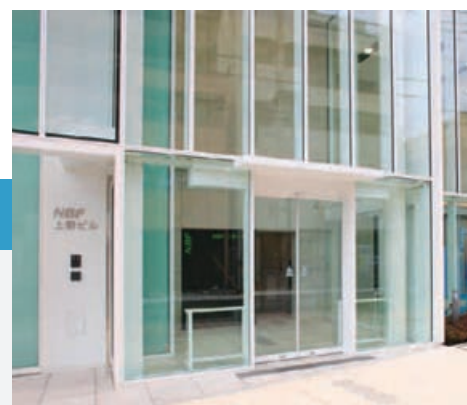


## Planned Acquisition in the 20th Period

### 60 NBF Ueno Building

Acquisition date:	April 30, 2010 (scheduled)	▶ January 31, 2011 (scheduled)
Acquisition price:	¥11,175 million	▶ ¥10,400 million
Site area:	2,405.22m <sup>2</sup> (NBF share: approx. 78%)	
Floor area of building:	15,949.26m <sup>2</sup> (NBF share: approx. 78%)	
Structure:	13 floors above ground, 2 floors below	
Location:	24-11, Higashi-Ueno 4-chome, Taito-ku, Tokyo	

Note: Acquisition date and acquisition price changed as of April 8, 2010.



## NBF steadfastly adheres to sound financial management policies.

Factors such as the announcement in October 2009 of the first J-REIT public offering in one year and three months indicate that the financial environment for J-REITs is on an improving trend. In January 2010, NBF was the first J-REIT in one year and eight months to issue investment corporation bonds.

The loan-to-value ratio (LTV) at the end of the 17th Period was 46.9 percent, within the target range of 40 to 50 percent (maximum 60 percent).

NBF is also working to procure long-term fixed-rate loans, and has set a target ratio for long-term

fixed-rate debt to total interest-bearing liabilities of 80 to 90 percent. At the end of the 17th Period, this ratio was 86.2 percent.

The funding spread has been in a downtrend since the financial crisis of 2008.

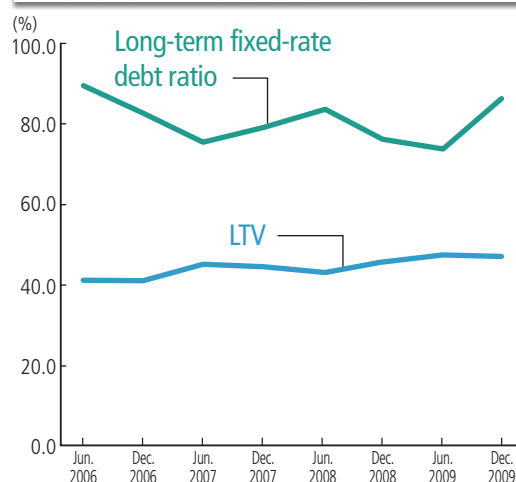
Furthermore, in addition to diversifying maturities of interest-bearing debt, NBF took strict measures to reduce refinancing risk, including establishing a total commitment line of ¥50.0 billion and diversifying credit sources among a large number of lending institutions (26 financial institutions, the most for a J-REIT).

These solid initiatives have earned NBF high ratings from rating agencies.

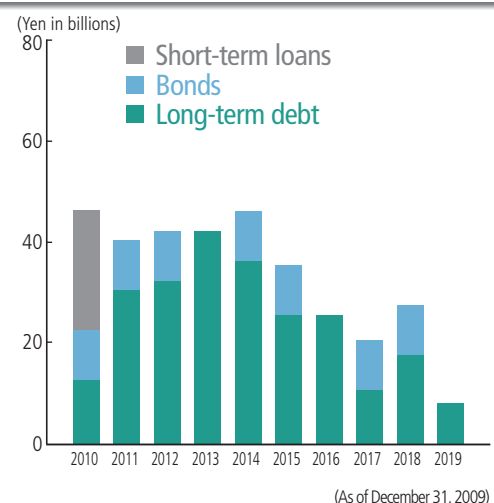
# Financial Strategy:

## Firmly Maintain Solid Financial Management Policies

### Stable Financial Track Record

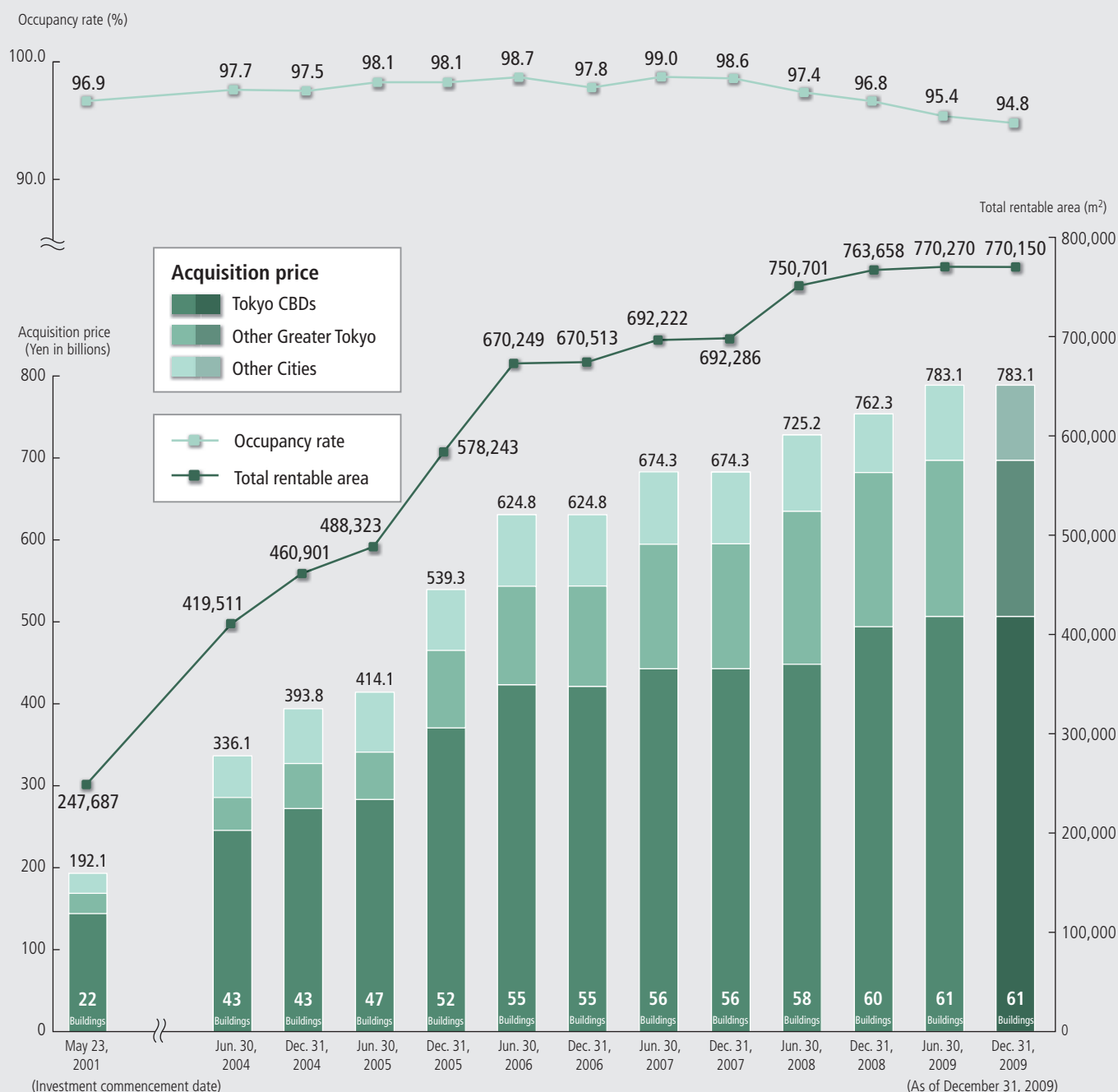


### Diversified Maturities of Interest-Bearing Debt





# A Track Record of Steady Growth and High Occupancy Rates



# Main Properties



① NBF Hibiya Building



② Nishi-Shinjuku Mitsui Building (top right)



③ Shiba NBF Tower (right)





⑤ NBF Minami-Aoyama Building (top)



⑦ Toranomon Kotohira Tower (bottom)



④ NBF Platinum Tower (top)

⑥ Gate City Ohsaki (bottom)







9 Nakameguro GT Tower (left)

14 NBF Toranomom Building (below)



10 Mitsuseimei Ochanomizu Building



12 Shinjuku Mitsui Building No. 2







17 NBF Alliance (below)

31 Nakanosakaue Sunbright Twin (bottom)



19 Shibuya Garden Front (top)

23 NBF Akasaka Sanno Square (bottom)







32 NBF Toyosu Canal Front (top) / 33 NBF Toyosu Garden Front (bottom)

34 Shin-Kawasaki Mitsui Building (top)

35 Yokohama ST Building (bottom)





50 55 Aqua Dojima NBF Tower, Aqua Dojima East



40 S-ino Omiya North Wing (top left)

51 Shinanobashi Mitsui Building (left)

# Location of Office Properties

As of December 31, 2009 (excluding properties sold in the 18th period)

