



# Moving Ahead

Nippon Building Fund Inc.

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

## 19th Period

NBF Report July – December 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 unitholder subscriptions and borrowing to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. 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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# Moving Ahead

The occupancy rate of NBF's properties is improving.  
Our strategy is to add to our high-quality portfolio through selective investment.

# Building on Our Strengths

Over the 19 periods, or roughly nine and half a 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 unitholders.

# 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 (¥**451.5** billion)\*
- ◆ The largest scale of managed assets (¥**779.6** billion)\* (total acquisition price)

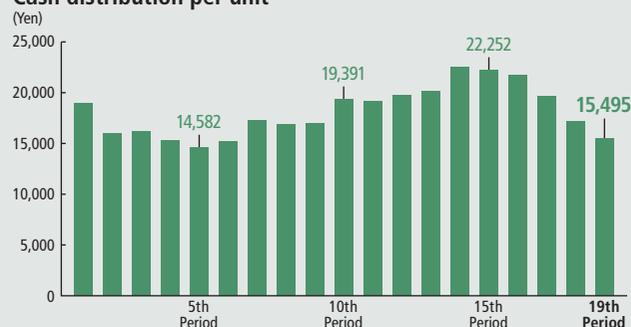
## High-Quality Properties

- ◆ 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 **762,983m<sup>2</sup>\***
- ◆ **952\*** diversified tenants

## Stable Returns

- ◆ Cash distribution of **¥15,495** per unit for the 19th Period
- ◆ Aims to increase distributions to unitholders over the medium to long term

Cash distribution per unit



## 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: **46.3%\***
- ◆ Percentage of long-term fixed-rate debt included in interest-bearing debt: **85.0%\***
- ◆ Average years remaining on long-term fixed-rate interest-bearing debt: **3.90 years\***
- ◆ Total average cost: **1.75%\***

## Strategic Partnership with Mitsui Fudosan

- ◆ Access to the expertise of Mitsui Fudosan Co., Ltd., the leading real estate company in Japan
  - Acquisition of properties developed by Mitsui Fudosan
  - Use of property information-gathering capabilities of Mitsui Fudosan
  - Use of Mitsui Fudosan's tenant mediation and building management capabilities in office management

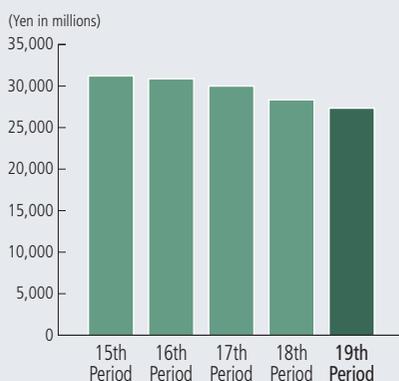
\* As of December 31, 2010

# Financial Highlights

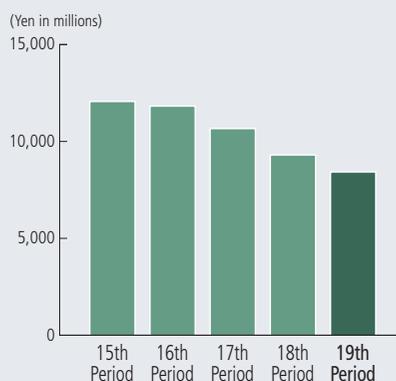
		19th Period from July 1, 2010 to December 31, 2010	18th Period from January 1, 2010 to June 30, 2010	17th Period from July 1, 2009 to December 31, 2009	16th Period from January 1, 2009 to June 30, 2009	19th Period from July 1, 2010 to December 31, 2010
(Yen in millions, except per unit data or where otherwise indicated)						U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 27,314	¥ 28,341	¥ 29,928	¥ 30,761	\$ 334,447
Income before income taxes		8,400	9,283	10,663	11,803	102,850
Net income		8,399	9,282	10,662	11,802	102,835
Funds from operations	Note 3	13,570	14,354	15,944	17,157	166,155
Net operating income from property leasing activities	Note 3	17,661	18,445	20,124	21,005	216,247
Total amount of cash distribution	(a)	8,398	9,282	10,662	11,802	102,832
Total assets		765,203	774,379	782,311	783,793	9,369,450
Interest-bearing debt		325,125	333,500	337,875	338,500	3,980,960
Net assets	(b)	394,575	395,458	396,838	397,978	4,831,325
LTV (Loan to value)	Note 3	46.3%	46.8%	46.9%	47.0%	
Total number of units issued (units)	(c) Note 4	542,000	542,000	542,000	542,000	
Net assets per unit (Yen/\$)	(b) / (c)	727,996	729,626	732,173	734,276	8,914
Distribution per unit (Yen/\$)	(a) / (c)	15,495	17,125	19,672	21,775	190
Funds from operations per unit (Yen/\$)	Note 3	25,036	26,483	29,417	31,654	307

