



Quality Creates Value



Nippon Building Fund Inc.

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

18th Period

NBF Report January – June 2010

Profile

On September 10, 2001, Nippon Building Fund Inc. (NBF) became the first Japanese real estate investment trust (J-REIT) investment corporation with a 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.

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Quality Creates Value

NBF continues to create shareholder value by leveraging the scale advantage and quality of its portfolio as well as its conservative financial management to maintain a highly flexible financial base.

Building on Our Strengths

Over the 18 periods, or roughly nine 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 quality, 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.

NBF's Strengths

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 (¥**381.5** billion)*
- ◆ The largest scale of managed assets (¥**779.5** billion)* (total acquisition price)

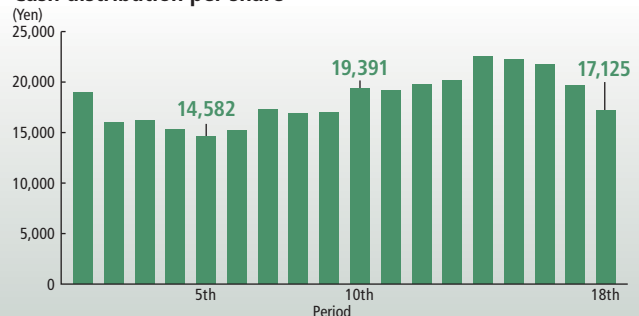
High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **59*** 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 **763,000m²***
- ◆ **910*** diversified tenants

Stable Returns

- ◆ Cash distribution of **¥17,125** per share for the 18th Period
- ◆ Aims to increase distributions to shareholders over the medium to long term

Cash distribution per share



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: **46.8%***
- ◆ Percentage of long-term fixed-rate debt included in interest-bearing debt: **92.6%***
- ◆ Average years remaining on long-term fixed-rate interest-bearing debt: **4.36 years***
- ◆ Total average cost: **1.73%***

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

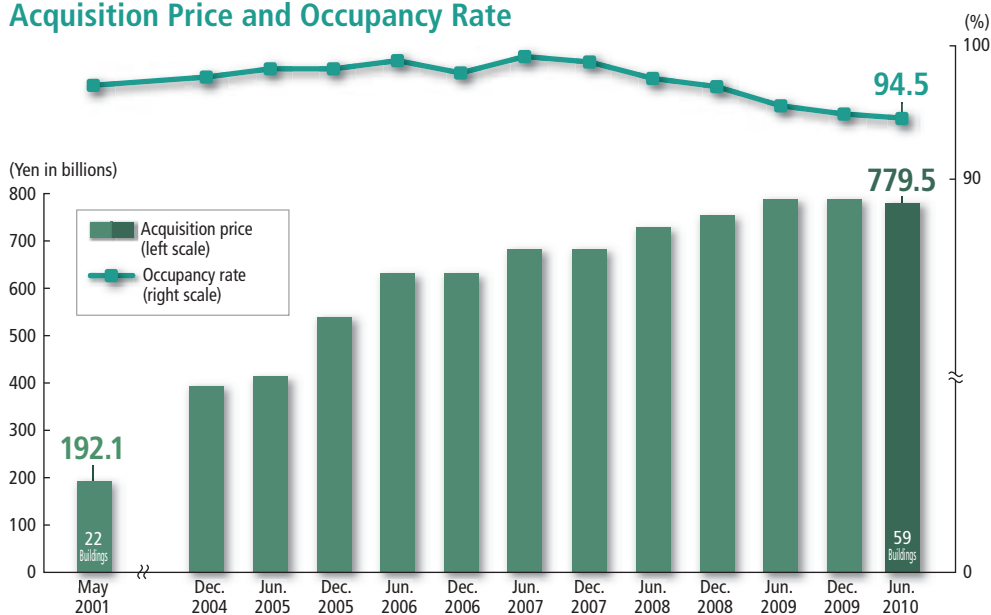
* As of June 30, 2010

Quality Portfolio

Stable portfolio based on scale advantage

As of June 30, 2010, NBF's real estate portfolio comprised 59 high-quality large-scale office buildings, mainly in the Tokyo central business districts (CBDs), with a total rentable area of 763,000m². NBF holds Japan's largest J-REIT portfolio, with assets totaling ¥779.5 billion on an acquisition price basis, providing not only scale advantage, but also diversified risk. Strategic leasing based on an accurate grasp of market conditions and continued implementation of measures to enhance tenant satisfaction have resulted in a high-quality portfolio with an occupancy rate of 94.5 percent as of the end of the 18th Period, which is high compared with the market.

Acquisition Price and Occupancy Rate





Quality Creates Value

Occupancy rate:

94.5%

(As of June 30, 2010)

Total acquisition price:

¥779.5 billion

(As of June 30, 2010)

A photograph of a modern glass skyscraper with a curved facade. In the foreground, a paved path leads through a green lawn and low hedges. Several people are walking along the path, some in business attire. The building's reflection is visible in the glass panels. The overall scene is bright and clear, suggesting a sunny day.

Ratings

Standard & Poor's: A+

Moody's: A1

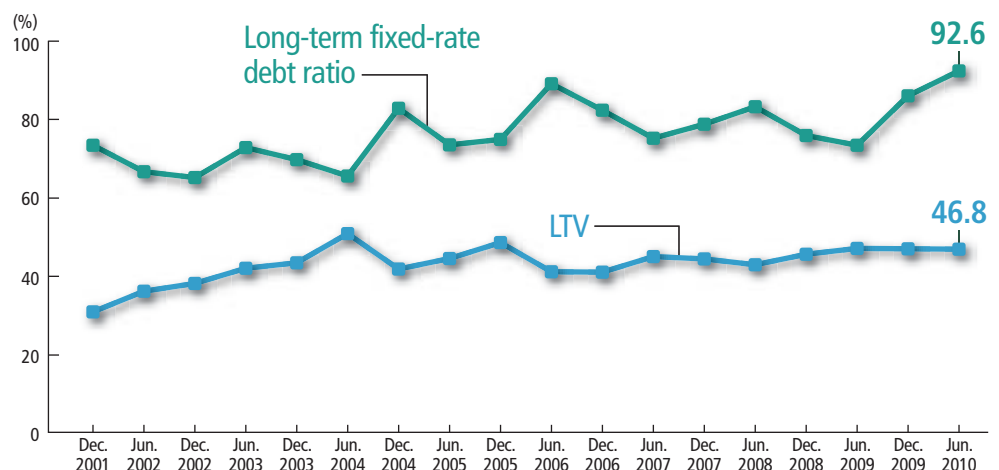
R&I: AA

Quality Finance

Building a highly flexible financial base through conservative financial management

NBF maintains conservative financial management to build a stable financial base. We are responding to the current financial environment in various ways. We have established a target range of 40 to 50 percent (maximum 60 percent) for the loan-to-value (LTV) ratio and a target ratio for long-term fixed-rate debt to total interest-bearing liabilities of 80 to 90 percent. Furthermore, in addition to diversifying maturities of interest-bearing debt and establishing a total commitment line of ¥50.0 billion, we have diversified 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.

Stable Financial Track Record



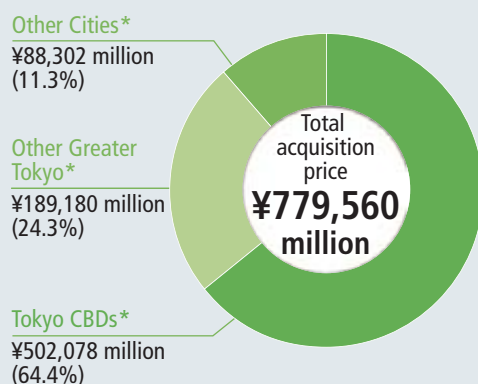
Financial Highlights

| | | 18th Period from January 1, 2010 to June 31, 2010 | 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 | 18th Period from January 1, 2010 to June 31, 2010 |
|--|-----------|---|--|---|--|---|
| | | (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 | ¥ 28,341 | ¥ 29,928 | ¥ 30,761 | ¥ 31,218 | \$ 320,270 |
| Income before income taxes | | 9,283 | 10,663 | 11,803 | 12,062 | 104,898 |
| Net income | | 9,282 | 10,662 | 11,802 | 12,061 | 104,888 |
| Funds from operations | Note 3 | 14,354 | 15,944 | 17,157 | 17,417 | 162,213 |
| Net operating income from property leasing activities | Note 3 | 18,445 | 20,124 | 21,005 | 21,346 | 208,444 |
| Total amount of cash distribution | (a) | 9,282 | 10,662 | 11,802 | 12,061 | 104,890 |
| Total assets | | 774,379 | 782,311 | 783,793 | 766,249 | 8,751,030 |
| Interest-bearing debt | | 333,500 | 337,875 | 338,500 | 318,500 | 3,768,787 |
| Net assets | (b) | 395,458 | 396,838 | 397,978 | 398,237 | 4,468,952 |
| LTV (Loan to value) | Note 3 | 46.8% | 46.9% | 47.0% | 45.5% | |
| Total number of common shares issued (shares) | (c) | 542,000 | 542,000 | 542,000 | 542,000 | |
| Net assets per share (Yen/\$) | (b) / (c) | 729,626 | 732,173 | 734,276 | 734,753 | 8,245 |
| Distribution per share (Yen/\$) | (a) / (c) | 17,125 | 19,672 | 21,775 | 22,252 | 194 |
| Funds from operations per share (Yen/\$) | Note 3 | 26,483 | 29,417 | 31,654 | 32,134 | 299 |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥88.49 = U.S.\$1.00, the approximate exchange rate on June 30, 2010.
2. Operating revenues do not include consumption taxes.
3. Funds from operations: Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization
Loan to value: (Interest-bearing debt + Deposits under management) / Total assets
Funds from operations per share: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) /
Weighted average number of common shares issued and outstanding during the period

Portfolio Highlights (As of June 30, 2010)

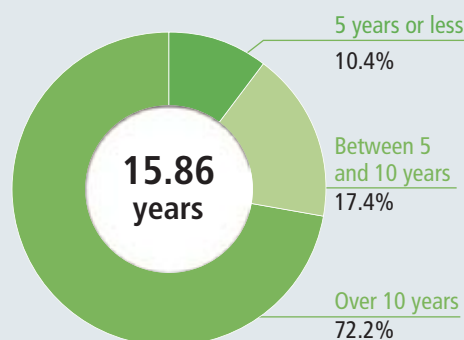
Regional Allocation



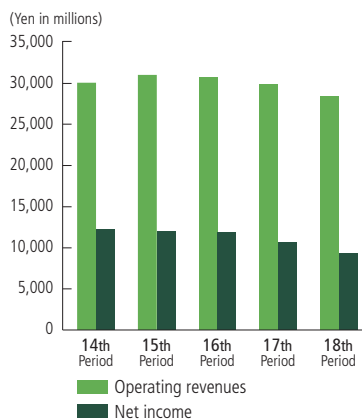
* Tokyo CBDs (central business districts): The 9 central wards of Tokyo, comprising Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro
Other Greater Tokyo: The other 14 wards of Tokyo, and neighboring cities
Other Cities: Principal regional cities

Average Age

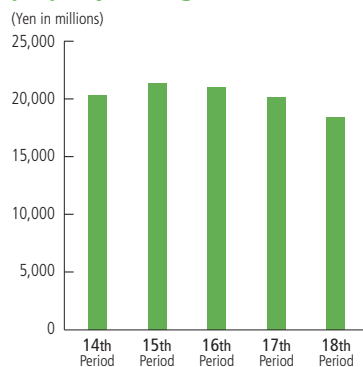
(Average age of properties weighted by acquisition price of each property)



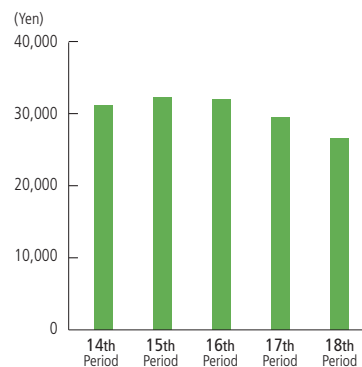
Operating revenues / Net income



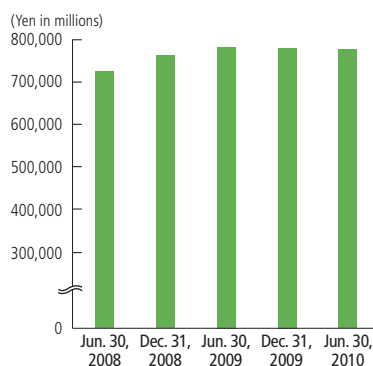
Net operating income from property leasing activities



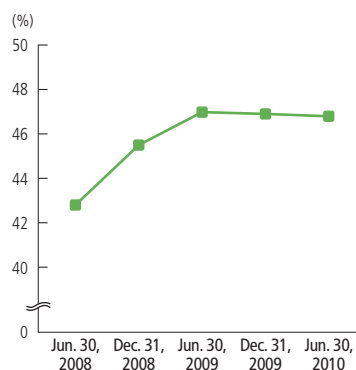
Funds from operations per share



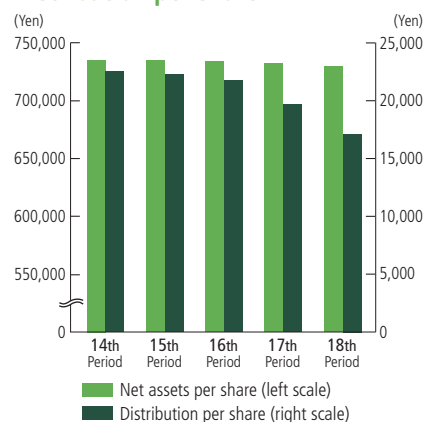
Total assets



LTV

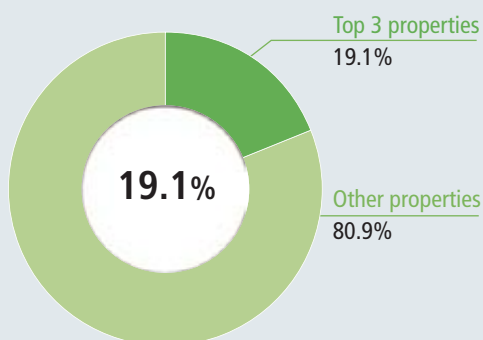


Net assets per share / Distribution per share



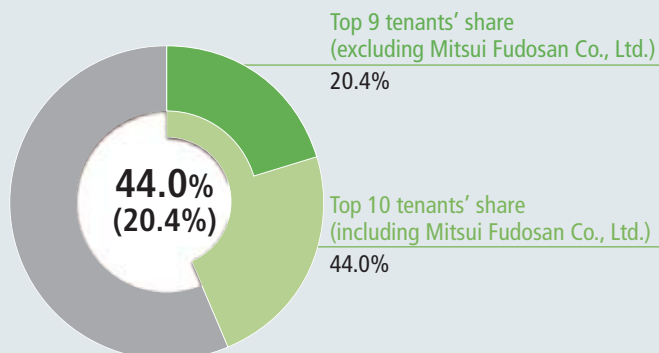
Property Concentration Risk Diversification

(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 a 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 June 30, 2010

Distribution per share for the “18th Period” was ¥17,125.