## Tokyo CBDs

- 1 NBF Hibiya Building
- 2 Nishi-Shinjuku Mitsui Building
- 3 Shiba NBF Tower
- 4 NBF Platinum Tower
- 5 NBF Minami-Aoyama Building
- 6 Gate City Ohsaki
- 7 Toranomon Kotohira Tower
- 8 NBF Nihonbashi Muromachi Center Building
- 9 Nakameguro GT Tower
- 10 Mitsuseimei Ochanomizu Building
- 11 NBF Ginza Street Building
- 12 Shinjuku Mitsui Building No. 2
- 13 GSK Building
- 14 NBF Toranomon Building
- 15 Kowa Nishi-Shinbashi Building B
- 16 Nippon Steel Building No. 2
- 17 NBF Alliance
- 18 Yotsuya Medical Building
- 19 Shibuya Garden Front
- 20 NBF Shibuya East
- 21 NBF Shibakouen Building
- 22 NBF Takanawa Building
- 23 NBF Akasaka Sanno Square
- 24 NBF Shibakouen Daimon Street Building
- 25 Sumitomo Densetsu Building
- 26 NBF Higashi-Ginza Square
- 27 NBF Ogawamachi Building
- 28 NBF Ikebukuro Tower
- 29 NBF Ikebukuro City Building
- 30 NBF Sudacho Verde Building



## Other Greater Tokyo

- 31 Nakanosakaue Sunbright Twin
- 32 NBF Toyosu Canal Front
- 33 NBF Toyosu Garden Front
- 60 NBF Ueno Building  
(Scheduled for acquisition in January 2011)



8 NBF Nihonbashi Muromachi Center Building



16 Nippon Steel Building No. 2



18 Yotsuya Medical Building



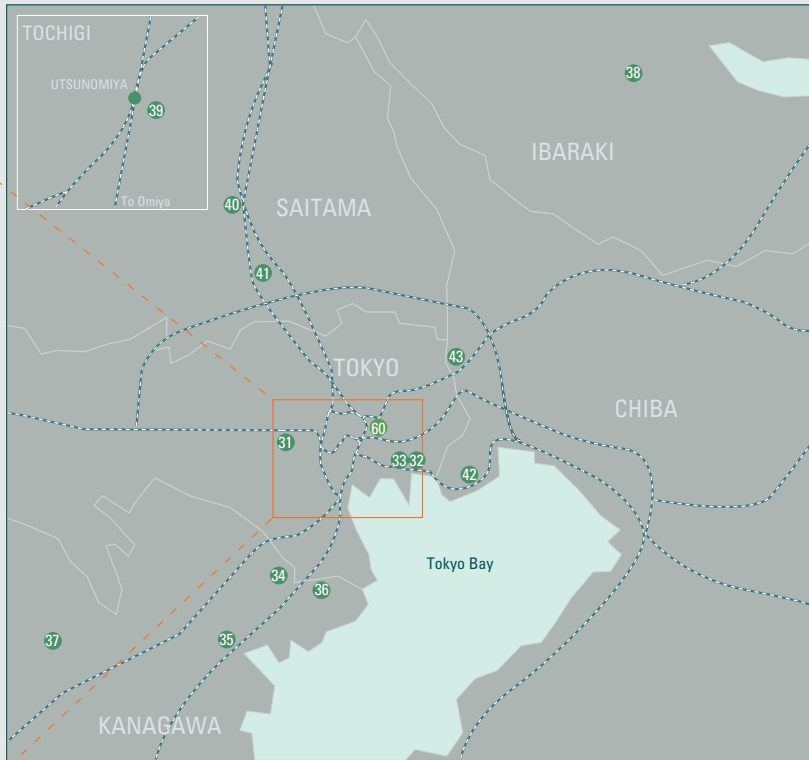
26 NBF Higashi-Ginza Square



21 NBF Shibakouen Building

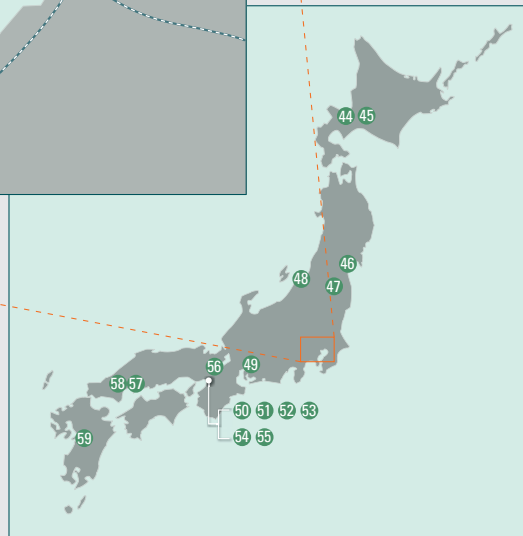


## Other Greater Tokyo



- 34 Shin-Kawasaki Mitsui Building
- 35 Yokohama ST Building
- 36 Parale Mitsui Building
- 37 NBF Atsugi Building
- 38 Tsukuba Mitsui Building
- 39 NBF Utsunomiya Building
- 40 S-ino Omiya North Wing
- 41 NBF Urawa Building
- 42 NBF Shin-Urayasu Tower
- 43 NBF Matsudo Building

## Other Cities



- 44 Sapporo L-Plaza
- 45 NBF Sapporo Minami Nijo Building
- 46 NBF Sendai Honcho Building
- 47 NBF Unix Building
- 48 NBF Niigata Telecom Building
- 49 NBF Nagoya Hirokoji Building
- 50 Aqua Dojima NBF Tower
- 51 Shinanobashi Mitsui Building
- 52 Sun Mullion NBF Tower
- 53 Sakaisuji-Honmachi Center Building
- 54 NBF Sakai-Higashi Building
- 55 Aqua Dojima East
- 56 NBF Shijo Karasuma Building
- 57 NBF Hiroshima Tatemachi Building
- 58 Hiroshima Fukuromachi Building
- 59 NBF Kumamoto Building



36 Parale Mitsui Building



42 NBF Shin-Urayasu Tower



44 Sapporo L-Plaza



52 Sun Mullion NBF Tower



53 Sakaisuji-Honmachi Center Building

# Portfolio Overview

NBF's properties as of December 31, 2009 are as follows (excluding properties sold in the 18th period):

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership	Year Built	Acquisition Price	Book Value
			(%)	(Yen in millions)		
Tokyo CBDs						
① NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,409
② Nishi-Shinjuku Mitsui Building	Ownership	Comparted ownership	85.1	1999	44,903	35,831
③ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	30,138
④ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	29,899
⑤ NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,771
⑥ Gate City Ohsaki	Ownership	Comparted ownership	12.9	1999	30,100	24,237
⑦ Toranomon Kotohira Tower	Ownership	Comparted ownership	100.0	2004	24,543	20,677
⑧ NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,294
⑨ Nakameguro GT Tower	Ownership	Comparted ownership	93.1	2002	23,856	21,182
⑩ Mitsuseimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,549
⑪ NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,605
⑫ Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	15,843
⑬ GSK Building	Trust	Fee simple	100.0	1990	15,616	13,736
⑭ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,515
⑮ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of comparted ownership	83.0	1994	13,217	11,892
⑯ Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,431
⑰ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,488
⑱ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,405
⑲ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,171
㉑ NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,214
㉑ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,641
㉒ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,229
㉓ NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,243
㉔ NBF Shibakouen Daimon Street Building	Trust	Co-ownership of comparted ownership	87.0	1991	6,100	6,297
㉕ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,733
㉖ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,913
㉗ NBF Ogawamachi Building	Ownership	Comparted ownership	83.8	1986	4,940	5,043
㉘ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,591
㉙ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,397
㉚ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,356
■ NBF Ebisu-Minami Building	Ownership	Fee simple	100.0	1991	1,000	1,004
Other Greater Tokyo						
㉛ Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of comparted ownership	81.0 Note 4	1996	40,750	38,886
㉜ NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	33,134
㉝ NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	24,962
㉞ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	18,630
㉟ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,586
㊱ Parale Mitsui Building	Ownership	Co-ownership of comparted ownership	97.5	1990	3,800	3,273
㊲ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,117
㊳ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,257
㊴ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,502
㊵ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	15,416
㊶ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,904
㊷ NBF Shin-Urayasu Tower	Ownership	Fee simple	100.0	1990	15,700	15,802
㊸ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,254
Other Cities						
㊹ Sapporo L-Plaza	Ownership	Comparted ownership	46.2	2003	4,404	3,942
㊺ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,704
㊻ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,610
㊼ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,182
㊽ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,690
㊾ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	7,171
㊿ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,581
㊽ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,592
㊾ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,517
㊿ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of comparted ownership	49.3	1991	6,500	6,225
㊽ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,968
㊾ Aqua Dojima East	Trust	Co-ownership of comparted ownership	23.7	1993	1,914	1,789
㊿ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,402
㊽ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,921
㊾ Hiroshima Fukuromachi Building	Ownership	Co-ownership of comparted ownership	10.4	2002	835	718
■ NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,278
㊽ NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,523
Total					783,189	736,271