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.67 = U.S.\$1.00, the approximate exchange rate on December 31, 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 unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) /  
Weighted average number of units issued and outstanding during the period  
4. The Company issued an additional 36,500 units in January and February 2011.

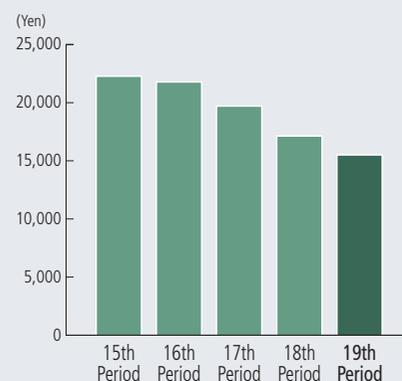
## Operating revenues



## Net income



## Distribution per unit



# A High Occupancy Rate, Stable Returns and Steady Growth

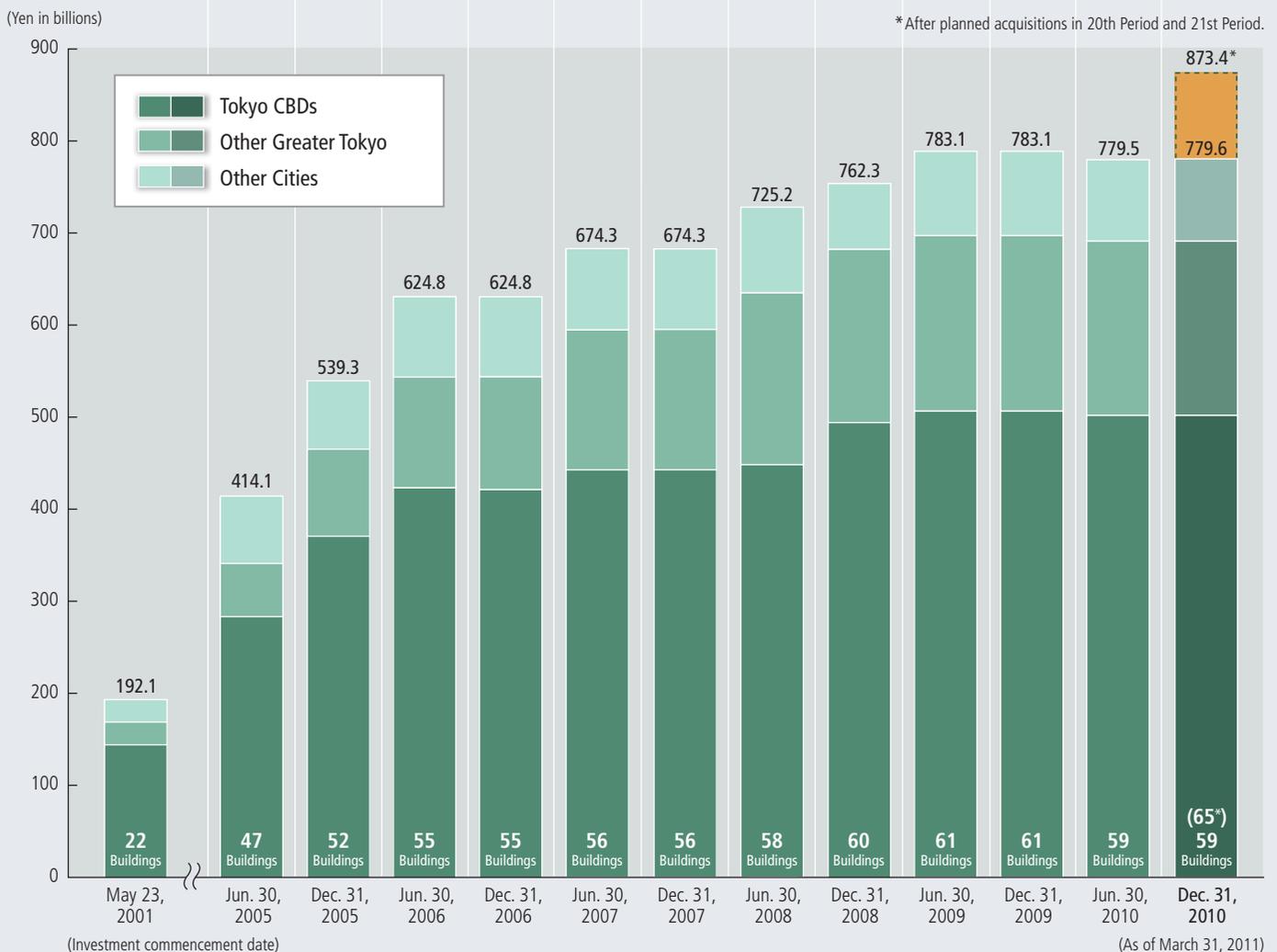
## Distribution per unit



## Occupancy rate



## Acquisition price



# To Our Unitholders

**NBF's occupancy rate is improving. Going forward, we will aggressively and selectively invest in high-quality properties.**



**Koichi Nishiyama**

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

## **Performance during the Six Months Ended December 31, 2010**

**Although NBF's occupancy rate is improving, operating revenues and income decreased due to the impact of tenant rent revisions. Meanwhile, we have set a course for new growth by deciding to acquire seven properties in 2011. (As of March 31, 2011)**

During the six months ended December 31, 2010 (the "19th Period"), tenant relocations and other cost-cutting measures reached the end of a cycle in the office building leasing market of Tokyo central business districts (CBDs). Against a backdrop of downward adjustment of rents, new occupancies and moves to increase floor space picked up and contract cancellations decreased, particularly for large-scale, high-quality properties in Tokyo CBDs. In this environment, NBF's overall occupancy rate at the end of 19th Period improved 2.1 percentage points compared with six months earlier to 96.6 percent.