During the six months ended June 30, 2010 (the “18th Period”), exports, mainly to Asia, marked a gradual increase and Japan’s economy showed signs of recovery backed by an upturn in the global economy, the effects of economic stimulus policies and other

factors. However, economic conditions remained severe as companies restrained capital investment. As a result, NBF’s revenues and income decreased, mainly due to tenant turnover and rent revisions. Operating revenues decreased ¥1,587 million, or 5.3 percent, to ¥28,341 million. Operating income decreased ¥1,352 million, or 10.0 percent, to ¥12,172 million. Net income decreased ¥1,380 million, or 12.9 percent, to ¥9,282 million. Consequently, distribution per share decreased ¥2,547 to ¥17,125.

Performance Outlook (As of August 16, 2010)

(Yen in millions)

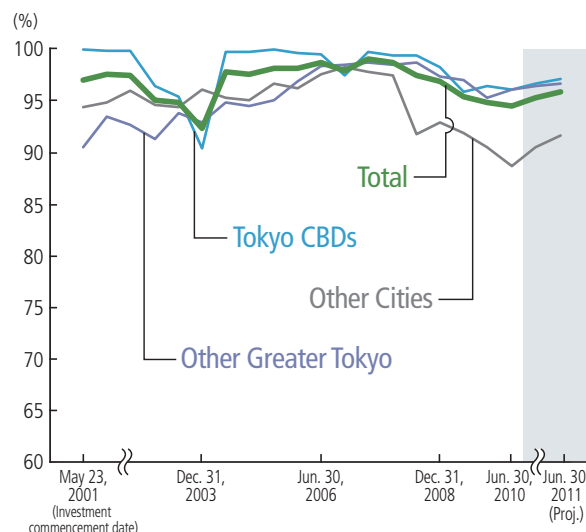
| | 19th Period (Projected) from July 1, 2010 to December 31, 2010 | 20th Period (Projected) from January 1, 2011 to June 30, 2011 |
|------------------------------|---|--|
| Operating revenues | ¥27,177 | ¥26,860 |
| Net income | 8,184 | 8,184 |
| Distribution per share (Yen) | 15,100 | 15,100 |

Market Environment and Performance Outlook

Indications that occupancy rates may be bottoming out are beginning to appear, such as companies seeking better offices or increased floor space.

In the office building leasing market, moves to streamline operations, such as office consolidation and relocation, continued. As of June 30, 2010, occupancy rates in the major business districts of Tokyo, Osaka and Nagoya remained in a downtrend. The occupancy rate in the Tokyo central business districts (CBDs) decreased 1.05 percentage points from December 31, 2009 to 90.86 percent. Although NBF's overall occupancy rate remains higher than the market rate, it decreased 0.3 percentage points to 94.5 percent. However, companies are beginning to seek better offices and increased floor space because of factors such as recovery in corporate income and the progressive downward adjustment in asking rents for large-scale high-quality properties in CBDs. These trends indicate that NBF's occupancy rates may be bottoming out. Going forward, we anticipate that our occupancy rate will recover and forecast that it will reach 95.3 percent by December 31, 2010 (the end of the 19th Period) and 95.8 percent by June 30, 2011

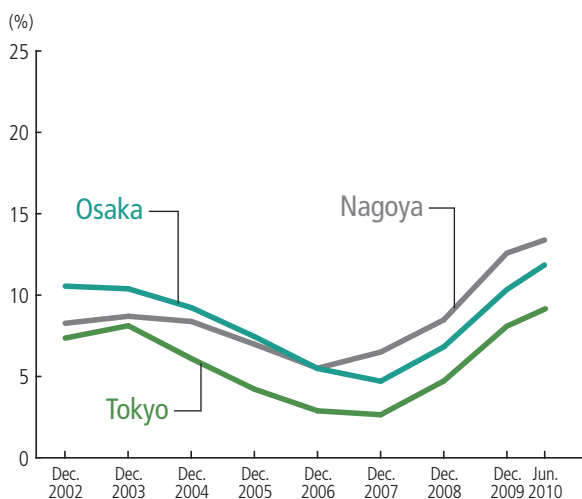
NBF Occupancy Rates



(the end of the 20th Period). Although office floor space supply in the 23 wards of Tokyo is expected to increase from 2011 onward, we believe the impact on the supply and demand balance will be limited, depending on the area.

In Tokyo CBDs, while asking rents for new office buildings are decreasing significantly, the overall average asking rent has been relatively stable because asking rents for existing properties, which comprise the majority

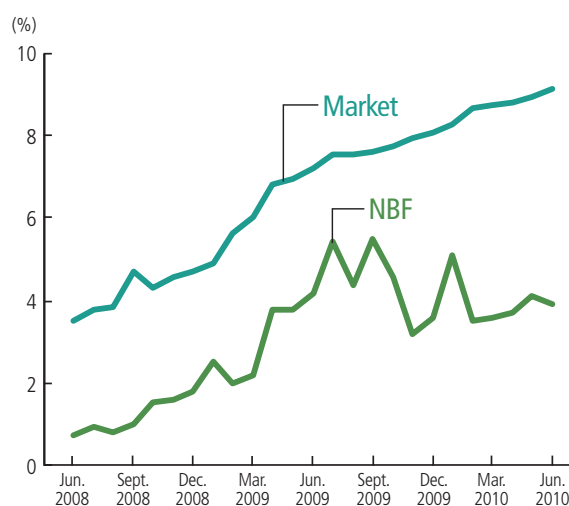
Market Vacancy Rates



Source: Miki Shoji Co., Ltd.

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

Vacancy Rates in Tokyo CBDs



Source: Miki Shoji Co., Ltd.

of office buildings in Tokyo, are comparatively stable. However, in the severe economic environment, the overall average asking rent as of June 30, 2010 was ¥18,035/*tsubo*, a decrease of ¥943 from December 31, 2009. NBF's properties are concentrated in Tokyo, and over half the properties in our portfolio have rents below ¥25,000/*tsubo*. These properties have exhibited relatively small rent decreases. As a result, we expect our portfolio rents to bottom out in the latter half of 2011 in conjunction with the recovery of occupancy rates.

In consideration of our portfolio asset composition, in the 18th Period we sold the NBF Ebisu-Minami Building for ¥1.35 billion and the NBF Hakata Gion Building for ¥2.2 billion.

Under these circumstances, NBF expects revenue from property leasing to decrease an annualized 4 percent over the following year. This includes a projected net 0.5 percent increase in revenue due to scheduled acquisition of the NBF Ueno Building in January 2011 and loss of revenue from the sale of two properties during the 18th Period, as well as a projected 4.5 percent decrease in rent revenue due to downward rent revisions.

Based on these assumptions, NBF expects distributions

per share of ¥15,100 for the 19th Period and ¥15,100 for the 20th Period.

Management Policies

NBF aims to increase shareholder value by shifting from internal to external growth based on its conservative financial strategy.

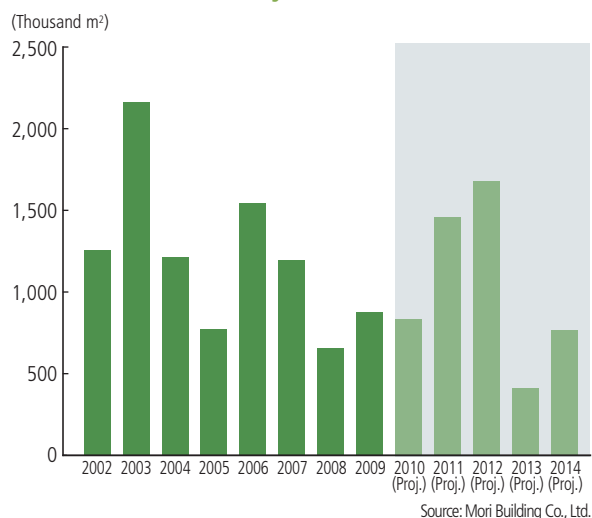
NBF increased its assets and achieved growth during the economic recovery following the collapse of the IT bubble in 2003. Since then, we have grown internally, which has led to growth in distributions. Current occupancy rates, and asking rents are at relatively low levels, and GDP projections point toward gradual recovery of Japan's economic fundamentals.

In the office building leasing market, we will foster relations with existing tenants, improve occupancy rates by preventing contract cancellations and strengthen marketing to attract new tenants.

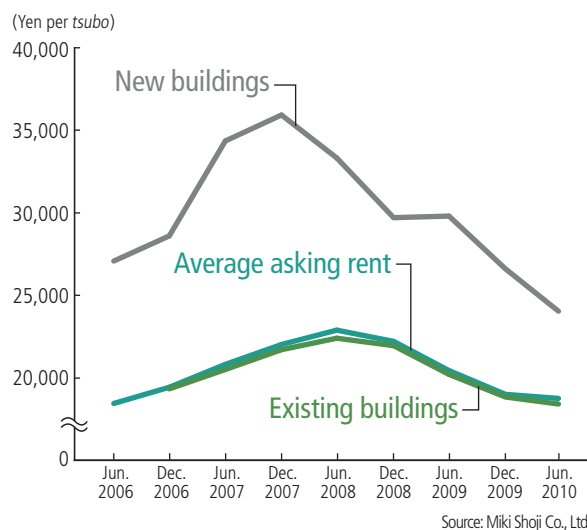
In addition, we will strategically invest in renewal to increase the competitiveness of our properties and work to reduce management and energy costs.

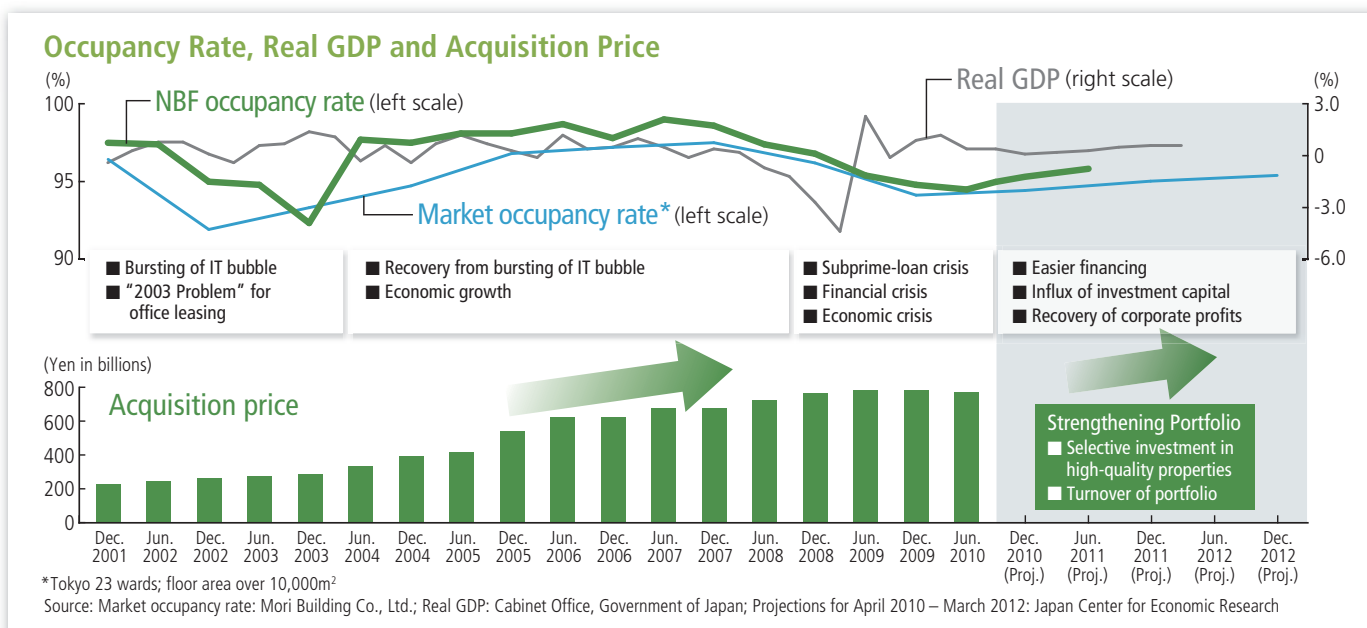
Activity has resumed in the office building acquisition market, mainly transactions in CBDs, and information

Office Floor Space Supply in the 23 Wards of Tokyo



Average Asking Rents in Tokyo CBDs

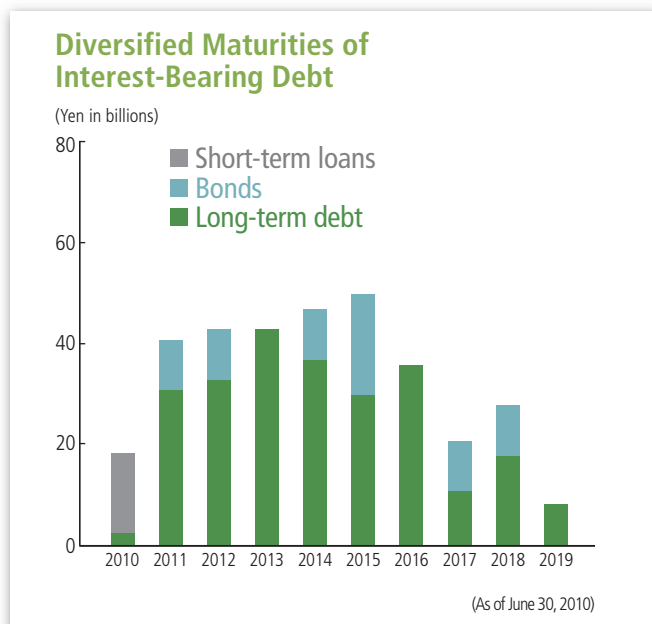




about properties has increased. The number of office buildings for sale with excellent specifications in superior locations — the type of property that NBF targets — remains low. However, the number of transactions is expected to increase. We will therefore closely watch the market and selectively invest in highly competitive high-quality properties from which we can expect stable rental cash flow to achieve external growth while turning over our existing portfolio.