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)
(Yen in millions)	(m <sup>2</sup> )	(m <sup>2</sup> )	(%)		(Yen in millions)	(%)
60,000	27,640	20,195	73.1	59	1,541	5.2
49,400	32,968	32,968	100	1	1,423	4.8
29,100	24,728	23,991	97.0	25	1,166	3.9
52,500	33,503	33,503	100	6	1,532	5.1
20,500	9,619	8,791	91.4	7	623	2.1
30,900	20,713	20,713	100	1	1,117	3.7
31,300	16,848	16,848	100	1	966	3.2
28,100	16,306	16,306	100	12	928	3.1
25,600	21,423	21,423	100	1	1,071	3.6
15,100	6,627	6,627	100	1	Note 2	Note 2
14,500	3,440	3,440	100	1	Note 2	Note 2
16,700	14,921	12,400	83.1	38	611	2.0
22,900	20,426	20,426	100	1	Note 2	Note 2
16,600	10,123	10,009	98.9	13	565	1.9
18,100	10,088	10,061	99.7	2	Note 2	Note 2
14,010	17,338	17,338	100	2	Note 2	Note 2
10,400	4,043	4,043	100	9	295	1.0
7,600	7,450	7,450	100	1	257	0.9
13,900	8,258	8,258	100	1	Note 2	Note 2
6,900	4,993	4,993	100	4	223	0.7
8,350	7,087	7,087	100	7	337	1.1
7,260	10,458	10,458	100	4	354	1.2
7,420	5,258	4,091	77.8	6	233	0.8
5,280	3,433	3,433	100	7	188	0.6
6,200	5,991	5,991	100	1	Note 2	Note 2
7,330	4,871	4,871	100	8	251	0.8
5,690	4,805	4,805	100	1	196	0.7
5,120	5,652	5,380	95.2	12	229	0.8
4,970	5,127	4,996	97.4	11	199	0.7
3,390	2,971	2,810	94.6	2	Note 2	Note 2
1,400	1,595	1,595	100	3	63	0.2
33,000	32,082	32,046	99.9	8	1,280	4.3
36,900	36,638	35,272	96.3	9	1,131	3.8
30,400	28,330	28,330	100	3	1,158	3.9
16,700	27,924	27,924	100	1	952	3.2
16,300	19,981	18,698	93.6	84	735	2.5
3,780	12,545	12,545	100	1	309	1.0
2,110	5,230	3,922	75.0	14	112	0.4
7,940	16,755	14,065	83.9	59	476	1.6
2,260	6,197	4,961	80.1	32	121	0.4
20,100	20,698	20,519	99.1	34	800	2.7
2,130	3,455	3,455	100	14	108	0.4
11,600	22,789	19,731	86.6	35	584	2.0
2,270	4,770	4,686	98.2	23	136	0.5
6,390	11,396	11,396	100	12	321	1.1
1,590	5,351	5,351	100	4	111	0.4
3,290	7,539	7,381	97.9	9	204	0.7
3,420	13,390	12,234	91.4	49	283	1.0
3,120	10,210	9,577	93.8	32	189	0.6
7,970	9,890	8,334	84.3	12	294	1.0
20,200	21,917	18,943	86.4	41	751	2.5
13,700	25,237	25,237	100	1	635	2.1
8,830	14,954	12,022	80.4	25	387	1.3
7,150	11,438	10,365	90.6	39	316	1.1
1,740	5,308	4,612	86.9	19	112	0.4
2,020	3,243	2,212	68.2	16	81	0.3
1,390	3,931	3,309	84.2	14	76	0.3
2,800	5,612	5,050	90.0	25	148	0.5
816	1,309	1,249	95.4	15	40	0.1
2,280	5,416	4,784	88.3	7	145	0.5
3,690	7,913	6,459	81.6	13	162	0.5
822,406	770,150	729,971	94.8	898	29,928	100.0

4. This figure does not include the Nakanosakaue Sunbright Annex, in which NBF has 50.3% ownership interest.

5. Properties marked ■ were sold in March 2010.

# Management Team and Management Structure

(As of December 31, 2009)

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 believes that fair, transparent management is central to increasing return on investment.

## 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 Shareholders

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 Shareholders, which convenes at least once every two years, in principle. The sixth General Meeting of Shareholders convened on March 12, 2009. The date of the next General Meeting of Shareholders has not been set.

The General Meeting of Shareholders adopts or vetoes resolutions on the basis of a simple majority of the voting rights of shareholders

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 shareholders that control a simple majority of total shares issued and outstanding, and a two-thirds majority of the voting rights of such shareholders. 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 shareholders as outlined above.

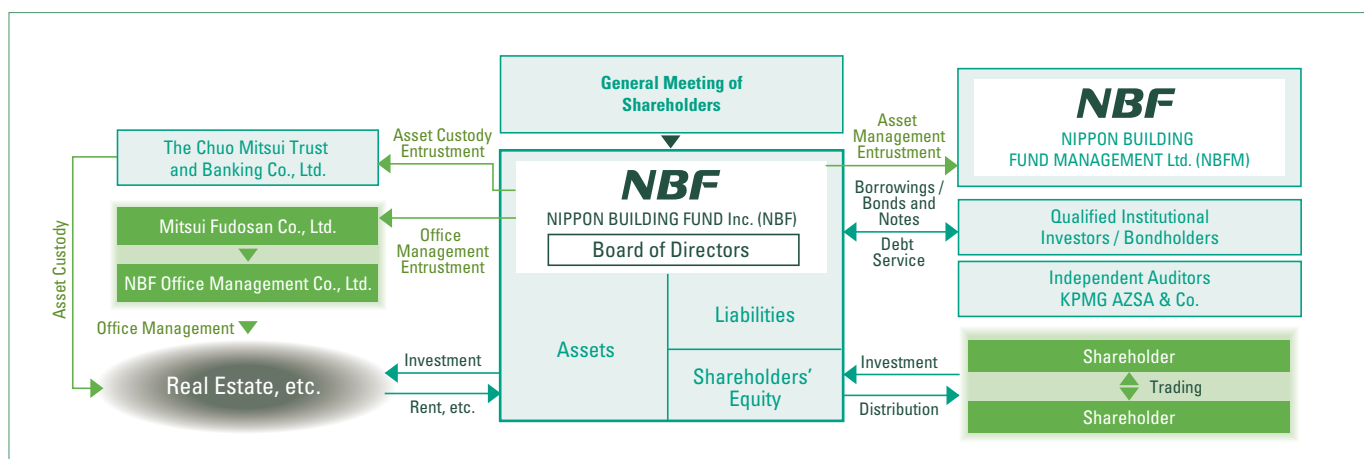
## Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of December 31, 2009, NBF had two executive directors and four supervisory directors.

NBF's executive directors are responsible for business execution. In addition, they 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



## Management Team



Seated from left:  
Sadafumi Abe  
Koichi Nishiyama  
Standing from left:  
Sadao Kamiyama  
Hideo Fukazawa  
Hatsuo Komatsu  
Yoshiyuki Hirai

	Name	Background Summary
Executive Directors	Sadafumi Abe	Appointed Executive Director of NBF in March 2005 after serving as Corporate Auditor of Mitsui Fudosan Co., Ltd.
	Koichi Nishiyama	Representative Director of Nippon Building Fund Management Ltd. Executive Director of NBF since August 2001.
Supervisory Directors	Hideo Fukazawa	Appointed Supervisory Director of NBF in March 2005 after serving as a deputy director of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and director of the Government Housing Loan Corporation.
	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.

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

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

The terms of office of executive directors and supervisory directors are two years from the time they assume office. The terms of executive directors and supervisory directors selected to fill a vacancy or to increase the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two executive directors and all four supervisory directors were elected at the General Meeting of Shareholders held on March 12, 2009, and assumed office on March 17, 2009.

## 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.

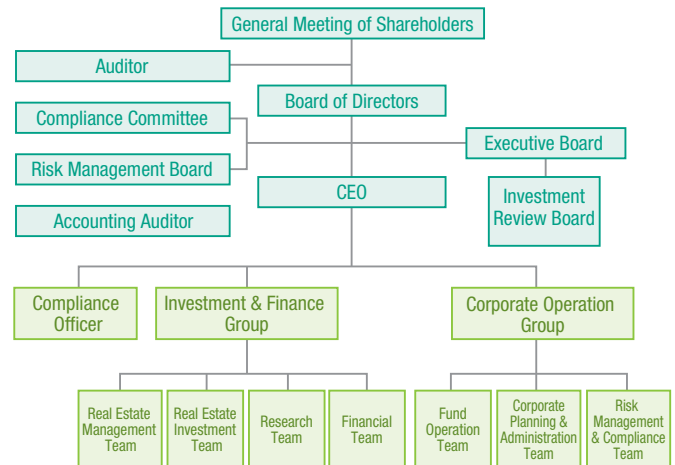
As the asset management company required by the Investment Trust Law of Japan, Nippon Building Fund Management Ltd. manages NBF's assets in accordance with the asset management objectives and policies stipulated by NBF's articles of incorporation. In addition, in accordance with the manager of general 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 Shareholders and the Board of Directors as manager of general administration.