Transactions were noted in the office building acquisition market, particularly in CBDs, due to factors including improvement in the capital

### **Performance Outlook** (As of February 14, 2011)

(Yen in millions)

	20th Period (Projected) from January 1, 2011 to June 30, 2011	21st Period (Projected) from July 1, 2011 to December 31, 2011
Operating revenues	¥28,067	¥29,112
Net income	8,735	8,735
Distribution per unit (Yen)	15,100	15,100
Occupancy rate (End of period)	96.7%	96.8%

procurement environment and progress in adjustments to real estate prices.

While our occupancy rate recovered, rental revenues decreased due to the impact of revisions of existing tenants' rents. In addition, NBF recorded a gain on sale of investment properties in the previous period. As a result, operating revenues decreased ¥1,026 million, or 3.6 percent, to ¥27,314 million, operating income decreased ¥853 million, or 7.0 percent, to ¥11,319 million and net income decreased ¥883 million, or 9.5 percent, to ¥8,399 million. Distribution per unit decreased ¥1,630 to ¥15,495.

Although we did not acquire any new properties during the 19th Period, based on the market recovery trend, we decided in January 2011 to acquire five properties (including additional acquisitions) in addition to the NBF Ueno Building, for which the purchase contract had already been concluded. We also issued new units for part of the capital required to acquire these six properties (acquisition cost: ¥57.55 billion). Further, in February 2011 we decided to expand the scale and enhance the quality of our portfolio by acquiring the Mitsubishi Heavy Industries Head Office Building (planned acquisition cost: ¥36.30 billion).