Regarding financial strategy, the current fund procurement environment is stable, but uncertainty remains about the future direction of the global economy, including uneasiness in European financial markets. We will therefore firmly maintain a conservative policy that includes controlling the loan-to-value (LTV) ratio and the ratio of long-term fixed-rate debt to total interest-bearing debt in addition to diversifying maturities and credit sources.

The operating environment remains severe. However, by making the most of the advantages of the high-quality portfolio we have built up since we began asset management and the leasing capabilities of our sponsor, Mitsui Fudosan Co., Ltd., we will achieve a balance of internal and external growth based on sound financial strategies, adhere to a fundamental policy of stable distributions to shareholders over the medium to long term and enhance investor value.



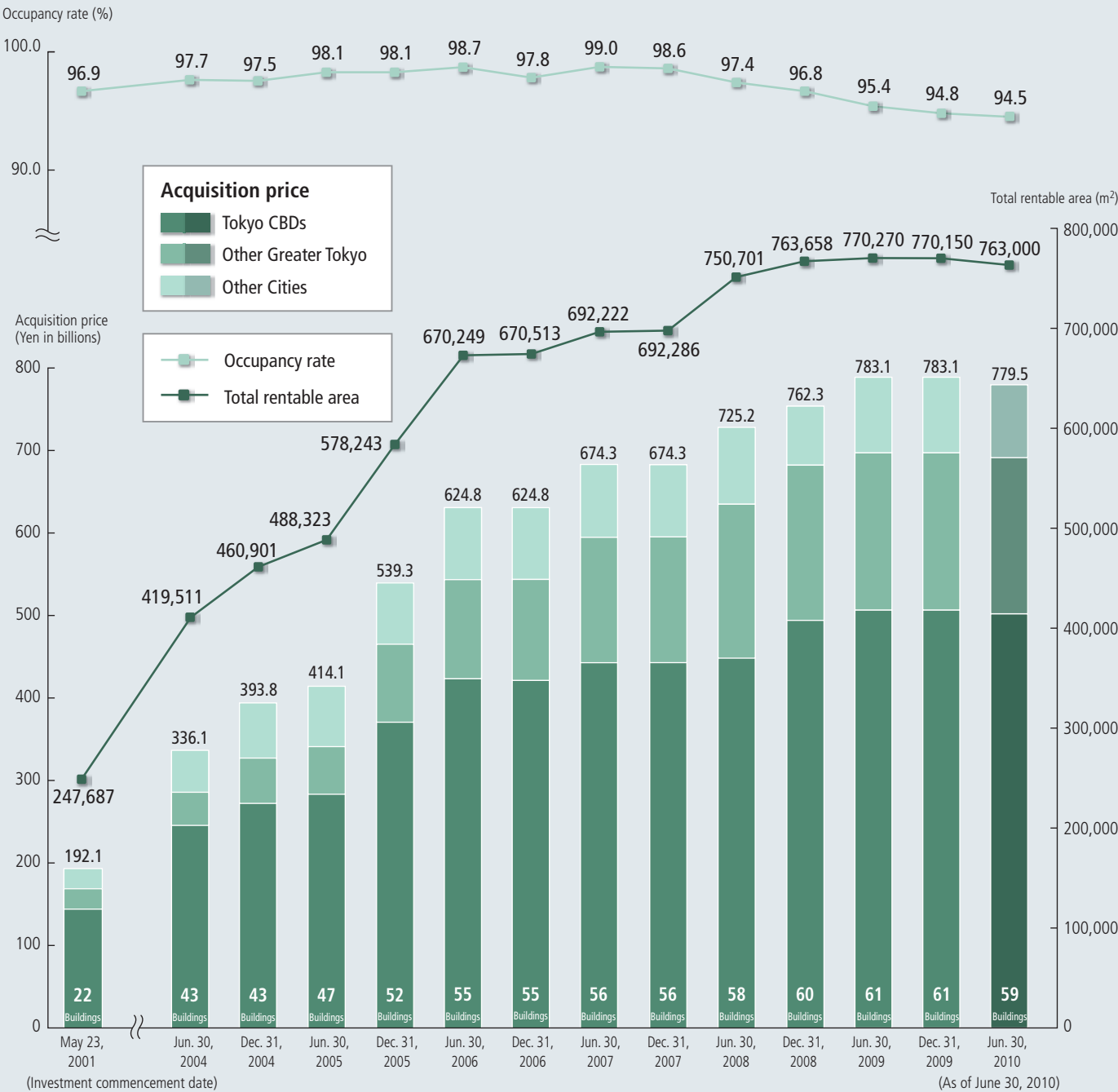
Koichi Nishiyama

Koichi Nishiyama

Executive Director of Nippon Building Fund Inc.

President and CEO of Nippon Building Fund Management Ltd.

A Track Record of Steady Growth and High Occupancy Rates



Planned Acquisition in the 20th Period

60 NBF Ueno Building

| | |
|-------------------------|---|
| Acquisition date: | January 31, 2011 (scheduled) |
| Acquisition price: | ¥10,400 million |
| Site area: | 2,405.22m ² (NBF share: approx. 78%) |
| Floor area of building: | 15,467.77m ² |
| Structure: | 13 floors above ground, 2 floors below |
| Location: | 24-11, Higashi-Ueno 4-chome, Taito-ku, Tokyo |



Location of Office Properties

(As of June 30, 2010, 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 Mitsui Seimei 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
- ⑥① 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