### Management Structure of

#### Nippon Building Fund Management Ltd.

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

## Management Structure



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

### Nippon Building Fund Management Ltd. Management Team

Name	Title	Career Summary
Koichi Nishiyama	President and CEO and Representative Director	<p>April 1974 Joined Mitsui Fudosan Co., Ltd.</p> <p>April 2000 Manager of Building Fund Office, Building Division of Mitsui Fudosan</p> <p>Sept. 2000 President and representative director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position)</p> <p>Aug. 2001 Became Executive Director of NBF (current position)</p>
Yasushi Nakayama	Director, Head of Investment & Finance Group	<p>April 1981 Joined Mitsui Fudosan Co., Ltd.</p> <p>April 2001 Head of Building Business Division, Building Department of Mitsui Fudosan</p> <p>April 2006 Manager of Building Department, Chiyoda Development Division of Mitsui Fudosan</p> <p>April 2007 Became Director of Nippon Building Fund Management Ltd. (current position)</p>
Hiroshi Yabuki	Director and COO	<p>April 1984 Joined Sumitomo Life Insurance Company</p> <p>April 2004 Head of Niigata Branch Office of Sumitomo Life Insurance</p> <p>Oct. 2008 Head of Real Estate Department, Real Estate Operating Office of Sumitomo Life Insurance</p> <p>Feb. 2010 Became Director of Nippon Building Fund Management Ltd. (current position)</p>
Hideharu Matsumoto	Director (Part-time)	March 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Masato Shikata	Director (Part-time)	April 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Noriaki Moromachi	Corporate Auditor (Part-time)	April 2003 Became Auditor of Nippon Building Fund Management Ltd. (current position)
Toru Suzuki	Corporate Auditor (Part-time)	April 2008 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 shareholders 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 shareholders.

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

		17th Period from July 1, 2009 to December 31, 2009	16th Period from January 1, 2009 to June 30, 2009	15th Period from July 1, 2008 to December 31, 2008	17th Period from July 1, 2009 to December 31, 2009
(Yen in millions, except per share data or where otherwise indicated)					U.S. dollars in thousands except per share data (Note 1)
Operating revenues	Note 2	¥ 29,928	¥ 30,761	¥ 31,218	\$ 321,529
Revenue from property leasing activities		29,928	30,761	31,218	321,529
Gain on sale of investment properties		—	—	—	—
Operating expenses		16,404	16,464	16,627	176,239
Rental expenses		15,086	15,111	15,228	162,083
Income before income taxes		10,663	11,803	12,062	114,560
Net income	(a)	10,662	11,802	12,061	114,549
Funds from operations	Note 3	15,944	17,157	17,417	171,297
Net operating income from property leasing activities	Note 3	20,124	21,005	21,346	216,195
Total amount of cash distribution	(b)	10,662	11,802	12,061	114,549
Depreciation and amortization		5,282	5,355	5,356	56,748
Capital expenditures		1,407	836	2,146	15,105
Total assets	(c)	782,311	783,793	766,249	8,404,720
Interest-bearing debt		337,875	338,500	318,500	3,629,942
Net assets	(d)	396,838	397,978	398,237	4,263,410
Total number of common shares issued (shares)	(e)	542,000	542,000	542,000	
Net assets per share (Yen/\$)	(d) / (e)	732,173	734,276	734,753	7,866
Distribution per share (Yen/\$)	(b) / (e)	19,672	21,775	22,252	211
Funds from operations per share (Yen/\$)	Note 3	29,417	31,654	32,134	316
ROA	Note 3	1.4%	1.5%	1.6%	
(Annual rate)		(2.7%)	(3.1%)	(3.2%)	
ROE	Note 3	2.7%	3.0%	3.0%	
(Annual rate)		(5.4%)	(6.0%)	(6.1%)	
LTV (Loan to value)	Note 3	46.9%	47.0%	45.5%	
Capital ratio	(d) / (c)	50.7%	50.8%	52.0%	
Payout ratio	(b) / (a) Note 4	100.0%	100.0%	99.9%	
Number of days		184	181	184	
Number of investment properties	Note 5	61	61	60	
Number of tenants	Note 5	898	926	946	
Total rentable area (m <sup>2</sup> )		770,150	770,270	763,658	
Occupancy rate	Note 5	94.8%	95.4%	96.8%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93.08 = U.S. \$1.00, the approximate exchange rate on December 31, 2009.

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 on sale of investment properties + Gain on exchange 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 share: (Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization) / Weighted average number of common shares issued and outstanding during the period.

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

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

LTV: (Interest-bearing debt + 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

During the six months ended December 31, 2009 (the "17th Period"), the worldwide economic slowdown had an impact on Japan's economy, with declines in corporate profits and capital investment leading to rapid deterioration in employment conditions. Although there was an increase in exports, mainly to Asia, and other signs of a turnaround in some sectors, economic conditions remained severe, with a persistently high unemployment rate.

In the office building leasing market, the occupancy rate decreased further and rents continued to fall as a result of ongoing trends that led to reductions in rented floor space and contract cancellations. These trends included rising pressure to reduce costs in response to weaker corporate earnings, office consolidation and relocation, and cutbacks in occupied space.

In the real estate acquisition market, the impact of the turmoil in financial markets gradually subsided, with further adjustments to property prices. As a result, the number of transactions began to pick up, mainly in central business districts, and investment demand was particularly strong for high-quality, large-scale properties in central business districts, which are considered extremely scarce. However, the acquisition market remains weak, and the number of properties for sale with excellent specifications in superior locations remains low.

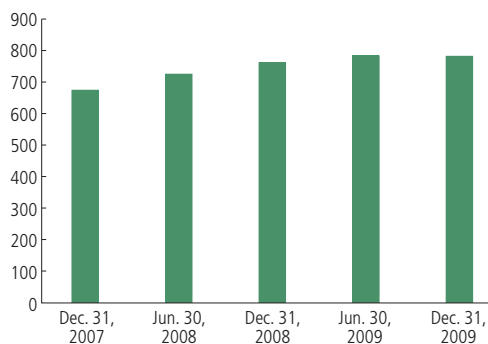
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have stable cash flow from rents. Deliberation concerning properties did not result in new acquisitions in the 17th Period.

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

As a result of these efforts, NBF's real estate portfolio as of December 31, 2009 totaled 61 properties. Total investment on an acquisition price basis was ¥783.1 billion. Total rentable area was 770,150 m<sup>2</sup> (232,969 *tsubo*). The occupancy rate declined 0.6 percentage points from June 30, 2009 to 94.8 percent. Tenants totaled 898.

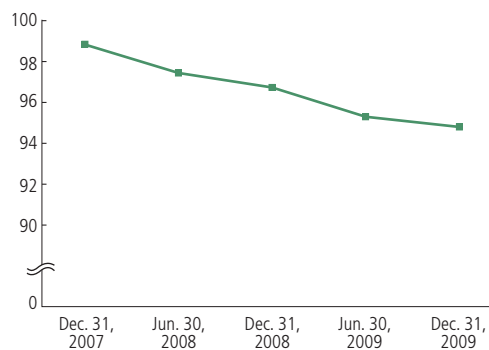
**Total investment**

(Yen in billions)



**Occupancy rate**

(%)

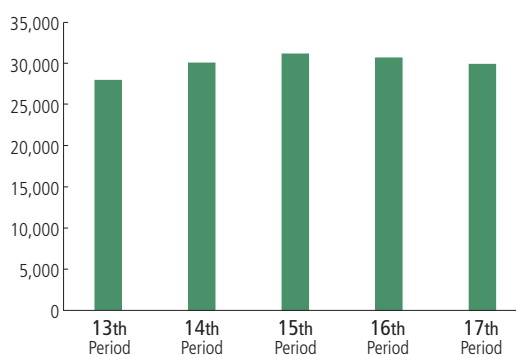




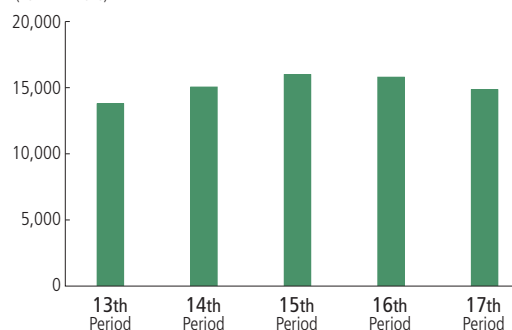
## Overview of Performance

As a result of this management, operating revenues for the six months ended December 31, 2009 decreased ¥833 million, or 2.7 percent, compared with the previous six-month period to ¥29,928 million. Operating income decreased ¥773 million, or 5.7 percent, to ¥13,524 million. Net income decreased ¥1,139 million, or 9.7 percent, to ¥10,662 million. Distribution per share decreased ¥2,103 to ¥19,672. Main factors were a decrease in rental revenue due to tenant interchange and a decline in the occupancy rate, and an increase in interest expense due mainly to an increase in long-term debt.