## **Performance Outlook for 2011 and Future Management Policies**

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**We believe we will be able to secure a recovery in rent levels during the year. However, we will continue to aggressively and selectively invest in high-quality properties.**

NBF recognizes that its occupancy rate has generally bottomed out. Due to emerging signs of recovery such as the narrowing range of decreases

in rents, we foresee rent levels truly bottoming out in mid-2011 or later. Please note that the largest earthquake in Japan's recorded history occurred off the Pacific coast of the Tohoku region on March 11, 2011, causing massive damage in various areas. As of March 31, 2011, the full breadth of the earthquake's impact on economic activity is unclear, but we believe it will be necessary to pay close attention to its impact on the office building leasing market, the real estate acquisition market, the fund procurement environment, and other areas.

Based on this reasoning, NBF forecasts distributions per unit of ¥15,100 for the six months ending June 30, 2011 (the 20th Period) and ¥15,100 for the six months ending December 31, 2011 (the 21st Period).

We expect the challenging operating environment to continue in 2011, but there is no change to our basic policy of aiming for steady distributions to unitholders over the medium-to-long term by generating well-balanced internal and external growth based on our sound financial strategies.

By making the most of the advantages of the high-quality portfolio we have built up since we began asset management and the leasing capabilities of our sponsor, Mitsui Fudosan Co., Ltd., we will work to prevent contract cancellations by strengthening tenant relationships and bolster marketing to attract new tenants. Further, we will continue to aggressively and selectively invest in high-quality properties, including reshuffling our portfolio, based on fund procurement capabilities that leverage our sound financial base.

*Koichi Nishiyama*

Koichi Nishiyama

Executive Director of Nippon Building Fund Inc.

President and CEO of Nippon Building Fund Management Ltd.

# Moving Ahead

At the start of 2011, we made moves to add seven properties to our portfolio. (As of March 31, 2011)

The occupancy rate of NBF's portfolio is improving as occupancy rates in general have started to bottom out.

At the same time, although information on transactions in the office building acquisition market is scarce, sales have been taking place, mainly in Tokyo CBDs, as the capital procurement environment improves for industry players and real estate prices undergo adjustment.

Based on these conditions, NBF decided to carry out equity financing totaling approximately ¥29 billion in January 2011 (during the 20th Period) in order to acquire five properties in addition to the NBF Ueno Building, for which it had already concluded a contract (total estimated acquisition cost for the six properties: ¥57.55 billion).

## External Growth

### Overview of Property Acquisitions (Planned)

Acquisitions from Sponsors		Acquisitions from Other Sources	
<b>Acquired from Mitsui Fudosan or funds operated by Mitsui Fudosan</b>			
River City M-SQUARE	¥13,350 million	Mitsubishi Heavy Industries Head Office Building	¥36,300 million
Nihonbashi Kabuto-cho M-SQUARE	¥ 4,850 million	NBF Ueno Building	¥10,400 million
Hakata Gion M-SQUARE	¥ 8,000 million	Chofu South Gate Building	¥ 9,320 million
<b>Acquired from Sumitomo Life Insurance Company</b>			
Gate City Ohsaki (Additional Acquisition)	¥11,631 million		
<b>Total acquisitions: ¥93,851 million</b>			

These six properties are characterized by newness, tenant stability and high yields. Their weighted-average NOI yield by acquisition price is 5.2 percent, higher than the 4.5 percent NOI yield of NBF's current portfolio.