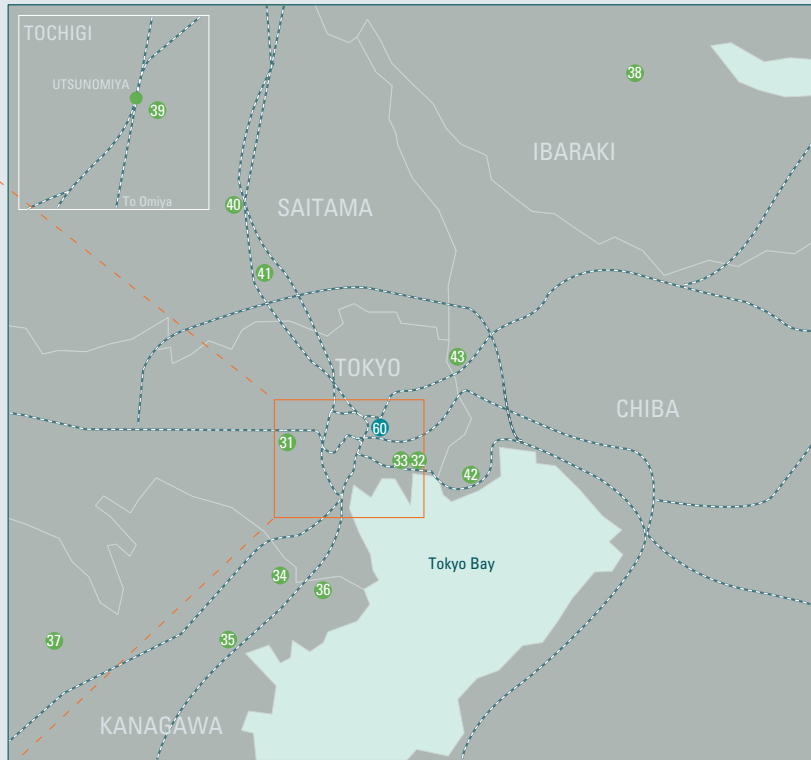


㉑ NBF Shibakouen Building



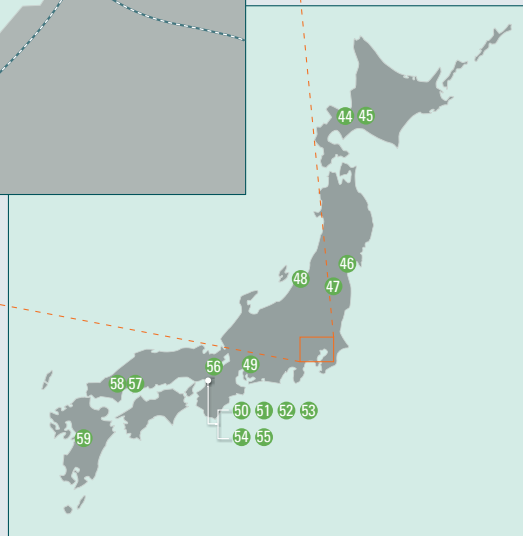
㉖ NBF Higashi-Ginza Square

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



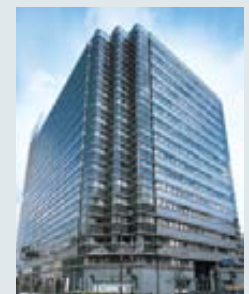
42 NBF Shin-Urayasu Tower



44 Sapporo L-Plaza



52 Sun Mullion NBF Tower



53 Sakaisuji-Honmachi Center Building

Portfolio Overview

NBF's properties as of June 30, 2010 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 | 64,470 |
| ② Nishi-Shinjuku Mitsui Building | Ownership | Compartmented ownership | 85.1 | 1999 | 44,903 | 35,584 |
| ③ Shiba NBF Tower | Trust | Fee simple | 100.0 | 1986 | 32,000 | 29,841 |
| ④ NBF Platinum Tower | Trust | Fee simple | 100.0 | 2005 | 31,000 | 29,623 |
| ⑤ NBF Minami-Aoyama Building | Ownership | Fee simple | 100.0 | 1995 | 31,000 | 31,704 |
| ⑥ Gate City Ohsaki | Ownership | Compartmented ownership | 12.9 | 1999 | 30,100 | 24,063 |
| ⑦ Toranomon Kotohira Tower | Ownership | Compartmented ownership | 100.0 | 2004 | 24,543 | 20,511 |
| ⑧ NBF Nihonbashi Muromachi Center Building | Trust | Fee simple | 100.0 | 1986 | 23,945 | 24,337 |
| ⑨ Nakameguro GT Tower | Ownership | Compartmented ownership | 93.1 | 2002 | 23,856 | 21,896 |
| ⑩ Mitsuseimeiei Ochanomizu Building | Ownership | Fee simple | 100.0 | 2009 | 20,840 | 21,442 |
| ⑪ NBF Ginza Street Building | Trust | Fee simple | 100.0 | 1990 | 17,000 | 17,599 |
| ⑫ Shinjuku Mitsui Building No. 2 | Trust | Fee simple | 100.0 | 1983 | 16,285 | 15,830 |
| ⑬ GSK Building | Trust | Fee simple | 100.0 | 1990 | 15,616 | 13,658 |
| ⑭ NBF Toranomon Building | Trust | Fee simple | 100.0 | 1963 | 13,337 | 13,482 |
| ⑮ Kowa Nishi-Shinbashi Building B | Trust | Co-ownership of compartmented ownership | 83.0 | 1994 | 13,217 | 11,827 |
| ⑯ Nippon Steel Building No. 2 | Ownership | Fee simple | 100.0 | 1989 | 12,614 | 11,334 |
| ⑰ NBF Alliance | Trust | Fee simple | 100.0 | 1989 | 9,126 | 9,474 |
| ⑱ Yotsuya Medical Building | Trust | Fee simple | 100.0 | 2004 | 8,800 | 8,348 |
| ⑲ Shibuya Garden Front | Ownership | Co-ownership | 50.0 | 2003 | 8,700 | 8,113 |
| ⑳ NBF Shibuya East | Ownership | Fee simple | 100.0 | 1992 | 8,000 | 8,179 |
| ㉑ NBF Shibakouen Building | Ownership | Fee simple | 100.0 | 1990 | 6,770 | 6,599 |
| ㉒ NBF Takanawa Building | Trust | Fee simple | 100.0 | 1987 | 6,667 | 6,365 |
| ㉓ NBF Akasaka Sanno Square | Trust | Fee simple | 100.0 | 1989 | 6,250 | 6,263 |
| ㉔ NBF Shibakouen Daimon Street Building | Trust | Co-ownership of compartmented ownership | 87.0 | 1991 | 6,100 | 6,305 |
| ㉕ Sumitomo Densetsu Building | Trust | Fee simple | 100.0 | 1991 | 5,365 | 4,709 |
| ㉖ NBF Higashi-Ginza Square | Trust | Fee simple | 100.0 | 2005 | 5,200 | 4,872 |
| ㉗ NBF Ogawamachi Building | Ownership | Compartmented ownership | 83.8 | 1986 | 4,940 | 5,077 |
| ㉘ NBF Ikebukuro Tower | Trust | Fee simple | 100.0 | 1993 | 4,695 | 4,612 |
| ㉙ NBF Ikebukuro City Building | Trust | Fee simple | 100.0 | 1993 | 4,428 | 4,371 |
| ㉚ NBF Sudacho Verde Building | Ownership | Fee simple | 100.0 | 1988 | 3,280 | 3,345 |
| Other Greater Tokyo | | | | | | |
| ㉛ Nakanosakaue Sunbright Twin | Ownership/Trust | Co-ownership of compartmented ownership | 81.0 | 1996 | 40,750 | 38,552 |
| ㉜ NBF Toyosu Canal Front | Trust | Fee simple | 100.0 | 2004 | 35,200 | 32,855 |
| ㉝ NBF Toyosu Garden Front | Ownership | Fee simple | 100.0 | 2007 | 25,018 | 24,810 |
| ㉞ Shin-Kawasaki Mitsui Building | Ownership | Co-ownership | 35.0 | 1989 | 20,300 | 18,558 |
| ㉟ Yokohama ST Building | Trust | Co-ownership | 75.0 | 1987 | 13,529 | 12,538 |
| ㊱ Parale Mitsui Building | Ownership | Co-ownership of compartmented ownership | 97.5 | 1990 | 3,800 | 3,293 |
| ㊲ NBF Atsugi Building | Ownership | Fee simple | 100.0 | 1991 | 2,300 | 2,106 |
| ㊳ Tsukuba Mitsui Building | Trust | Fee simple | 100.0 | 1990 | 8,876 | 7,188 |
| ㊴ NBF Utsunomiya Building | Ownership | Fee simple | 100.0 | 1996 | 2,435 | 2,472 |
| ㊵ S-ino Omiya North Wing | Ownership | Fee simple | 100.0 | 2004 | 16,816 | 15,271 |
| ㊶ NBF Urawa Building | Ownership | Fee simple | 100.0 | 1990 | 2,000 | 1,909 |
| ㊷ NBF Shin-Urayasu Tower | Ownership | Fee simple | 100.0 | 1990 | 15,700 | 15,776 |
| ㊸ NBF Matsudo Building | Ownership | Fee simple | 100.0 | 1992 | 2,455 | 2,239 |
| Other Cities | | | | | | |
| ㊹ Sapporo L-Plaza | Ownership | Compartmented ownership | 46.2 | 2003 | 4,404 | 3,883 |
| ㊺ NBF Sapporo Minami Nijo Building | Trust | Fee simple | 100.0 | 1990 | 1,870 | 1,711 |
| ㊻ NBF Sendai Honcho Building | Trust | Fee simple | 100.0 | 1987 | 3,566 | 3,582 |
| ㊼ NBF Unix Building | Trust | Fee simple | 100.0 | 1994 | 4,029 | 3,134 |
| ㊽ NBF Niigata Telecom Building | Trust | Fee simple | 100.0 | 1989 | 3,958 | 3,667 |
| ㊾ NBF Nagoya Hirokoji Building | Ownership | Fee simple | 100.0 | 2000 | 7,232 | 7,121 |
| ㊿ Aqua Dojima NBF Tower | Trust | Fee simple | 100.0 | 1996 | 17,810 | 16,442 |
| ㊽ Shinanobashi Mitsui Building | Ownership | Co-ownership | 99.0 | 1982 | 14,400 | 11,517 |
| ㊾ Sun Mullion NBF Tower | Trust | Fee simple | 100.0 | 1996 | 10,500 | 8,365 |
| ㊿ Sakaisuji-Honmachi Center Building | Ownership | Co-ownership of compartmented ownership | 49.3 | 1991 | 6,500 | 6,197 |
| ㊽ NBF Sakai-Higashi Building | Trust | Fee simple | 100.0 | 1991 | 2,227 | 1,958 |
| ㊾ Aqua Dojima East | Trust | Co-ownership of compartmented ownership | 23.7 | 1993 | 1,914 | 1,769 |
| ㊿ NBF Shijo Karasuma Building | Trust | Fee simple | 100.0 | 1991 | 1,627 | 1,389 |
| ㊽ NBF Hiroshima Tatemachi Building | Ownership | Fee simple | 100.0 | 1991 | 2,930 | 2,900 |
| ㊾ Hiroshima Fukuomachi Building | Ownership | Co-ownership of compartmented ownership | 10.4 | 2002 | 835 | 708 |
| ㊿ NBF Kumamoto Building | Ownership | Fee simple | 100.0 | 2008 | 4,500 | 4,492 |
| ■ NBF Ebisu-Minami Building | — | — | — | — | — | — |
| ■ NBF Hakata Gion Building | — | — | — | — | — | — |
| Total | | | | | 779,560 | 729,233 |

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 ²) | (m ²) | (%) | | (Yen in millions) | (%) |
| 56,500 | 27,644 | 21,527 | 77.9 | 65 | 1,294 | 4.6 |
| 48,300 | 32,968 | 32,968 | 100.0 | 1 | 1,363 | 4.9 |
| 27,500 | 24,728 | 22,558 | 91.2 | 25 | 1,028 | 3.7 |
| 50,400 | 33,503 | 33,503 | 100.0 | 6 | 1,498 | 5.4 |
| 16,800 | 9,619 | 8,208 | 85.3 | 8 | 428 | 1.5 |
| 30,700 | 20,709 | 20,709 | 100.0 | 1 | 1,019 | 3.6 |
| 30,400 | 16,848 | 16,848 | 100.0 | 1 | 840 | 3.0 |
| 27,200 | 16,306 | 15,802 | 96.9 | 11 | 800 | 2.9 |
| 22,600 | 21,423 | 21,423 | 100.0 | 1 | 982 | 3.5 |
| 14,600 | 6,627 | 6,627 | 100.0 | 1 | Note 2 | Note 2 |
| 14,500 | 3,440 | 3,440 | 100.0 | 1 | Note 2 | Note 2 |
| 16,000 | 14,874 | 14,678 | 98.7 | 46 | 574 | 2.0 |
| 21,100 | 20,426 | 20,426 | 100.0 | 1 | Note 2 | Note 2 |
| 16,600 | 10,067 | 9,556 | 94.9 | 13 | 558 | 2.0 |
| 16,400 | 10,088 | 10,061 | 99.7 | 2 | Note 2 | Note 2 |
| 13,930 | 17,338 | 17,338 | 100.0 | 2 | Note 2 | Note 2 |
| 10,400 | 4,043 | 4,043 | 100.0 | 9 | 308 | 1.1 |
| 7,380 | 7,450 | 7,450 | 100.0 | 1 | 257 | 0.9 |
| 13,600 | 8,258 | 8,258 | 100.0 | 1 | Note 2 | Note 2 |
| 6,640 | 4,993 | 4,635 | 92.8 | 3 | 218 | 0.8 |
| 8,360 | 7,087 | 7,087 | 100.0 | 7 | 334 | 1.2 |
| 7,320 | 10,458 | 10,158 | 97.1 | 5 | 336 | 1.2 |
| 7,400 | 5,258 | 5,258 | 100.0 | 7 | 233 | 0.8 |
| 4,390 | 3,433 | 3,433 | 100.0 | 7 | 180 | 0.6 |
| 6,020 | 5,991 | 5,991 | 100.0 | 1 | Note 2 | Note 2 |
| 7,250 | 4,871 | 4,871 | 100.0 | 8 | 251 | 0.9 |
| 5,500 | 4,805 | 4,805 | 100.0 | 1 | 198 | 0.7 |
| 5,050 | 5,652 | 5,652 | 100.0 | 13 | 219 | 0.8 |
| 4,900 | 5,127 | 5,127 | 100.0 | 11 | 188 | 0.7 |
| 3,210 | 2,971 | 427 | 14.4 | 1 | Note 2 | Note 2 |
| 31,200 | 32,082 | 32,082 | 100.0 | 9 | 1,172 | 4.2 |
| 35,700 | 36,638 | 36,154 | 98.7 | 9 | Note 2 | Note 2 |
| 28,700 | 28,300 | 28,300 | 100.0 | 4 | 1,166 | 4.2 |
| 16,700 | 27,924 | 27,924 | 100.0 | 1 | 860 | 3.1 |
| 15,200 | 20,027 | 18,041 | 90.1 | 86 | 709 | 2.5 |
| 3,470 | 12,545 | 12,545 | 100.0 | 1 | 317 | 1.1 |
| 2,110 | 5,230 | 3,743 | 71.6 | 13 | 104 | 0.4 |
| 7,560 | 16,768 | 15,330 | 91.4 | 61 | 422 | 1.5 |
| 2,090 | 6,160 | 5,573 | 90.5 | 34 | 118 | 0.4 |
| 19,500 | 20,698 | 19,979 | 96.5 | 34 | 777 | 2.8 |
| 1,760 | 3,455 | 3,270 | 94.6 | 13 | 106 | 0.4 |
| 11,500 | 22,775 | 20,269 | 89.0 | 37 | 555 | 2.0 |
| 2,290 | 4,770 | 4,597 | 96.4 | 24 | 130 | 0.5 |
| 6,390 | 11,396 | 11,396 | 100.0 | 12 | 322 | 1.2 |
| 1,560 | 5,351 | 5,351 | 100.0 | 4 | 107 | 0.4 |
| 3,170 | 7,539 | 6,581 | 87.3 | 8 | 194 | 0.7 |
| 3,350 | 13,390 | 12,332 | 92.1 | 49 | 263 | 0.9 |
| 3,020 | 10,208 | 9,120 | 89.3 | 30 | 206 | 0.7 |
| 7,870 | 9,878 | 6,107 | 61.8 | 13 | 247 | 0.9 |
| 19,200 | 21,917 | 19,022 | 86.8 | 41 | 716 | 2.6 |
| 13,400 | 25,237 | 25,237 | 100.0 | 1 | 605 | 2.2 |
| 8,300 | 14,954 | 14,027 | 93.8 | 28 | 385 | 1.4 |
| 6,570 | 11,438 | 8,818 | 77.1 | 36 | 278 | 1.0 |
| 1,660 | 5,308 | 4,727 | 89.0 | 20 | 109 | 0.4 |
| 1,900 | 3,243 | 2,059 | 63.5 | 15 | 72 | 0.3 |
| 1,330 | 3,931 | 3,206 | 81.6 | 13 | 78 | 0.3 |
| 2,610 | 5,612 | 4,916 | 87.6 | 25 | 136 | 0.5 |
| 810 | 1,309 | 1,263 | 96.5 | 15 | 38 | 0.1 |
| 3,690 | 7,913 | 6,555 | 82.8 | 14 | 164 | 0.6 |
| — | — | — | — | — | 22 | 0.1 |
| — | — | — | — | — | 46 | 0.2 |
| 783,560 | 763,000 | 721,390 | 94.5 | 910 | 28,035 | 100.0 |

4. Properties marked ■ were sold in March 2010.

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)



12 Shinjuku Mitsui Building No. 2



10 Mitsui Seimei Ochanomizu Building



17 NBF Alliance (below)

31 Nakanosakaue Sunbright Twin (bottom)



19 Shibuya Garden Front (top)

23 NBF Akasaka Sanno Square (bottom)



34 Shin-Kawasaki Mitsui Building (top)

35 Yokohama ST Building (bottom)

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



50 55 Aqua Dojima NBF Tower, Aqua Dojima East (below)



40 S-ino Omiya North Wing (top left)



51 Shinanobashi Mitsui Building (left)

Management Team and Management Structure

(As of June 30, 2010)

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.

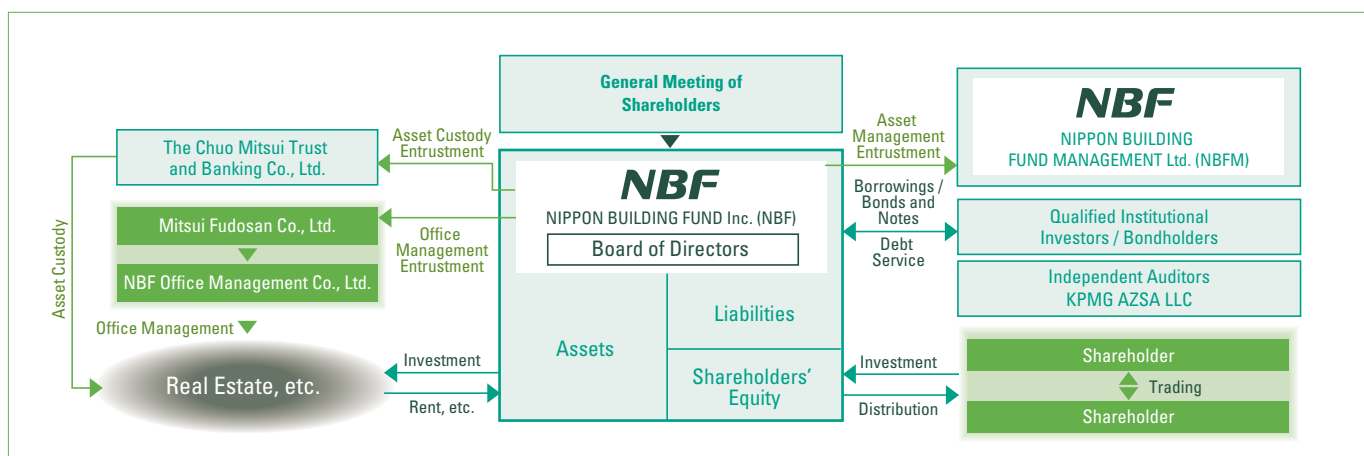
Executive Directors, Supervisory Directors and the Board of Directors

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 June 30, 2010, 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.