**Operating revenues**  
(Yen in millions)



**Operating income from property leasing activities**  
(Yen in millions)



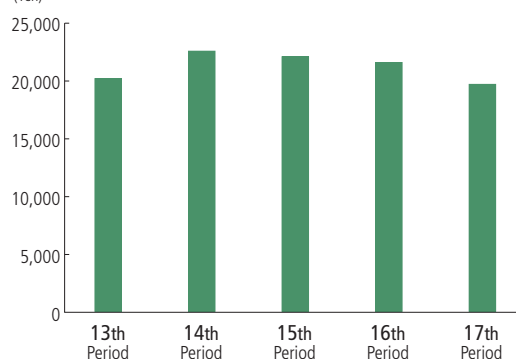
## Distribution for the Current Period

Distribution per share for the current period was ¥19,672. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

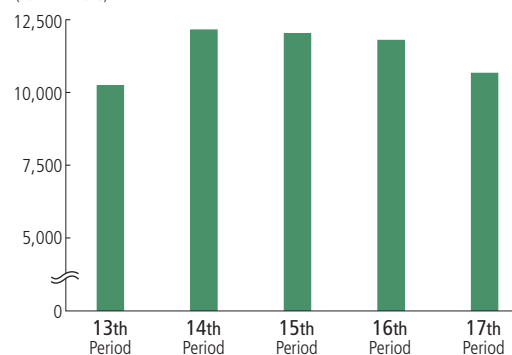
	For the six months ended December 31, 2009	For the six months ended June 30, 2009	For the six months ended December 31, 2008
(Yen in thousands, except per share amounts)			
Retained earnings	¥10,662,478	¥11,802,315	¥12,060,900
Undistributed earnings	254	265	316
Total cash distribution	10,662,224	11,802,050	12,060,584
(Cash distribution per share)	19,672	21,775	22,252
Distribution of accumulated earnings	10,662,224	11,802,050	12,060,584
(Distribution of accumulated earnings per share)	19,672	21,775	22,252
Cash distribution in excess of accumulated earnings	—	—	—
(Per share)	—	—	—

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

**Distribution per share**  
(Yen)



**Total cash distribution**  
(Yen in millions)



## Changes in Assets, Liabilities and Net Assets

### Assets

As of December 31, 2009, total assets decreased ¥1,482 million to ¥782,311 million compared with June 30, 2009. Return on average total assets (ROA) for the six months ended December 31, 2009 decreased to 1.36 percent from 1.51 percent for the previous six-month period.

Current assets increased ¥2,318 million to ¥41,585 million compared with June 30, 2009. Investment properties decreased ¥3,850 million to ¥736,242 million compared with June 30, 2009.

### Liabilities

Current liabilities decreased ¥42,314 million to ¥55,433 million compared with June 30, 2009, primarily because of a decrease in short-term loans and long-term debt due within one year compared with June 30, 2009.

Long-term debt increased ¥42,375 million to ¥291,125 million compared with June 30, 2009.

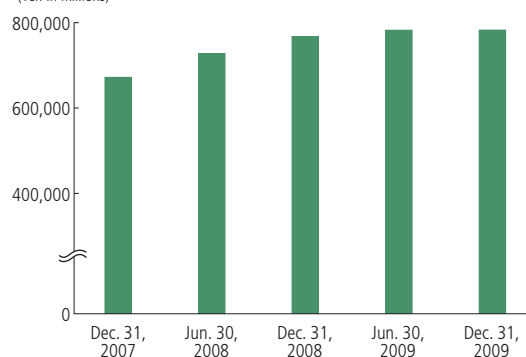
As a result, total interest-bearing liabilities decreased ¥625 million to ¥337,875 million compared to June 30, 2009. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities increased to 86.2 percent as of December 31, 2009 from 73.5 percent as of June 30, 2009. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 46.9 percent as of December 31, 2009 from 47.0 percent as of June 30, 2009.

In addition, NBF worked to diversify funding sources. In January 2009, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

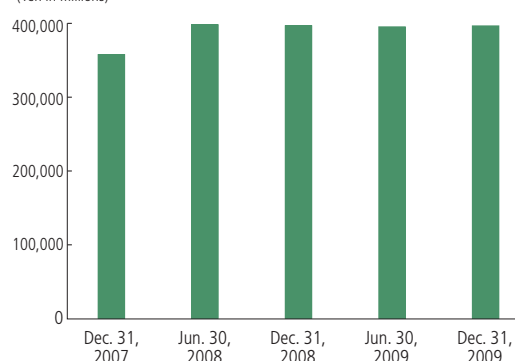
### Net Assets

Net assets decreased ¥1,140 million to ¥396,838 million compared with June 30, 2009.

**Total assets**  
(Yen in millions)



**Net assets**  
(Yen in millions)



## Funding

### Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2009, NBF had issued 542,000 common shares out of 2,000,000 total authorized shares. NBF's common shares 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 shares, NBF's common shares comprise the sole class of shares authorized and issued by NBF.

Issue date	Remarks	Common shares outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Shares)		(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

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

## Market Price of Shares

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

	For the six months ended December 31, 2009	For the six months ended June 30, 2009 (Yen)	For the six months ended December 31, 2008
High	¥895,000	¥993,000	¥1,330,000
Low	679,000	739,000	689,000

## Borrowings

Borrowings from financial institutions as of December 31, 2009 are shown below.

### Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., LIMITED	¥ 8,000	0.6%	January 29, 2010	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
The Sumitomo Trust and Banking Company, Limited	5,000	0.9%	April 30, 2010			
Shinkin Central Bank	4,000	0.8%	January 29, 2010			
The Gunma Bank, Ltd.	2,000	0.8%	January 29, 2010			
THE KAGOSHIMA BANK, LTD.	1,000	0.8%	January 29, 2010			
The Joyo Bank, Ltd.	1,000	0.8%	February 26, 2010			
THE SHIZUOKA BANK, LTD.	1,000	0.8%	February 26, 2010			
The Yamaguchi Bank, Ltd.	1,000	0.9%	April 30, 2010			
The Chugoku Bank, Limited	1,000	0.9%	June 30, 2010			
<b>Total short-term loans</b>	<b>¥24,000</b>					



## Long-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	(Note 2) (Note 3)		
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
	4,875	2.2%	April 28, 2019			
	10,000	2.2%	August 30, 2019			
Sumitomo Life Insurance Company	5,000	2.1%	July 19, 2011			
	3,000	1.2%	February 3, 2010			
	7,000	2.1%	May 23, 2018			
	5,000	1.9%	May 23, 2016			
	5,000	1.7%	July 16, 2014			
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	1,000	1.7%	June 1, 2011			
(The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	2,000	2.0%	May 30, 2013			
	3,000	1.9%	May 29, 2014			
The Chuo Mitsui Trust and Banking Co., LIMITED	5,000	1.6%	March 30, 2011			
	10,000	1.4%	December 30, 2011			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			Fixed rate
	7,000	1.6%	April 27, 2012			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,000	1.6%	September 30, 2013			
	4,000	1.8%	September 30, 2014			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
	8,000	1.7%	July 31, 2013			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.4%	December 30, 2011			
Resona Bank, Limited.	3,000	1.3%	September 9, 2011			
	3,000	2.0%	October 30, 2015			
DAIDO LIFE INSURANCE COMPANY	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
TAIYO LIFE INSURANCE COMPANY	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
	1,000	2.0%	August 31, 2015			
Nippon Life Insurance Company	2,000	0.8%	April 1, 2010			
	2,000	1.1%	October 19, 2010			
THE BANK OF FUKUOKA, Ltd.	4,000	1.9%	July 12, 2012			

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
Mitsubishi UFJ Trust and Banking Corporation	3,000	1.8%	July 31, 2014			Fixed rate
	1,000	1.8%	September 30, 2014			
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
The Yamanashi Chuo Bank, Ltd.	1,000	1.1%	December 28, 2012			
<b>Total long-term debt</b>	<b>¥243,875</b>					
<b>Total borrowings (Note 6)</b>	<b>¥267,875</b>					

- Notes: 1. With respect to the date of drawdown and 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 borrowings (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
Amount Borrowed	¥30,750	¥32,750	¥42,750	¥36,750

## NBF Bonds

Issue	Issue date	Balance as of December 31, 2009 (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. 5 Unsecured Bonds	September 22, 2004	10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Notes 2 and 4
No. 6 Unsecured Bonds	March 9, 2005	10,000	0.80%	March 9, 2010	Bullet payment	Note 1	Notes 3 and 5
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 8 Unsecured Bonds	March 7, 2007	10,000	1.48%	March 7, 2012	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
<b>Total (Note 6)</b>		<b>¥70,000</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
Amount Borrowed	¥10,000	¥10,000	¥10,000	—	¥10,000

## Others

NBF had security deposits totaling ¥38,846 million as of December 31, 2009.