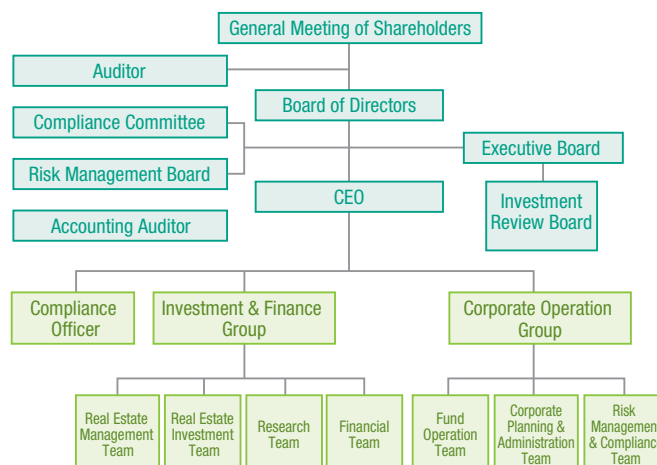
Matters Entrusted to Nippon Building Fund Management Ltd.

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 | April 1974 Joined Mitsui Fudosan Co., Ltd. |
| | | April 2000 Manager of Building Fund Office, Building Division of Mitsui Fudosan |
| | | Sept. 2000 Became President and Representative Director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position) |
| | | Aug. 2001 Became Executive Director of NBF (current position) |
| Yasushi Nakayama | Director, Head of Investment & Finance Group | April 1981 Joined Mitsui Fudosan Co., Ltd. |
| | | April 2001 Head of Building Business Division, Building Department of Mitsui Fudosan |
| | | April 2006 Manager of Building Department, Chiyoda Development Division of Mitsui Fudosan |
| | | April 2007 Became Director of Nippon Building Fund Management Ltd. (current position) |
| Hiroshi Yabuki | Director and COO | April 1984 Joined Sumitomo Life Insurance Company |
| | | April 2004 Head of Niigata Branch Office of Sumitomo Life Insurance |
| | | Oct. 2008 Head of Real Estate Department, Real Estate Operating Office of Sumitomo Life Insurance |
| | | Feb. 2010 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) |
| Fukuhisa Kumada | Director (Part-time) | Sept. 2010 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

| | | 18th Period from January 1, 2010 to June 30, 2010 | 17th Period from July 1, 2009 to December 31, 2009 | 16th Period from January 1, 2009 to June 30, 2009 | 18th Period from January 1, 2010 to June 30, 2010 |
|---|------------------|---|--|---|---|
| (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 | ¥ 28,341 | ¥ 29,928 | ¥ 30,761 | \$ 320,270 |
| Revenue from property leasing activities | | 28,035 | 29,928 | 30,761 | 316,811 |
| Gain on sale of investment property | | 306 | — | — | 3,460 |
| Operating expenses | | 16,169 | 16,404 | 16,464 | 182,720 |
| Rental expenses | | 14,828 | 15,086 | 15,111 | 167,565 |
| Loss on sale of investment property | | 140 | — | — | 1,586 |
| Income before income taxes | | 9,283 | 10,663 | 11,803 | 104,898 |
| Net income | (a) | 9,282 | 10,662 | 11,802 | 104,888 |
| Funds from operations | Note 3 | 14,354 | 15,944 | 17,157 | 162,213 |
| Net operating income from property leasing activities | Note 3 | 18,445 | 20,124 | 21,005 | 208,444 |
| Total amount of cash distribution | (b) | 9,282 | 10,662 | 11,802 | 104,890 |
| Depreciation and amortization | | 5,239 | 5,282 | 5,355 | 59,199 |
| Capital expenditures | | 1,478 | 1,407 | 836 | 16,706 |
| Total assets | (c) | 774,379 | 782,311 | 783,793 | 8,751,030 |
| Interest-bearing debt | | 333,500 | 337,875 | 338,500 | 3,768,787 |
| Net assets | (d) | 395,458 | 396,838 | 397,978 | 4,468,952 |
| Total number of common shares issued (shares) | (e) | 542,000 | 542,000 | 542,000 | |
| Net assets per share (Yen/\$) | (d) / (e) | 729,626 | 732,173 | 734,276 | 8,245 |
| Distribution per share (Yen/\$) | (b) / (e) | 17,125 | 19,672 | 21,775 | 194 |
| Funds from operations per share (Yen/\$) | Note 3 | 26,483 | 29,417 | 31,654 | 299 |
| ROA | Note 3 | 1.2% | 1.4% | 1.5% | |
| (Annual rate) | | (2.4%) | (2.7%) | (3.1%) | |
| ROE | Note 3 | 2.3% | 2.7% | 3.0% | |
| (Annual rate) | | (4.7%) | (5.4%) | (6.0%) | |
| LTV (Loan to value) | Note 3 | 46.8% | 46.9% | 47.0% | |
| Capital ratio | (d) / (c) | 51.1% | 50.7% | 50.8% | |
| Payout ratio | (b) / (a) Note 4 | 100.0% | 100.0% | 100.0% | |
| Number of days | | 181 | 184 | 181 | |
| Number of investment properties | Note 5 | 59 | 61 | 61 | |
| Number of tenants | Note 5 | 910 | 898 | 926 | |
| Total rentable area (m ²) | | 763,000 | 770,150 | 770,270 | |
| Occupancy rate | Note 5 | 94.5% | 94.8% | 95.4% | |

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥88.49 = U.S. \$1.00, the approximate exchange rate on June 30, 2010.

2. Operating revenues do not include consumption tax.

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

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

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

Funds from operations per share: (Net income (excluding Gain and Loss on sale 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

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

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

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

Operating Environment and Results

During the six months ended June 30, 2010 (the "18th Period"), the Japanese economy showed signs of a turnaround, including a gradual increase in exports, mainly to Asia, the bottoming out of capital investment, and improved employment conditions and personal consumption. However, economic conditions remained severe, with a persistently high unemployment rate.

In the office building leasing market, the occupancy rate declined 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 economic rationalization measures such as office consolidation and relocation and cutbacks in occupied space due to the ongoing drive to cut costs. On the other hand, the continued downward revision of rents has resulted in new occupancies and increases in floor space rented. In particular, it appears that occupancy rates have bottomed out for high-quality large-scale properties in central business districts.

In the real estate acquisition market, improvements in the fund procurement environment and adjustment of property prices led to an increase in transactions mainly in central business districts. However, the number of properties for sale with excellent specifications in superior locations remains low.

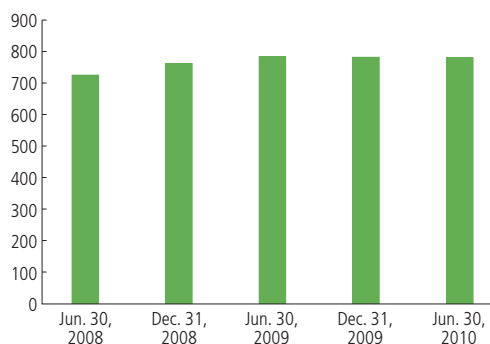
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have stable cash flow from rents. Deliberation concerning properties did not result in new acquisitions in the 18th Period. In consideration of its portfolio asset composition, NBF sold the NBF Ebisu-Minami Building for ¥1.35 billion and the NBF Hakata Gion Building for ¥2.2 billion.

NBF systematically conducted property management, 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 tenants renewing their lease contracts.

As a result of these efforts, NBF's real estate portfolio as of June 30, 2010 totaled 59 properties. Total investment on an acquisition price basis was ¥779.5 billion. Total rentable area was 763,000m² (231,000 *tsubo*). The occupancy rate declined 0.3 percentage points from December 31, 2009 to 94.5 percent. Tenants totaled 910.

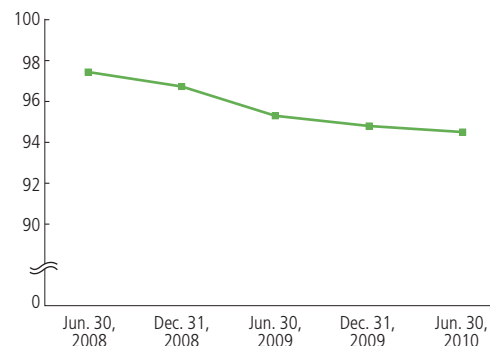
Total investment

(Yen in billions)



Occupancy rate

(%)

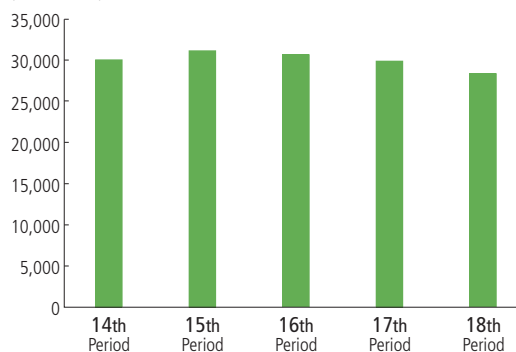


Overview of Performance

Operating revenues for the six months ended June 30, 2010 decreased ¥1,587 million, or 5.3 percent, compared with the previous six-month period to ¥28,341 million. Operating income decreased ¥1,352 million, or 10.0 percent, to ¥12,172 million. Net income decreased ¥1,380 million, or 12.9 percent, to ¥9,282 million. Distribution per share decreased ¥2,547 to ¥17,125. The main factor was a decrease in rental revenue due to tenant turnover, rent revisions and other issues.

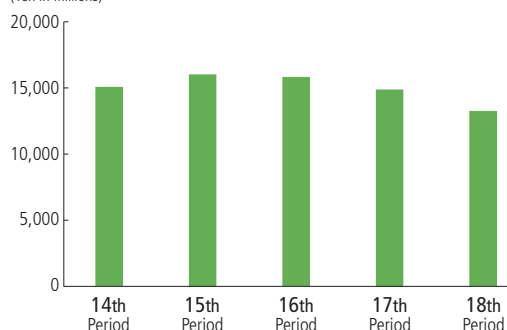
Operating revenues

(Yen in millions)



Operating income from property leasing activities

(Yen in millions)



Distribution for the Current Period

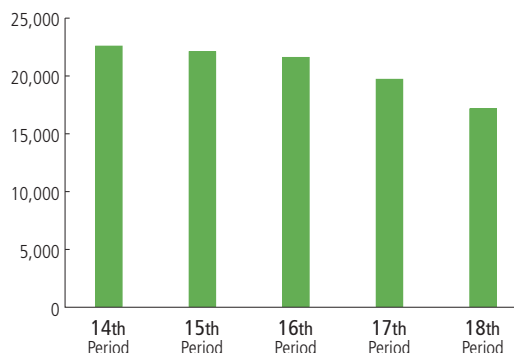
Distribution per share for the current period was ¥17,125. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

| | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|---|---|---|---|
| (Yen in thousands, except per share amounts) | | | |
| Retained earnings | ¥9,281,802 | ¥10,662,478 | ¥11,802,315 |
| Undistributed earnings | 52 | 254 | 265 |
| Total cash distribution | 9,281,750 | 10,662,224 | 11,802,050 |
| (Cash distribution per share) | 17,125 | 19,672 | 21,775 |
| Distribution of accumulated earnings | 9,281,750 | 10,662,224 | 11,802,050 |
| (Distribution of accumulated earnings per share) | 17,125 | 19,672 | 21,775 |
| Cash distribution in excess of accumulated earnings | — | — | — |
| (Per share) | — | — | — |

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

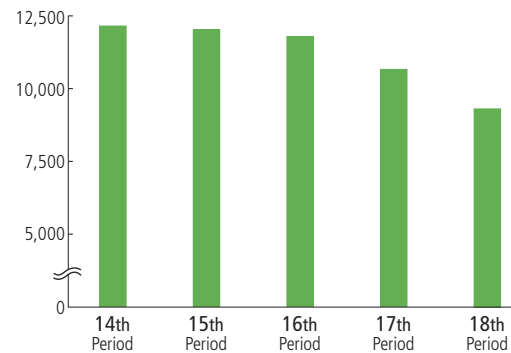
Distribution per share

(Yen)



Total amount of cash distribution

(Yen in millions)



Changes in Assets, Liabilities and Net Assets

Assets

As of June 30, 2010, total assets decreased ¥7,932 million to ¥774,379 million compared with December 31, 2009. Return on average total assets (ROA) for the six months ended June 30, 2010 decreased to 1.19 percent from 1.36 percent for the previous six-month period.

Current assets increased ¥1,092 million to ¥40,493 million compared with December 31, 2009. Investment properties decreased ¥7,010 million to ¥729,232 million compared with December 31, 2009.

Liabilities

Current liabilities decreased ¥22,483 million to ¥32,950 million compared with December 31, 2009, primarily because of a decrease in short-term loans and long-term debt due within one year compared with December 31, 2009.

Long-term debt increased ¥17,625 million to ¥308,750 million compared with December 31, 2009.

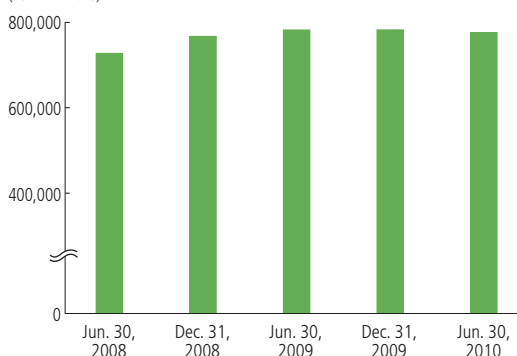
As a result, total interest-bearing liabilities decreased ¥4,375 million to ¥333,500 million compared to December 31, 2009. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities increased to 92.6 percent as of June 30, 2010 from 86.2 percent as of December 31, 2009. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 46.8 percent as of June 30, 2010 from 46.9 percent as of December 31, 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.

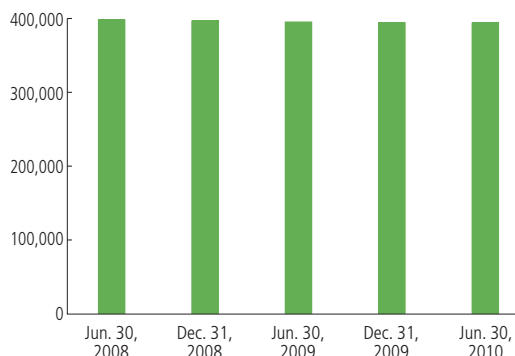
Net Assets

Net assets decreased ¥1,380 million to ¥395,458 million compared with December 31, 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 June 30, 2010, 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 June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|------|---|---|---|
| | | (Yen) | |
| High | ¥815,000 | ¥895,000 | ¥993,000 |
| Low | 704,000 | 679,000 | 739,000 |

Borrowings

Borrowings from financial institutions as of June 30, 2010 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 Sumitomo Trust and Banking Company, Limited | ¥ 5,000 | 0.8% | October 29, 2010 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) |
| Shinkin Central Bank | 4,000 | 0.7% | July 30, 2010 | | | |
| The Gunma Bank, Ltd. | 2,000 | 0.7% | July 30, 2010 | | | |
| THE KAGOSHIMA BANK, LTD. | 1,000 | 0.7% | July 30, 2010 | | | |
| The Joyo Bank, Ltd. | 1,000 | 0.7% | August 31, 2010 | | | |
| THE SHIZUOKA BANK, LTD. | 1,000 | 0.7% | August 31, 2010 | | | |
| The Yamaguchi Bank, Ltd. | 1,000 | 0.8% | October 29, 2010 | | | |
| The Chugoku Bank, Limited | 1,000 | 0.8% | December 30, 2010 | | | |
| Total short-term loans | ¥16,000 | | | | | |

Long-term loans

| Lender | Balance | Average interest rate (%) | Due on (Note 1) | Repayment method | Use of funds | Notes |
|---|---------|---------------------------|--------------------|----------------------|--------------|---|
| (Yen in millions) | | | | | | |
| Development Bank of Japan Inc. | ¥ 4,000 | 1.8% | November 28, 2014 | (Note 2) (Note 3) | | |
| | 10,000 | 1.5% | September 11, 2015 | | | |
| | 10,000 | 1.8% | September 27, 2017 | | | |
| | 10,000 | 2.0% | February 15, 2016 | | | |
| | 10,000 | 2.4% | May 30, 2018 | | | |
| | 4,750 | 2.2% | April 28, 2019 | | | |
| | 9,750 | 2.2% | August 30, 2019 | | | |
| Sumitomo Life Insurance Company | 5,000 | 2.1% | July 19, 2011 | | | |
| | 7,000 | 2.1% | May 23, 2018 | | | |
| | 5,000 | 1.9% | May 23, 2016 | | | |
| | 5,000 | 1.7% | July 16, 2014 | | | |
| | 3,000 | 1.8% | February 3, 2016 | | | |
| Sumitomo Mitsui Banking Corporation | 5,000 | 1.5% | April 30, 2013 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate |
| | 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 | | | |
| | 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 Bank of Tokyo-Mitsubishi UFJ, Ltd. | 8,000 | 1.6% | September 30, 2013 | | | |
| | 4,000 | 1.8% | September 30, 2014 | | | |
| The Sumitomo Trust and Banking Company, Limited | 5,000 | 1.6% | September 30, 2013 | | | |
| | 7,000 | 1.6% | April 27, 2012 | | | |
| Mitsubishi UFJ Trust and Banking Corporation | 3,000 | 1.8% | July 31, 2014 | | | |
| | 1,000 | 1.8% | September 30, 2014 | | | |
| | 7,000 | 1.5% | March 4, 2016 | | | |
| Mizuho Corporate Bank, Ltd. | 2,000 | 1.5% | February 7, 2012 | | | |
| | 8,000 | 1.7% | July 31, 2013 | | | |
| 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 | | | |
| 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 | 1,000 | 1.8% | March 30, 2012 | | | |
| | 1,000 | 2.0% | October 31, 2014 | | | |
| | 1,000 | 1.4% | October 4, 2013 | | | |
| | 2,000 | 1.6% | February 3, 2015 | | | |
| TAIYO LIFE INSURANCE COMPANY | 1,000 | 1.7% | December 15, 2014 | | | |
| | 2,000 | 2.1% | July 11, 2014 | | | |
| | 1,000 | 2.0% | August 31, 2015 | | | |
| The Hachijuni Bank, Ltd. | 1,000 | 1.4% | December 2, 2013 | | | |
| | 2,000 | 1.8% | June 26, 2014 | | | |
| | 1,000 | 1.8% | March 30, 2015 | | | |

| Lender | Balance | Average interest rate (%) | Due on (Note 1) | Repayment method | Use of funds | Notes |
|----------------------------------|-----------------|---------------------------|-------------------|------------------|--------------|---|
| (Yen in millions) | | | | | | |
| THE BANK OF FUKUOKA, Ltd. | 4,000 | 1.9% | July 12, 2012 | Bullet payment | (Note 4) | Unsecured /unguaranteed /pari passu, See (Note 5) |
| Nippon Life Insurance Company | 2,000 | 1.1% | October 19, 2010 | | | |
| | 2,000 | 1.4% | April 1, 2015 | | | |
| The Chugoku Bank, Limited | 2,000 | 1.7% | May 29, 2014 | | | |
| The Yamanashi Chuo Bank, Ltd. | 1,000 | 1.1% | December 28, 2012 | | | Fixed rate |
| The Iyo Bank, LTD. | 1,000 | 1.9% | April 30, 2014 | | | |
| Total long-term loans | ¥247,500 | | | | | |
| Total borrowings (Note 6) | ¥263,500 | | | | | |

- 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 loans (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

| | | | | |
|-------------------|--------------|--------------|--------------|--------------|
| (Yen in millions) | | | | |
| | 1 to 2 years | 2 to 3 years | 3 to 4 years | 4 to 5 years |
| Long-term loans | ¥45,750 | ¥27,750 | ¥41,750 | ¥26,750 |

NBF Bonds

| Issue | Issue date | Balance as of June 30, 2010 (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. 7 Unsecured Bonds | November 9, 2005 | 10,000 | 1.85% | November 9, 2015 | Bullet payment | Note 1 | Notes 3 and 5 |
| No. 8 Unsecured Bonds | March 7, 2007 | 10,000 | 1.48% | March 7, 2012 | Bullet payment | Note 1 | Notes 3 and 5 |
| No. 9 Unsecured Bonds | May 24, 2007 | 10,000 | 1.74% | May 23, 2014 | Bullet payment | Note 1 | Notes 3 and 5 |
| No. 10 Unsecured Bonds | May 24, 2007 | 10,000 | 2.04% | May 24, 2017 | Bullet payment | Note 1 | Notes 3 and 5 |
| No. 11 Unsecured Bonds | January 28, 2010 | 10,000 | 1.23% | January 28, 2015 | Bullet payment | Note 1 | Notes 3 and 5 |
| Total (Note 6) | | ¥70,000 | | | | | |

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

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

Others

NBF had security deposits totaling ¥37,151 million as of June 30, 2010.

Capital Expenditures

1. Planning

As of June 30, 2010, 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 | Cumulative amount paid |
| | | | | (from January 1, 2010 to June 30, 2010) | |
| (Yen in millions) | | | | | |
| Shinjuku Mitsui Bldg. No. 2 | Renovation of heating equipment (1st stage) | From August 2010 to December 2010 | ¥260 | ¥— | ¥— |
| NBF Nihonbashi Muromachi Center Bldg. | Renovation of parking equipment | From May 2011 to June 2011 | 226 | — | — |
| Shinjuku Mitsui Bldg. No. 2 | Renovation of heating equipment (2nd stage) | From February 2011 to June 2011 | 205 | — | — |
| NBF Hibiya Bldg. | Renovation of security system | From April 2010 to September 2010 | 140 | — | — |
| Shin-Kawasaki Mitsui Bldg. | Renovation of heater (1st stage) | From April 2010 to February 2011 | 130 | — | — |
| NBF Ogawamachi Bldg. | Renovation of air conditioning | From September 2010 to December 2010 | 72 | — | — |
| NBF Ikebukuro Tower | Renovation of air conditioning (4th stage) | From September 2010 to November 2010 | 55 | — | — |
| NBF Atsugi Bldg. | Renovation of air conditioning (8th, 9th floor) | From September 2010 to November 2010 | 30 | — | — |
| NBF Atsugi Bldg. | Renovation of air conditioning (6th, 7th floor) | From April 2011 to May 2011 | 29 | — | — |
| NBF Urawa Bldg. | Renovation of exterior | From July 2010 to September 2010 | 20 | — | — |

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,478 million in capital expenditures together with ¥883 million for repairs and maintenance expenses.

| Name of property | Objective | Period | Expenditure (Yen in millions) |
|---------------------------------------|---|-----------------------------------|----------------------------------|
| NBF Hibiya Bldg. | Renovation of 1st floor entrance and smoking room, renovation of refrigeration system, renovation of air conditioning (2nd Period) | From January 2010 to June 2010 | ¥ 177 |
| NBF Takanawa Bldg. | Renovation of air conditioning, restoration construction work on 1st to 4th floors, OA floor work on 1st to 4th floors | | 170 |
| NBF Nihonbashi Muromachi Center Bldg. | Restoration construction work on 1st and 2nd floors, air conditioning-related construction on 1st and 2nd floors, replacement of fan coil units (2nd stage), etc. | | 120 |
| NBF Ikebukuro Tower | Renovation of air conditioning (3rd stage), renovation of air supply and exhaust fans (3rd stage), renovation of vacuum circuit breakers, etc. | | 58 |
| NBF Ogawamachi Bldg. | Renovation of air conditioning (2nd stage), construction to counter high-frequency vibration modes, etc. | | 52 |
| Parale Mitsui Bldg. | Renovation of lighting equipment (2nd stage), renovation of restroom lighting, OA floor work | | 47 |
| NBF Sapporo Minami Nijo Bldg. | Renovation of hot and chilled water generator, renovation of air conditioning on 1st and 3rd basement floors, replacement of parking lot sequencers, etc. | | 23 |
| Other buildings | Asset preservation construction and other renewal construction to improve tenant satisfaction. | | 831 |
| Total | | | ¥1,478 |

3. Cash Reserve for Capital Improvements

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

| | As of June 30, 2010 | As of December 31, 2009 |
|--|---------------------|-------------------------|
| | (Yen in millions) | |
| Reserve balance at the beginning of the period | ¥1,273 | ¥1,558 |
| Amount accumulated in the current period | 2,751 | 1,715 |
| Withdrawal from reserves in the current period | 2,626 | 2,000 |
| Amount carried forward | ¥1,398 | ¥1,273 |

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 ¥4,242 million as of June 30, 2010.

Expenses regarding Entrustment, etc.

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

| Item | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|--|---|---|---|
| | (Yen in millions) | | |
| Asset management fees | ¥ 988 | ¥1,078 | ¥1,134 |
| Asset custody fees | 37 | 37 | 36 |
| Agent fees (stock transfer, accounting and administrative) | 45 | 47 | 51 |
| Directors' remuneration | 19 | 19 | 19 |
| Auditor's fees | 13 | 13 | 13 |
| Other expenses | 99 | 124 | 100 |
| Total | ¥1,201 | ¥1,318 | ¥1,353 |

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 January 1, 2010 to June 30, 2010 and 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

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

| Name of building | (Yen in millions) | |
|------------------------|-------------------|---------------|
| | Sale | |
| | Date | Sale price |
| NBF Ebisu-Minami Bldg. | March 5, 2010 | ¥1,350 |
| NBF Hakata Gion Bldg. | March 8, 2010 | 2,200 |
| Total | | ¥3,550 |

2. Trading of Other Assets Including Total Amount and Transactions

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

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

(1) Ongoing Transactions

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

(2) Fees Paid for the Period from January 1, 2010 to June 30, 2010

| Category | Total fees paid (A) (Yen in millions) | Description of transactions with related parties (Note 1) | | B/A |
|--|---|---|---|-------|
| | | Paid to | Amount of payment (B) (Yen in millions) | |
| Office management fees, etc. (Note 2) | ¥1,151 | Mitsui Fudosan Co., Ltd. | ¥1,114 | 96.7% |
| | | NBF Office Management Co., Ltd. | 32 | 2.7% |
| Property maintenance fees | 2,640 | First Facilities Co., Ltd. | 421 | 16.0% |
| | | Mitsui Fudosan Co., Ltd. | 356 | 13.5% |
| | | First Facilities West Co., Ltd. | 119 | 4.5% |
| | | Mitsui Fudosan Building Management Co., Ltd. | 113 | 4.3% |
| | | First Facilities Yokohama Co., Ltd. | 10 | 0.4% |
| | | Mitsui Fudosan Housing Lease Co., Ltd. | 1 | 0.0% |
| Leasing related service fees | 121 | Mitsui Fudosan Co., Ltd. | 56 | 46.4% |
| | | NBF Office Management Co., Ltd. | 14 | 11.9% |
| | | Mitsui Real Estate Sales Co., Ltd. | 2 | 1.2% |

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 January 1, 2010 to June 30, 2010, 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. | ¥353 |
| Mitsui Fudosan Co., Ltd. | 249 |
| Mitsui Fudosan Building Management Co., Ltd. | 117 |
| First Facilities West Co., Ltd. | 66 |
| Mitsui Fudosan Housing Lease Co., Ltd. | 8 |
| Mitsui Home Linkage Co., Ltd. | 0 |
| Mitsui Real Estate Sales Co., Ltd. | 0 |