## Capital Expenditures

### 1. Planning

As of December 31, 2009, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from July 1, 2009 to December 31, 2009)	Cumulative amount paid
				(Yen in millions)	
NBF Hibiya Bldg.	Install security system	From April 2010 to September 2010	¥140	¥—	¥—
NBF Takanawa Bldg.	Renovation of air conditioning (1st stage)	From February 2010 to June 2010	108	—	—
NBF Takanawa Bldg.	Renovation of air conditioning (2nd stage)	From July 2010 to December 2010	78	—	—
NBF Ogawamachi Bldg.	Renovation of air conditioning	From September 2010 to December 2010	72	—	—
NBF Ikebukuro Tower	Renovation of HVAC equipment (3rd stage)	From March 2010 to May 2010	57	—	—
NBF Ikebukuro Tower	Renovation of HVAC equipment (4th stage)	From September 2010 to November 2010	55	—	—
Parale Mitsui Bldg.	Renovation of lighting equipment (2nd stage)	From January 2010 to March 2010	34	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of hot and chilled water generator	From May 2010 to May 2010	22	—	—
NBF Urawa Bldg.	Renovation of exterior (Northwest)	From August 2010 to September 2010	21	—	—
NBF Urawa Bldg.	Renovation of exterior (Southeast)	From January 2010 to April 2010	20	—	—



## 2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,407 million in capital expenditures together with ¥739 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Nihonbashi Muromachi Center Bldg.	Tenant restoration construction work, leasehold improvements, replacement of motors and blower bearings in all HVAC units (2nd Period)	From July 2009 to December 2009	¥ 214
NBF Ogawamachi Bldg.	Renovation of air conditioning (1st stage), renovation of washlets, renovation of hand dryers		113
NBF Hibiya Bldg.	Tenant restoration construction work, leasehold improvements, HVAC intake control construction (2nd Period)		103
NBF Ikebukuro Tower	Renovation of HVAC equipment (2nd stage), renovation of air supply and exhaust fans (2nd Period), renovation of fence in planted area, construction of new fence for dry area		63
NBF Unix Bldg.	Renovation of central monitoring facilities, renovation of rooftop transformer, renovation of refrigeration unit control		47
Parale Mitsui Bldg.	Renovation of lighting equipment (1st stage), replacement of air conditioning humidifier elements, leasehold improvements		45
NBF Niigata Telecom Bldg.	Repair of chiller for air-cooling heat pump number one, OA floor work on 3rd, 5th and 9th floors, tenant restoration construction work		45
NBF Utsunomiya Bldg.	Replacement of electrical equipment components in air-conditioning room, renovation of central monitoring facilities, renovation of lounge		36
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		741
<b>Total</b>			<b>¥1,407</b>

## 3. Cash Reserve for Capital Improvements

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

	As of December 31, 2009	As of June 30, 2009
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,558	¥ 856
Amount accumulated in the current period	1,715	2,877
Withdrawal from reserves in the current period	2,000	2,175
Amount carried forward	¥1,273	¥1,558

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.

2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥4,114 million as of December 31, 2009.

### Expenses regarding Entrustment, etc.

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

Item	For the six months ended December 31, 2009	For the six months ended June 30, 2009	For the six months ended December 31, 2008
	(Yen in millions)		
Asset management fees	¥1,078	¥1,134	¥1,154
Asset custody fees	37	36	34
Agent fees (stock transfer, accounting and administrative)	47	51	51
Directors' remuneration	19	19	19
Auditor's fees	13	13	13
Other expenses	124	100	128
<b>Total</b>	<b>¥1,318</b>	<b>¥1,353</b>	<b>¥1,399</b>

Note: In addition to the amounts stated above, there are asset management fees of ¥72 million for the period from January 1, 2009 to June 30, 2009 related to acquisition of investment properties which were booked on each property acquired. There were no such expenses during the period from July 1, 2009 to December 31, 2009.

### Trading Activities during the Current Period

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

None.

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

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

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

#### (1) Ongoing Transactions

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

#### (2) Fees Paid for the Period from July 1, 2009 to December 31, 2009

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 (Note 3)
Office management fees, etc. (Note 2)	¥1,230	Mitsui Fudosan Co., Ltd.	¥1,192	96.9%
		NBF Office Management Co., Ltd.	32	2.6%
Property maintenance fees	2,787	First Facilities Co., Ltd.	427	15.3%
		Mitsui Fudosan Co., Ltd.	333	11.9%
		First Facilities West Co., Ltd.	125	4.5%
		Mitsui Fudosan Building Management Co., Ltd.	109	3.9%
		First Facilities Yokohama Co., Ltd.	11	0.4%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.0%
Leasing related service fees	181	Mitsui Fudosan Co., Ltd.	126	70.0%
		NBF Office Management Co., Ltd.	7	4.1%
		Mitsui Real Estate Sales Co., Ltd.	5	2.8%

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, 2009 to December 31, 2009, 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. who meet either of the said definitions, are as described above.

2. Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.

3. 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.	¥382
Mitsui Fudosan Co., Ltd.	229
Mitsui Fudosan Building Management Co., Ltd.	217
First Facilities West Co., Ltd.	84
Mitsui Fudosan Housing Lease Co., Ltd.	1
Mitsui Home Linkage Co., Ltd.	1
Mitsui Real Estate Sales Co., Ltd.	0
MITSUI Designtec Co., Ltd.	0





# Financial Statements

NBF Report July – December 2009

# Balance Sheets

NIPPON BUILDING FUND INC.  
As of December 31, 2009 and June 30, 2009

	As of December 31, 2009	As of June 30, 2009
	(Yen in millions)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	¥ 40,731	¥ 38,121
Tenant receivables	295	653
Other current assets	559	493
Total current assets	41,585	39,267
Investment Properties:		
Land including trust accounts (Note 4)	475,670	475,660
Buildings and improvements including trust accounts (Note 4)	277,131	275,830
Other tangible assets (Note 4)	8,301	8,183
Less: accumulated depreciation (Note 4)	(60,517)	(55,240)
Leasehold rights in trust accounts and other intangible assets	35,657	35,659
Total investment properties, net	736,242	740,092
Other Assets	4,484	4,434
<b>Total Assets</b>	<b>¥782,311</b>	<b>¥783,793</b>
<b>Liabilities</b>		
Current Liabilities:		
Short-term loans (Note 6)	¥ 24,000	¥ 51,500
Long-term debt due within one year (Note 6)	22,750	38,250
Accounts payable	3,219	2,911
Rents received in advance	3,536	3,614
Accrued expenses and other liabilities	1,928	1,472
Total current liabilities	55,433	97,747
Long-term Debt (Note 6)	291,125	248,750
Tenant Security Deposits	38,846	39,249
Other Liabilities	69	69
<b>Total Liabilities</b>	<b>385,473</b>	<b>385,815</b>
<b>Net Assets (Note 5)</b>		
Shareholders' Equity		
Common shares, non-par value	386,176	386,176
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 542,000 shares		
Retained earnings	10,662	11,802
<b>Total Net Assets</b>	<b>396,838</b>	<b>397,978</b>
<b>Total Liabilities and Net Assets</b>	<b>¥782,311</b>	<b>¥783,793</b>

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

# Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2009, June 30, 2009 and December 31, 2008

	For the six months ended December 31, 2009	For the six months ended June 30, 2009 (Yen in millions)	For the six months ended December 31, 2008
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental (Note 7)	¥26,986	¥27,903	¥28,069
Other revenues related to property leasing (Note 7)	2,942	2,858	3,149
<b>Total Operating Revenues</b>	<b>29,928</b>	<b>30,761</b>	<b>31,218</b>
<b>Operating Expenses:</b>			
Property management fees (Note 7)	4,033	3,973	4,030
Real estate taxes (Note 7)	2,535	2,557	2,247
Insurance (Note 7)	37	36	37
Repairs and maintenance (Note 7)	739	669	829
Other rental expenses (Note 7)	2,460	2,521	2,729
Depreciation and amortization (Note 7)	5,282	5,355	5,356
Asset management fees	1,078	1,134	1,154
Other operating expenses	240	219	245
<b>Total Operating Expenses</b>	<b>16,404</b>	<b>16,464</b>	<b>16,627</b>
<b>Operating Income</b>	<b>13,524</b>	<b>14,297</b>	<b>14,591</b>
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest income	7	22	36
<b>Non-Operating Expenses:</b>			
Interest expense	(2,798)	(2,527)	(2,447)
Amortization of bond issue costs	(27)	(27)	(27)
Other non-operating expenses, net	(43)	(32)	(91)
<b>Ordinary Income</b>	<b>10,663</b>	<b>11,733</b>	<b>12,062</b>
<b>Extraordinary Income:</b>			
Adjustment of depreciation for prior periods (Note 3)	—	70	—
<b>Income before Income Taxes</b>	<b>10,663</b>	<b>11,803</b>	<b>12,062</b>
Current and deferred income taxes (Note 8)	(1)	(1)	(1)
<b>Net Income</b>	<b>¥10,662</b>	<b>¥11,802</b>	<b>¥12,061</b>

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



# Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2009, June 30, 2009 and December 31, 2008

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of June 30, 2008	542,000	¥386,176	¥ 12,222	¥398,398
Cash dividends declared	—	—	(12,222)	(12,222)
Net income	—	—	12,061	12,061
Balance as of December 31, 2008	542,000	386,176	12,061	398,237
Cash dividends declared	—	—	(12,061)	(12,061)
Net income	—	—	11,802	11,802
Balance as of June 30, 2009	542,000	386,176	11,802	397,978
Cash dividends declared	—	—	(11,802)	(11,802)
Net income	—	—	10,662	10,662
<b>Balance as of December 31, 2009</b>	<b>542,000</b>	<b>¥386,176</b>	<b>¥ 10,662</b>	<b>¥396,838</b>

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

# Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2009, June 30, 2009 and December 31, 2008

	For the six months ended December 31, 2009	For the six months ended June 30, 2009 (Yen in millions)	For the six months ended December 31, 2008
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 10,663	¥ 11,803	¥ 12,062
Depreciation and amortization	5,282	5,355	5,356
Amortization of bond issue costs	27	27	27
Interest expense	2,798	2,527	2,447
Adjustment of depreciation for prior periods	—	70	—
(Increase) Decrease in tenant receivables	358	(241)	49
Increase (Decrease) in accounts payable	308	(1,108)	901
Increase (Decrease) in rents received in advance	(78)	(160)	171
Cash payments of interest expense	(2,636)	(2,459)	(2,385)
(Increase) Decrease in consumption tax refund receivable	—	—	510
Proceeds from a settlement	—	540	—
Other, net	236	(463)	908
<b>Net Cash Provided by Operating Activities</b>	<b>16,958</b>	<b>15,751</b>	<b>20,046</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment properties	(1,435)	(22,565)	(40,374)
Proceeds from tenant security deposits	3,324	1,531	3,133
Payments for tenant security deposits	(3,727)	(2,000)	(2,296)
Payments for security deposits paid to lessors	(3)	(9)	(10)
Payments for purchases of other assets	(80)	(107)	(28)
<b>Net Cash Used in Investing Activities</b>	<b>(1,921)</b>	<b>(23,150)</b>	<b>(39,575)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from (Repayment of) short-term loans, net	(27,500)	(5,000)	20,000
Proceeds from long-term debt	45,000	27,000	26,000
Repayment of long-term debt	(18,125)	(2,000)	(8,000)
Payment of dividends	(11,802)	(12,056)	(12,219)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(12,427)</b>	<b>7,944</b>	<b>25,781</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>2,610</b>	<b>545</b>	<b>6,252</b>
Cash and Cash Equivalents at the Beginning of Period	38,121	37,576	31,324
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥ 40,731</b>	<b>¥ 38,121</b>	<b>¥ 37,576</b>

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

# Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2009, June 30, 2009 and December 31, 2008

## 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 common shares. Those common shares are listed on the J-REIT section of the Tokyo Stock Exchange.

As of December 31, 2009, NBF had ownership or beneficiary interests in 61 office properties containing approximately 770,150 square meters of rentable office space. As of December 31, 2009, NBF had leased office space to 898 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 94.8%.

### 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.

### **Bond Issue Costs**

Deferred bond issue costs are amortized using the straight-line method over three years.

### **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. NBF incurred no capitalized real estate taxes for the period ended December 31, 2009. Capitalized real estate taxes amounted to ¥12 million for the period ended June 30, 2009 and ¥68 million for the period ended December 31, 2008.

### **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 sheets and income statement accounts.

### **Reclassifications**

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended December 31, 2009.



### Note 3 – Additional Information for the Six Months Ended June 30, 2009

With respect to a 35% co-ownership interest in the Shin-Kawasaki Mitsui Building (henceforth “the Property”) acquired on March 31, 2006, certain differences of opinion concerning the interpretation of the Sale and Purchase Agreement thereof arose between NBF and Mitsui Fudosan Co., Ltd., the seller. NBF therefore filed a petition for reconciliation with the Tokyo District Court on March 28, 2008. The aforementioned differences were settled through the reconciliation process on February 27, 2009, and NBF received a settlement amount of ¥567 million on April 30, 2009.

Based on the management judgment that it is reasonable to treat the settlement amount of ¥540 million (after consumption taxes and other items) as a reduction of the original acquisition cost, NBF has written down the book value of the Property by ¥471 million, and recorded ¥70 million at extraordinary income as an adjustment of depreciation for prior periods.

### Note 4 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of December 31, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009			As of June 30, 2009		
	(Yen in millions)					
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥219,238	¥ —	¥219,238	¥219,228	¥ —	¥219,228
Land in trust	256,432	—	256,432	256,432	—	256,432
Land including trust total	475,670	—	475,670	475,660	—	475,660
Buildings and improvements	142,085	(21,960)	120,125	141,542	(19,456)	122,086
Buildings and improvements in trust	135,046	(35,469)	99,577	134,288	(32,994)	101,294
Buildings and improvements including those in trust	277,131	(57,429)	219,702	275,830	(52,450)	223,380
Structures	2,236	(716)	1,520	2,232	(643)	1,589
Machinery and equipment	1,103	(403)	700	1,100	(357)	743
Tools, furniture and fixtures	755	(291)	464	744	(251)	493
Structures in trust	1,899	(538)	1,361	1,889	(488)	1,401
Machinery and equipment in trust	1,345	(653)	692	1,339	(611)	728
Tools, furniture and fixtures in trust	951	(487)	464	867	(440)	427
Construction in process	12	—	12	12	—	12
Other tangible assets total	8,301	(3,088)	5,213	8,183	(2,790)	5,393
Total	¥761,102	¥(60,517)	¥700,585	¥759,673	¥(55,240)	¥704,433

## Note 5 – Net Assets

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

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

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on December 31, 2009 and June 30, 2009 ranged from 0.58% to 0.95% and from 0.53% to 1.01%, respectively. Long-term debt is at fixed rates and as of December 31, 2009 and June 30, 2009 consisted of the following:

	As of December 31, 2009	As of June 30, 2009
	(Yen in millions)	
Unsecured loans due 2010 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 0.8% to 2.4%	¥243,875	¥207,000
1.04% unsecured bonds due 2009 (Note 1)	—	10,000
0.80% unsecured bonds due 2010 (Note 2)	10,000	10,000
1.60% unsecured bonds due 2011 (Note 1)	10,000	10,000
1.48% unsecured bonds due 2012 (Note 2)	10,000	10,000
1.74% unsecured bonds due 2014 (Note 2)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 2)	10,000	10,000
2.04% unsecured bonds due 2017 (Note 2)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 1)	10,000	10,000
	313,875	287,000
Less: amount due within one year	22,750	38,250
	¥291,125	¥248,750

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

2. Subject to provision of collateral restrictions.

The annual maturities of long-term debt as of December 31, 2009 were as follows:

	(Yen in millions)
Due after one to two years	¥ 40,750
Due after two to three years	42,750
Due after three to four years	42,750
Due after four to five years	46,750
After five years	118,125

During the period ended December 31, 2009, NBF obtained committed credit lines of ¥50 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥50 billion on December 31, 2009.

## Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2009, June 30, 2009 and December 31, 2008 were as follows:

	For the six months ended December 31, 2009	For the six months ended June 30, 2009	For the six months ended December 31, 2008
	(Yen in millions)		
<b>Revenues from Property Leasing:</b>			
Rental:			
Rental revenues	¥24,022	¥24,804	¥24,883
Common area charges	2,844	2,974	3,060
Others	120	125	126
Subtotal	26,986	27,903	28,069
Other revenues related to property leasing:			
Parking lots	557	588	599
Facility charge	139	151	147
Incidental income	1,766	1,695	2,032
Cancellation fees	439	345	324
Miscellaneous income	41	79	47
Subtotal	2,942	2,858	3,149
Total revenues from property leasing	29,928	30,761	31,218
<b>Rental Expenses:</b>			
Property management fees	4,033	3,973	4,030
Real estate taxes	2,535	2,557	2,247
Repairs and maintenance	739	669	829
Insurance	37	36	37
Other rental expenses	2,460	2,521	2,729
Depreciation and amortization	5,282	5,355	5,356
Total rental expenses	15,086	15,111	15,228
<b>Operating Income from Property Leasing Activities</b>	<b>¥14,842</b>	<b>¥15,650</b>	<b>¥15,990</b>

## Note 8 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was estimated as 0.01% for the periods ended December 31, 2009, June 30, 2009 and December 31, 2008. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended December 31, 2009	For the six months ended June 30, 2009	For the six months ended December 31, 2008
Statutory tax rate (Note 1)	39.33%	39.33%	39.39%
Deductible dividends	(39.33)	(39.33)	(39.39)
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

Note 1. The statutory tax rate was revised due to change in corporate business tax rate and creation of local corporate special tax, which is effective for fiscal years beginning on or after October 1, 2008.

## Note 9 – Per Share Information

Information about earnings per share for the periods ended December 31, 2009, June 30, 2009 and December 31, 2008 and net assets per share as of December 31, 2009, June 30, 2009 and December 31, 2008 were as follows.

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

	For the six months ended December 31, 2009	For the six months ended June 30, 2009	For the six months ended December 31, 2008
	(Yen)		
<b>Earnings per Share of Common Shares:</b>			
Net income	¥19,671	¥21,774	¥22,252
Weighted average number of common shares outstanding	542,000	542,000	542,000
	As of December 31, 2009	As of June 30, 2009	As of December 31, 2008
<b>Net Assets per Share</b>	<b>¥732,173</b>	<b>¥734,276</b>	<b>¥734,753</b>

## Note 10 – Leases

### As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of December 31, 2009 and June 30, 2009 future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of December 31, 2009	As of June 30, 2009
	(Yen in millions)	
Due within one year	¥15,032	¥11,932
Due after one year	21,371	13,024
<b>Total</b>	<b>¥36,403</b>	<b>¥24,956</b>



## Note 11 – Transactions with Related Parties

(July 1, 2009 - December 31, 2009)

(1) Parent Company and Major Corporate Shareholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Shareholders

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)	¥1,078 (Note 3)	Accounts payable	¥321 (Note 3)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 2)	¥2 (Note 3)	Accounts payable	¥1 (Note 3)

Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is subject to the conditions set forth in the by-laws of NBF.

2. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NBF and NBFM.

3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(January 1, 2009 - June 30, 2009)

(1) Parent Company and Major Corporate Shareholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Shareholders

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)	¥1,206 (Notes 2 and 4)	Accounts payable	¥386 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (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 this amount is subject to the conditions set forth in the by-laws of NBF.

2. The amount of asset management fees includes ¥72 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 this amount is set forth in the "General Administration Agreement relating to Organizational Management" 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 12 – Significant Subsequent Events

On January 28, 2010, NBF issued unsecured bonds as described below through a public offering, pursuant to a comprehensive resolution concerning issuance of domestic unsecured bonds adopted by its Board of Directors on October 22, 2009.

### No. 11 Unsecured Bonds

1. Name: Number 11 Unsecured Investment Corporation Bonds (with pari passu conditions among specified Investment Corporation Bonds)
2. Total Issue Amount: ¥10 billion
3. Issue Price: ¥100 with a par value of ¥100
4. Redemption Value: ¥100 with a par value of ¥100
5. Interest Rate: 1.23%
6. Collateral and Guarantee: Unsecured and unguaranteed
7. Redemption: The redemption date for the total amount of principal is January 28, 2015. The unsecured bonds may be redeemed at the option of NBF at any time from the day immediately after the issuance date unless otherwise determined by the book-entry transfer agent.
8. Interest Payment Dates: January 28 and July 28 each year.
9. Use of Proceeds: Repayment of borrowings, etc.

# Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2009 and June 30, 2009, and the related statements of income, changes in net assets and cash flows for each of the six months ended December 31, 2009, June 30, 2009 and December 31, 2008 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of December 31, 2009 and June 30, 2009, and the results of its operations and its cash flows for each of the six months ended December 31, 2009, June 30, 2009 and December 31, 2008 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 12 to the financial statements, which states that Nippon Building Fund Inc. issued unsecured bonds.

KPMG AZSA & Co.

Tokyo, Japan  
March 29, 2010

## Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF’s assets and undertakes management of the institutions of NBF. As of December 31, 2009, NBFM has been entrusted as an asset management company only by NBF.

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

#### Operation

- Undertakes asset management of NBF pursuant to an Asset Management Entrustment Agreement based on an entrustment from NBF in accordance with the Articles of Incorporation of NBF and the Investment Objects and Policies set forth therein.
- Undertakes management of the general affairs of the general meeting of shareholders 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 will be calculated within the scope decided up to the following maximum rates.

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



## History of NBFM

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

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

## List of Shareholders (as of December 31, 2009)

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 Mutual Life Insurance Company	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 March 30, 2010, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 17 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Yasushi Nakayama	Director, Head of Investment & Finance Group (standing)
Hiroshi Yabuki	Director, Head of Administration Group (standing)
Masato Shikata	Director
Hideharu Matsumoto	Director
Noriaki Moromachi	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, 2009	(Yen in thousands)
Total Assets	¥2,143,988
Total Liabilities	460,765
Total Net Assets	1,683,223

Profit and loss for the most recent fiscal year:

Year ended March 31, 2009	(Yen in thousands)
Operating Income	¥2,414,289
Ordinary Profit	1,638,901
Net Income	968,020

# Investment and Distribution Policies

## Investment Policies of NBF

### A. Basic Policies

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

### B. Investment Strategy

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

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

The goal of the portfolio is to generate steady growth and stable profits on a medium-to-long-term basis. The selection criteria of investment assets is based on the composition of investment assets in the portfolio and based 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 sales.</li> </ul>
<b>Other Greater Tokyo</b> Other 14 wards in 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 macro-economic 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 ratios of 75% or more with respect to the "Designated Real Estate Ratio" ("Investment Objectives and Policies," Articles of Incorporation). As of June 30, 2009, 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). The details of the relevant criteria are set forth in the following table ("Investment Objectives and Policies," Articles of Incorporation).

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 December 31, 2009, foreseen reserves provided from January 2010 to December 2010 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) ¥3,444 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 61 properties owned by NBF as of December 31, 2009.

#### 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 insurances, 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 Shares

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

#### b) Debt Financing

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

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

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

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

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

#### d) Derivative Transactions

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

### (5) Disclosure Policy

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

#### a) Appraisal Value, etc.

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

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



## Investment Objectives of NBF

### Investment Restrictions in Articles of Incorporation

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

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

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

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

that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).

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

#### B. Other Investment Objectives among Designated Assets

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

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

#### C. Assets Other than Designated Assets

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

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

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

## Distribution Policies of NBF

### A. Distributions of Profits

A registered investment corporation may deduct its cash dividends of profits from taxable income under Japanese tax regulations if it distributes to its shareholders 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 shareholders 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 macro economic 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 shareholders 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 shareholders or registered pledgees as are listed or recorded in the latest Shareholder Registry as of the closing date, in proportion to the number of shares 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 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 shareholders, 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 shareholders, 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 Shares (§ 194 of the Investment Trust Law)**

An investment corporation may not acquire the same shares issued by a corporation in excess of 50/100 of total number of said issued and outstanding shares.

#### **(3) Restriction on Acquisition of Own Shares and Acceptance of Pledge (§ 80.1 of the Investment Trust Law)**

An investment corporation may not acquire shares issued by itself, or accept them for the purpose of pledge, unless it acquires shares issued by itself in the following cases:

- when acquired from another investment corporation as the surviving entity of a merger;
- when purchasing shares pursuant to the provisions of the Investment Trust Law of Japan; or
- when purchasing shares pursuant to a government ordinance regarding the Investment Trust Law of Japan.

#### **(4) Restriction on Acquisition of Parent Corporation's Shares by Subsidiary Corporation (§ 81.1.2)**

An investment corporation (subsidiary), a majority of the shares of which is owned by another investment corporation (parent), may not acquire the shares 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 shares pursuant to a government ordinance regarding the Investment Trust Law of Japan.

### **C. Other Restrictions**

#### **Subscription and Margin Trading of Securities**

Pursuant to the guidelines set by its asset management company, NBF may not subscribe to, or conduct margin trading of, securities.



# Corporate Data

(As of December 31, 2009)

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 common shares issued and outstanding. ¥386,176 million 542,000 shares
Shareholders:	15,612
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Auditors:	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 30, 2010 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2009 to December 31, 2009, 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 and neither corresponds to the original Japanese documents nor is it intended to constitute a disclosure document. The Japanese language Securities Report and the Financial Statements and the Performance Information Report for the aforementioned period should always be referred to as originals of this document.

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

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

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

# Investors' Information

As of December 31, 2009

## Fiscal Periods

Six months ending June 30 and December 31

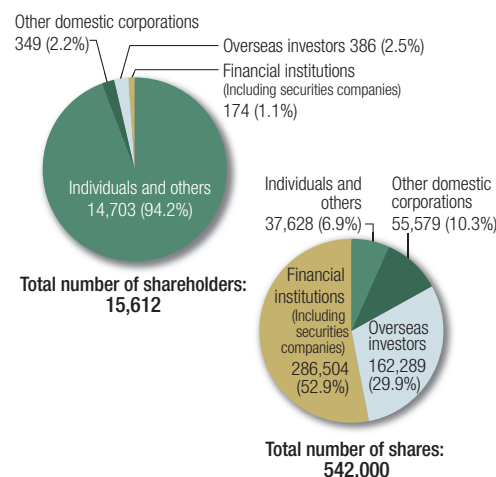
## Total Number of Common Shares Issued

17th Period (From July 1, 2009 to December 31, 2009)	<b>542,000</b> shares
16th Period (From January 1, 2009 to June 30, 2009)	<b>542,000</b> shares

## Distributions

Expected distribution for the 18th Period (ended June 2010)	
For the operating period from January 1, 2010 to June 30, 2010 (6 months)	<b>¥16,300</b> per share
Confirmed distribution for the 17th Period (ending December 2009)	
For the operating period from July 1, 2009 to December 31, 2009 (6 months)	<b>¥19,672</b> per share

## Shareholders



## Major Shareholders

Name	Number of Shares Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	48,728	9.0%
NikkoCiti Trust and Banking Corporation (Trust Account)	43,755	8.1
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	35,361	6.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,331	4.7
The Nomura Trust and Banking Co., Ltd. (Trust Account)	22,171	4.1
Mitsui Fudosan Co., Ltd.	19,735	3.6
Sumitomo Life Insurance Company	12,256	2.3
The Chugoku Bank, Ltd.	8,607	1.6
Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives)	7,071	1.3
American Life Insurance Company GA-L	6,134	1.1

## Historical Share Price





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## **Nippon Building Fund Inc.**

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

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