Financial Statements

NBF Report January – June 2010

Balance Sheets

NIPPON BUILDING FUND INC.
As of June 30, 2010 and December 31, 2009

| | As of June 30, 2010 | As of December 31, 2009 |
|--|------------------------|----------------------------|
| | (Yen in millions) | |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents (Note 5) | ¥ 39,600 | ¥ 40,731 |
| Tenant receivables | 302 | 295 |
| Other current assets | 591 | 559 |
| Total current assets | 40,493 | 41,585 |
| Investment Properties: | | |
| Land including trust accounts (Note 6) | 473,463 | 475,670 |
| Buildings and improvements including trust accounts (Note 6) | 276,923 | 277,131 |
| Other tangible assets (Note 6) | 8,408 | 8,301 |
| Less: accumulated depreciation (Note 6) | (65,217) | (60,517) |
| Leasehold rights in trust accounts and other intangible assets | 35,655 | 35,657 |
| Total investment properties, net | 729,232 | 736,242 |
| Other Assets | 4,654 | 4,484 |
| Total Assets | ¥774,379 | ¥782,311 |
| Liabilities | | |
| Current Liabilities: | | |
| Short-term loans (Note 5, 8) | ¥ 16,000 | ¥ 24,000 |
| Long-term debt due within one year (Note 5, 8) | 8,750 | 22,750 |
| Accounts payable | 3,022 | 3,219 |
| Rents received in advance | 3,376 | 3,536 |
| Accrued expenses and other liabilities | 1,802 | 1,928 |
| Total current liabilities | 32,950 | 55,433 |
| Long-term Debt (Note 5, 8) | 308,750 | 291,125 |
| Tenant Security Deposits Including Trust Accounts (Note 5) | 37,151 | 38,846 |
| Other Liabilities | 70 | 69 |
| Total Liabilities | 378,921 | 385,473 |
| Net Assets (Note 7) | | |
| 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 | 9,282 | 10,662 |
| Total Net Assets | 395,458 | 396,838 |
| Total Liabilities and Net Assets | ¥774,379 | ¥782,311 |

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 June 30, 2010, December 31, 2009 and June 30, 2009

| | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|---|---|---|---|
| | (Yen in millions) | | |
| Operating Revenues and Expenses | | | |
| Operating Revenues: | | | |
| Rental (Note 9) | ¥25,583 | ¥26,986 | ¥27,903 |
| Other revenues related to property leasing (Note 9) | 2,452 | 2,942 | 2,858 |
| Gain on sale of investment properties (Note 10) | 306 | — | — |
| Total Operating Revenues | 28,341 | 29,928 | 30,761 |
| Operating Expenses: | | | |
| Property management fees (Note 9) | 3,798 | 4,033 | 3,973 |
| Real estate taxes (Note 9) | 2,648 | 2,535 | 2,557 |
| Repairs and maintenance (Note 9) | 883 | 739 | 669 |
| Insurance (Note 9) | 36 | 37 | 36 |
| Other rental expenses (Note 9) | 2,224 | 2,460 | 2,521 |
| Depreciation and amortization (Note 9) | 5,239 | 5,282 | 5,355 |
| Loss on sale of investment property (Note 10) | 140 | — | — |
| Asset management fees | 988 | 1,078 | 1,134 |
| Other operating expenses | 213 | 240 | 219 |
| Total Operating Expenses | 16,169 | 16,404 | 16,464 |
| Operating Income | 12,172 | 13,524 | 14,297 |
| Non-Operating Revenues and Expenses | | | |
| Non-Operating Revenues: | | | |
| Interest income | 8 | 7 | 22 |
| Non-Operating Expenses: | | | |
| Interest expense | (2,862) | (2,798) | (2,527) |
| Amortization of bond issue costs | (5) | (27) | (27) |
| Other non-operating expenses, net | (30) | (43) | (32) |
| Ordinary Income | 9,283 | 10,663 | 11,733 |
| Extraordinary Income: | | | |
| Adjustment of depreciation for prior periods (Note 4) | — | — | 70 |
| Income before Income Taxes | 9,283 | 10,663 | 11,803 |
| Current and deferred income taxes (Note 11) | (1) | (1) | (1) |
| Net Income | ¥ 9,282 | ¥10,662 | ¥11,802 |

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

Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2010, December 31, 2009 and June 30, 2009

| | Number of Common Shares | (Yen in millions) | | |
|------------------------------------|-------------------------------|-------------------|----------------------|-----------------|
| | | Common Shares | Retained Earnings | Total |
| 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 |
| Balance as of December 31, 2009 | 542,000 | 386,176 | 10,662 | 396,838 |
| Cash dividends declared | — | — | (10,662) | (10,662) |
| Net income | — | — | 9,282 | 9,282 |
| Balance as of June 30, 2010 | 542,000 | ¥386,176 | ¥ 9,282 | ¥395,458 |

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

Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2010, December 31, 2009 and June 30, 2009

| | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|--|---|---|---|
| | (Yen in millions) | | |
| Cash Flows from Operating Activities: | | | |
| Income before income taxes | ¥ 9,283 | ¥ 10,663 | ¥ 11,803 |
| Depreciation and amortization | 5,239 | 5,282 | 5,355 |
| Amortization of bond issue costs | 5 | 27 | 27 |
| Interest expense | 2,862 | 2,798 | 2,527 |
| Adjustment of depreciation for prior periods | — | — | 70 |
| (Increase) Decrease in tenant receivables | (8) | 358 | (241) |
| Increase (Decrease) in accounts payable | (197) | 308 | (1,108) |
| Increase (Decrease) in rents received in advance | (159) | (78) | (160) |
| Decrease in investment properties due to sale | 3,272 | — | — |
| Cash payments of interest expense | (2,815) | (2,636) | (2,459) |
| Proceeds from a settlement | — | — | 540 |
| Other, net | (203) | 236 | (463) |
| Net Cash Provided by Operating Activities | 17,279 | 16,958 | 15,751 |
| Cash Flows from Investing Activities: | | | |
| Payments for purchases of investment properties | (1,501) | (1,435) | (22,565) |
| Proceeds from tenant security deposits | 3,408 | 3,324 | 1,531 |
| Payments for tenant security deposits | (5,103) | (3,727) | (2,000) |
| Payments for security deposits paid to lessors | (8) | (3) | (9) |
| Payments for purchases of other assets | (119) | (80) | (107) |
| Net Cash Used in Investing Activities | (3,323) | (1,921) | (23,150) |
| Cash Flows from Financing Activities: | | | |
| Proceeds from (Repayment of) short-term loans, net | (8,000) | (27,500) | (5,000) |
| Proceeds from long-term debt | 24,000 | 45,000 | 27,000 |
| Repayment of long-term debt | (20,375) | (18,125) | (2,000) |
| Payment for bond issue costs | (54) | — | — |
| Payment of dividends | (10,658) | (11,802) | (12,056) |
| Net Cash Provided by (Used in) Financing Activities | (15,087) | (12,427) | 7,944 |
| Net Change in Cash and Cash Equivalents | (1,131) | 2,610 | 545 |
| Cash and Cash Equivalents at the Beginning of Period | 40,731 | 38,121 | 37,576 |
| Cash and Cash Equivalents at the End of Period | ¥ 39,600 | ¥ 40,731 | ¥ 38,121 |

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2010, December 31, 2009 and June 30, 2009

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 June 30, 2010, NBF had ownership or beneficiary interests in 59 office properties containing approximately 763,000 square meters of rentable office space. As of June 30, 2010, NBF had leased office space to 910 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 94.5%.

Basis of Presentation

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

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

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

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

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

Investment Corporation Bond Issue Costs

Deferred investment corporation bond issue costs are amortized using the straight-line method over the respective term of the bonds (See Note 3).

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 periods ended June 30, 2010 and December 31, 2009. Capitalized real estate taxes amounted to ¥12 million for the period ended June 30, 2009.

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 June 30, 2010.

Note 3 – Change in Accounting Policy

Amortization of Deferred Assets

Beginning from the fiscal period ended June 30, 2010, deferred investment corporation bond issue costs are amortized using the straight-line method over the respective terms of the bonds. These costs previously had been amortized equally over three years. This change was made to treat the investment corporation bond issue costs as part of fund raising costs, and to record period earnings more appropriately. As a result of the change in accounting policy, ordinary income and income before income taxes increased by ¥3,588 million each, as compared to the previous method.

Note 4 – 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 conciliation with the Tokyo District Court on March 28, 2008. The aforementioned differences were settled through the conciliation 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 5 – Financial Instruments

Effective from the fiscal period ended June 30, 2010, NBF adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19 revised on March 10, 2008). These standards and guidance require companies to disclose fair value and certain other information of financial instruments as follows.

(For the six months ended June 30, 2010)

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

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

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of June 30, 2010 are as follows.

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

| | (Yen in millions) | | |
|--|-------------------|------------|------------|
| | Book value | Fair value | Difference |
| Assets | | | |
| (1) Cash and cash equivalents | ¥ 39,600 | ¥ 39,600 | ¥ — |
| Total | ¥ 39,600 | ¥ 39,600 | ¥ — |
| Liabilities | | | |
| (1) Short-term loans | ¥ 16,000 | ¥ 16,000 | ¥ — |
| (2) Long-term debt due within one year | 8,750 | 8,794 | 44 |
| (3) Long-term debt | 308,750 | 314,278 | 5,528 |
| Total | ¥333,500 | ¥339,072 | ¥5,572 |

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

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

(3) Long-term debt

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

| | (Yen in millions) | | |
|----------------------------------|-------------------|------------|------------|
| | Book value | Fair value | Difference |
| (1) Investment corporation bonds | ¥ 70,000 | ¥ 71,177 | ¥1,177 |
| (2) Long-term loans | 238,750 | 243,101 | 4,351 |
| Total | ¥308,750 | ¥314,278 | ¥5,528 |

1) Investment corporation bonds

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

2) Long-term loans

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

2. Financial Instruments for Which it is Very Difficult to Estimate the Fair Value.

| | (Yen in millions) |
|---|-------------------|
| | Book value |
| Tenant Security Deposits Including Trust Accounts | ¥37,151 |

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and the actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

3. Redemption Schedule for Monetary Claims with Maturity Dates after June 30, 2010

| | (Yen in millions) | | | | | |
|---------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
| Cash and cash equivalents | ¥39,600 | — | — | — | — | — |

4. Repayment Schedule for Loans and Investment Corporation Bonds due after June 30, 2010

| (Yen in millions) | | | | | | |
|------------------------------|---------------------|----------------------------|------------------------------|-------------------------------|------------------------------|----------------------|
| | Due within one year | Due after one to two years | Due after two to three years | Due after three to four years | Due after four to five years | Due after five years |
| Short-term loans | ¥16,000 | ¥ — | ¥ — | ¥ — | ¥ — | ¥ — |
| Investment corporation bonds | — | 20,000 | — | 10,000 | 10,000 | 30,000 |
| Long-term loans | 8,750 | 45,750 | 27,750 | 41,750 | 26,750 | 96,750 |
| Total | ¥24,750 | ¥65,750 | ¥27,750 | ¥51,750 | ¥36,750 | ¥126,750 |

Note 6 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2010 and December 31, 2009 consisted of the following:

| | As of June 30, 2010 | | | As of December 31, 2009 | | |
|---|---------------------|--------------------------|------------|-------------------------|--------------------------|------------|
| | (Yen in millions) | | | | | |
| | Acquisition costs | Accumulated depreciation | Book value | Acquisition costs | Accumulated depreciation | Book value |
| Land | ¥218,479 | ¥ — | ¥218,479 | ¥219,238 | ¥ — | ¥219,238 |
| Land in trust | 254,984 | — | 254,984 | 256,432 | — | 256,432 |
| Land including trust total | 473,463 | — | 473,463 | 475,670 | — | 475,670 |
| Buildings and improvements | 142,172 | (24,389) | 117,783 | 142,085 | (21,960) | 120,125 |
| Buildings and improvements in trust | 134,751 | (37,510) | 97,241 | 135,046 | (35,469) | 99,577 |
| Buildings and improvements including those in trust | 276,923 | (61,899) | 215,024 | 277,131 | (57,429) | 219,702 |
| Structures | 2,238 | (788) | 1,450 | 2,236 | (716) | 1,520 |
| Machinery and equipment | 1,119 | (449) | 670 | 1,103 | (403) | 700 |
| Tools, furniture and fixtures | 804 | (331) | 473 | 755 | (291) | 464 |
| Structures in trust | 1,904 | (582) | 1,322 | 1,899 | (538) | 1,361 |
| Machinery and equipment in trust | 1,312 | (641) | 671 | 1,345 | (653) | 692 |
| Tools, furniture and fixtures in trust | 994 | (527) | 467 | 951 | (487) | 464 |
| Construction in process | 37 | — | 37 | 12 | — | 12 |
| Other tangible assets total | 8,408 | (3,318) | 5,090 | 8,301 | (3,088) | 5,213 |
| Total | ¥758,794 | ¥(65,217) | ¥693,577 | ¥761,102 | ¥(60,517) | ¥700,585 |

Note 7 – 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 8 – Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2010 and December 31, 2009 ranged from 0.69% to 0.82% and from 0.58% to 0.95%, respectively. Long-term debt is at fixed rates and as of June 30, 2010 and December 31, 2009 consisted of the following:

| | As of June 30, 2010 | As of December 31, 2009 |
|--|---------------------|-------------------------|
| | (Yen in millions) | |
| Unsecured loans due 2010 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 1.1% to 2.4% | ¥247,500 | ¥243,875 |
| 0.80% unsecured bonds due 2010 (Note 2) | — | 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 |
| 1.23% unsecured bonds due 2015 (Note 2) | 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 |
| | 317,500 | 313,875 |
| Less: amount due within one year | 8,750 | 22,750 |
| | ¥308,750 | ¥291,125 |

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 June 30, 2010 were as follows:

| | (Yen in millions) |
|-------------------------------|-------------------|
| Due after one to two years | ¥ 65,750 |
| Due after two to three years | 27,750 |
| Due after three to four years | 51,750 |
| Due after four to five years | 36,750 |
| After five years | 126,750 |

During the period ended June 30, 2010, 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 June 30, 2010.

Note 9 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2010, December 31, 2009 and June 30, 2009 were as follows:

| | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|--|---|---|---|
| | (Yen in millions) | | |
| Revenues from Property Leasing: | | | |
| Rental: | | | |
| Rental revenues | ¥22,757 | ¥24,022 | ¥24,804 |
| Common area charges | 2,706 | 2,844 | 2,974 |
| Others | 120 | 120 | 125 |
| Subtotal | 25,583 | 26,986 | 27,903 |
| Other revenues related to property leasing: | | | |
| Parking lots | 534 | 557 | 588 |
| Facility charge | 140 | 139 | 151 |
| Incidental income | 1,486 | 1,766 | 1,695 |
| Cancellation fees | 228 | 439 | 345 |
| Miscellaneous income | 64 | 41 | 79 |
| Subtotal | 2,452 | 2,942 | 2,858 |
| Total revenues from property leasing | 28,035 | 29,928 | 30,761 |
| Rental Expenses: | | | |
| Property management fees | 3,798 | 4,033 | 3,973 |
| Real estate taxes | 2,648 | 2,535 | 2,557 |
| Repairs and maintenance | 883 | 739 | 669 |
| Insurance | 36 | 37 | 36 |
| Other rental expenses | 2,224 | 2,460 | 2,521 |
| Depreciation and amortization | 5,239 | 5,282 | 5,355 |
| Total rental expenses | 14,828 | 15,086 | 15,111 |
| Operating Income from Property Leasing Activities | ¥13,207 | ¥14,842 | ¥15,650 |

Note 10 – Gain and Loss on Sale of Investment Properties

Gain and loss on sale of investment properties for the period ended June 30, 2010 were as follows. No investment properties were sold during the periods ended December 31, 2009 and June 30, 2009.

| | | |
|---|--------|-------------------|
| NBF Ebisu-Minami Building | | (Yen in millions) |
| Proceeds from sale of investment property | ¥1,350 | |
| Cost of sale of investment property | 1,001 | |
| Other related sale expenses | 43 | |
| Gain on sale of investment property | ¥ 306 | |
| NBF Hakata Gion Building | | (Yen in millions) |
| Proceeds from sale of investment property | ¥2,200 | |
| Cost of sale of investment property | 2,271 | |
| Other related sale expenses | 69 | |
| Loss on sale of investment property | ¥ 140 | |

Note 11 – 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 June 30, 2010, December 31, 2009 and June 30, 2009. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

| | For the six months ended June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|-----------------------------|---|---|---|
| Statutory tax rate (Note 1) | 39.33% | 39.33% | 39.33% |
| Deductible dividends | (39.33) | (39.33) | (39.33) |
| 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 a change in the corporate business tax rate and the creation of a local corporate special tax, which is effective for fiscal years beginning on or after October 1, 2008.

Note 12 – Per Share Information

Information about earnings per share for the periods ended June 30, 2010, December 31, 2009 and June 30, 2009 and net assets per share as of June 30, 2010, December 31, 2009 and June 30, 2009 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 June 30, 2010 | For the six months ended December 31, 2009 | For the six months ended June 30, 2009 |
|---|---|---|---|
| | (Yen) | | |
| Earnings per Share of Common Shares: | | | |
| Net income | ¥17,124 | ¥19,671 | ¥21,774 |
| Weighted average number of common shares outstanding | 542,000 | 542,000 | 542,000 |
| | As of June 30, 2010 | As of December 31, 2009 | As of June 30, 2009 |
| Net Assets per Share | ¥729,626 | ¥732,173 | ¥734,276 |

Note 13 – Leases

As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2010 and December 31, 2009 future minimum rental revenues under the non-cancelable operating leases are as follows:

| | As of June 30, 2010 | As of December 31, 2009 |
|---------------------|---------------------|-------------------------|
| | (Yen in millions) | |
| Due within one year | ¥16,699 | ¥15,032 |
| Due after one year | 25,892 | 21,371 |
| Total | ¥42,591 | ¥36,403 |

Note 14 – Transactions with Related Parties

(For the six months ended June 30, 2010)

(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) | ¥988 (Note 3) | Accounts payable | ¥303 (Note 3) |
| | | | Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 2) | ¥2 (Note 3) | Accounts payable | ¥1 (Note 3) |

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

2. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and the fee amount is set forth in the "General Administration 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.

(For the six months ended 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 of fees to NBFM for the provision of general administration services relating to organizational management (Note 2) | ¥2 (Note 3) | Accounts payable | ¥1 (Note 3) |

Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and 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.

(For the six months ended 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 of fees to NBFM for the provision of general administration services relating to organizational management (Note 3) | ¥7 (Note 4) | Accounts payable | ¥1 (Note 4) |

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

Note 15 – Investment and Rental Property

Effective from the fiscal period ended June 30, 2010, NBF adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (Accounting Standards Board of Japan ("ASBJ") Statement No. 20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2008). These standards and guidance require companies to disclose fair value and certain other information of investment and rental property as follows.

(For the six months ended June 30, 2010)

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

| | | | (Yen in millions) |
|-------------------------|--------------|---------------------|---------------------|
| Carrying amount | | | Fair value |
| As of December 31, 2009 | Net decrease | As of June 30, 2010 | As of June 30, 2010 |
| ¥736,271 | ¥7,038 | ¥729,233 | ¥783,560 |

- Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major decrease in the carrying amount during the period was mainly due to sale of two properties (NBF Ebisu-Minami Bldg. and NBF Hakata Gion Bldg.) which amounted to ¥3,272 million and recognition of depreciation costs.
3. Fair value as of June 30, 2010 is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the six months ended June 30, 2010 is disclosed in Note 9 (Rental Revenues and Expenses) and Note 10 (Gain and Loss on sale of Investment Properties).

Note 16 – Significant Subsequent Events

None applicable.

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 June 30, 2010 and December 31, 2009, and the related statements of income, changes in net assets and cash flows for each of the six months ended June 30, 2010, December 31, 2009 and June 30, 2009 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 June 30, 2010 and December 31, 2009, and the results of its operations and its cash flows for each of the six months ended June 30, 2010, December 31, 2009 and June 30, 2009 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 LLC

Tokyo, Japan
September 28, 2010

Appendix

Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF’s assets and undertakes management of the institutions of NBF. As of June 30, 2010, 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 June 30, 2010)

| 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 |
| Total | 9,900 | 100.0% |

Directors and Staff

As of June 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, 2010 | (Yen in millions) |
|----------------------|-------------------|
| Total assets | ¥1,888 |
| Total liabilities | 292 |
| Total net assets | 1,596 |

Profit and loss for the most recent fiscal year:

| Year ended March 31, 2010 | (Yen in millions) |
|---------------------------|-------------------|
| Operating income | ¥2,253 |
| Ordinary profit | 1,491 |
| Net income | 880 |

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

Total of above two areas: 70% or more

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

Total of above area: 30% or less

Notes: 1. "Neighboring cities" refers to the metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi.
 2. Due to unforeseeable events, such as extreme fluctuations in 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 a ratio of 75% or more with respect to the "Designated Real Estate Ratio" ("Investment Objectives and Policies," Articles of Incorporation). As of June 30, 2010, NBF satisfied the criteria.

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

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

b) Due Diligence

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

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

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

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

c) Uncompleted or Unleasable Properties

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

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

(3) Management and Disposition Policies

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

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

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

a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of June 30, 2010, foreseen reserves provided from July 2010 to June 2011 are as follows:

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

Total Foreseen Amount (annual basis): ¥3,389 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 59 properties owned by NBF as of June 30, 2010.

b) Measures to Avoid Reductions and Fluctuations in Operating Income

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

c) Disposition

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

(4) Financial Policies

a) Issuance of 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 asset management guidelines applicable to NBF. Please also refer to “Investment Policies of NBF, B. Investment Strategy” herein.

(1) Investment Location and Currencies

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

(2) Borrowing

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

(3) Concentration of Investment

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

(4) Investment Objectives

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

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

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

(5) Compliance with Laws and Regulations

The Managed Assets of NBF will be managed in compliance with the Financial Instruments and Exchange Law of Japan and related regulations, the rules stipulated by the Investment Trusts Association (as amended),

as well as “Investment Objectives and Policies” of the Articles of Incorporation.

B. Compliance with the Financial Instruments and Exchange Law and the Investment Trust Law of Japan

NBF is subject to restrictions on investment under the Financial Instruments and Exchange Law and the investment Trust Law of Japan. Main restrictions are as follows.

(1) Pursuant to Article 198.1 of the Investment Trust Law of Japan, a registered investment corporation must entrust business related to asset management to an asset management company registered as a financial instrument firm, but an asset management company is prohibited from performing certain acts related to the business of managing the assets of said investment corporation. As a result, an investment corporation is subject to certain investment restrictions (all references in parentheses below are to the provisions of the Financial Instruments and Exchange Law of Japan, except where stated otherwise) besides restrictions applied to a registered investment corporation. NBF will naturally comply with such investment restrictions, a general overview of which follows.

a) Internal Transactions (§ 42.2.1)

Transactions between an asset management company and its directors or officers are prohibited except for certain cases specified in Article 128 of the government ordinance regarding the Financial Instruments and Exchange Law that are considered unlikely to result in failure to protect the interests of 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 June 30, 2010)

| | |
|--|---|
| Corporate Office: | 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 http://www.nbf-m.com/nbf_e/ |
| Date of Inception: | March 16, 2001 |
| Capital: | Contributed capital and common shares issued and outstanding. ¥386,176 million 542,000 shares |
| Shareholders: | 15,293 |
| 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 LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan |
| Investor Relations: | For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 |

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 29, 2010 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2010 to June 30, 2010, 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 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

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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 June 30, 2010)

Fiscal Periods

Six months ending June 30 and December 31

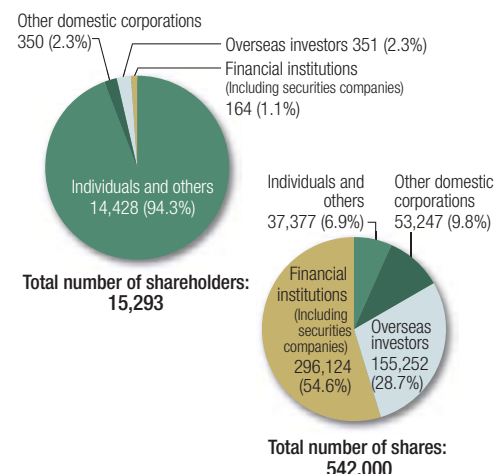
Total Number of Common Shares Issued

| | |
|--|----------------|
| 18th Period (From January 1, 2010 to June 30, 2010) | 542,000 shares |
| 17th Period (From July 1, 2009 to December 31, 2009) | 542,000 shares |

Distributions

| | |
|--|-------------------|
| Expected distribution for the 19th Period (ending December 2010) | |
| For the operating period from July 1, 2010 to December 31, 2010 (6 months) | ¥15,100 per share |
| Confirmed distribution for the 18th Period (ended June 2010) | |
| For the operating period from January 1, 2010 to June 30, 2010 (6 months) | ¥17,125 per share |

Shareholders

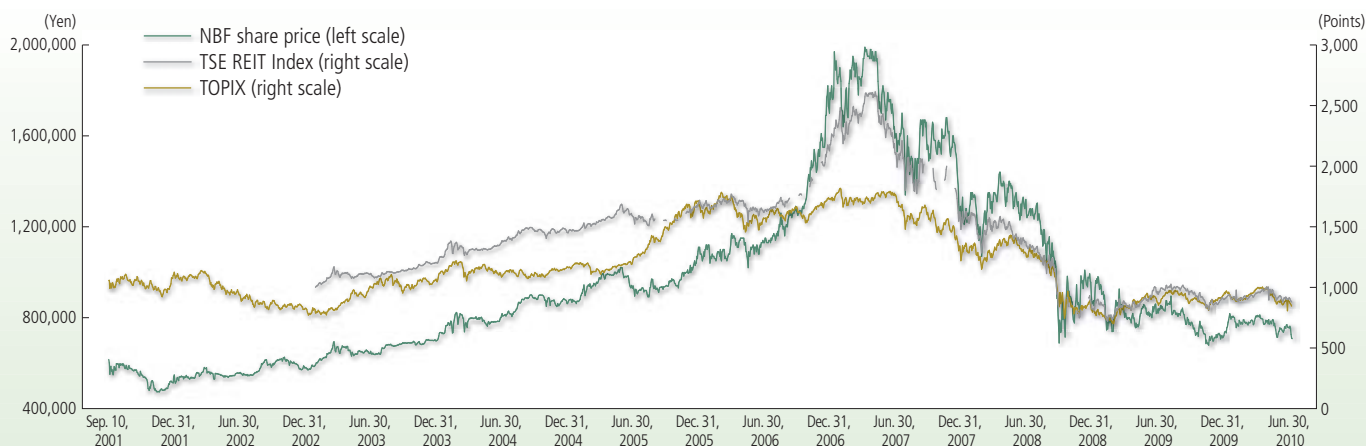


Major Shareholders

| Name | Number of Shares Held | Percentage of Total |
|---|-----------------------|---------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 51,860 | 9.6% |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 43,343 | 8.0 |
| NCT Trust and Banking Corporation (Trust Account)* | 40,053 | 7.4 |
| The Nomura Trust and Banking Co., Ltd. (Trust Account)* | 25,423 | 4.7 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 21,629 | 4.0 |
| Mitsui Fudosan Co., Ltd. | 19,735 | 3.6 |
| Sumitomo Life Insurance Company | 12,256 | 2.3 |
| The Chugoku Bank, Ltd. | 8,857 | 1.6 |
| AIG Edison Life Insurance Company GA NON DIMA | 7,944 | 1.5 |
| Zenkyoren (National Mutual Insurance Federation of Agricultural Cooperatives) | 7,071 | 1.3 |

* The Nomura Trust and Banking Co., Ltd. and NCT Trust and Banking Corporation merged on July 20, 2010.

Historical Share Price





Nippon Building Fund Inc.

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

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