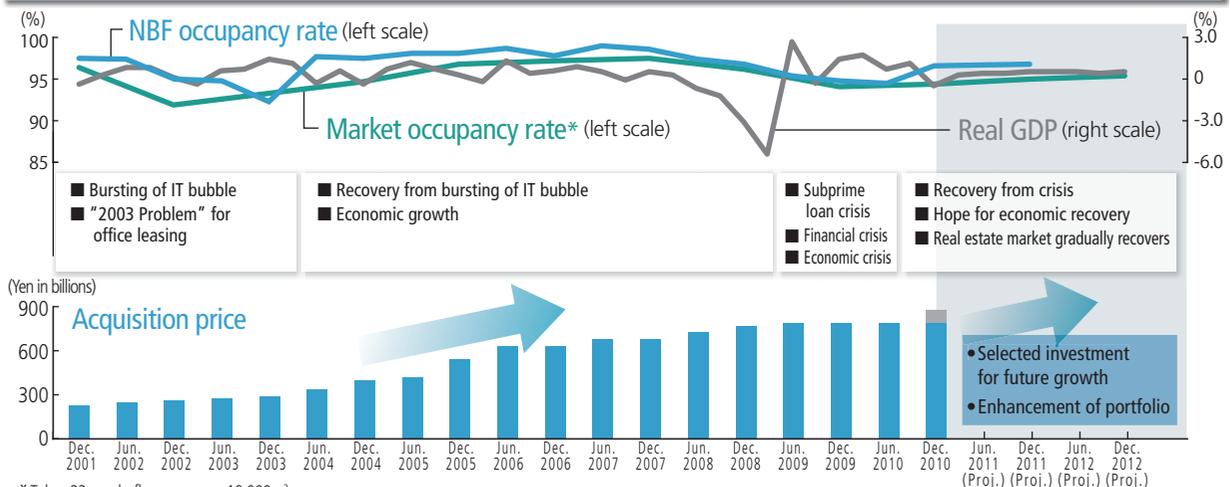
LTV following the acquisitions is 46.5 percent, increasing the property acquisition potential before reaching the target LTV limit of 50 percent to about ¥60 billion.

In February 2011, we decided to employ some of that potential to acquire the Mitsubishi Heavy Industries Head Office Building (planned acquisition price: ¥36.30 billion). The seller, Mitsubishi Heavy Industries, will lease all the office floors under a sales-

and-lease-back agreement. The property is located near the east exit of Shinagawa Station, a business area that is relatively newly developed but extremely convenient because the station is close to Haneda Airport, which now offers international flights, and is a shinkansen stop. We expect it to produce stable earnings and contribute to the portfolio over the medium-to-long term as a core NBF property.

In the future, we plan to continue to selectively invest in high-quality properties.

### Occupancy Rate, Real GDP and Acquisition Price



\* Tokyo 23 wards; floor area over 10,000m<sup>2</sup>

Source: Market occupancy rate: Mori Building Co., Ltd.; Real GDP: Cabinet Office, Government of Japan; Projections for October 2010 - March 2013: Japan Center for Economic Research

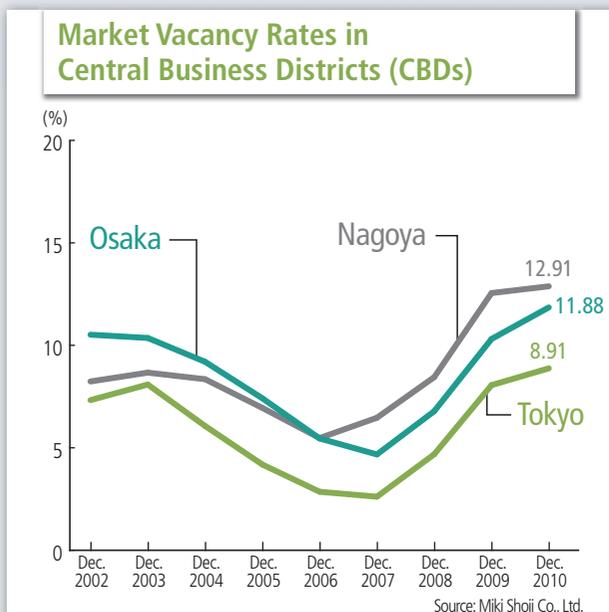
We recognize that the occupancy rate has bottomed out. We expect rent levels to bottom out in mid-2011.

We aim to improve earnings by strengthening leasing activities.

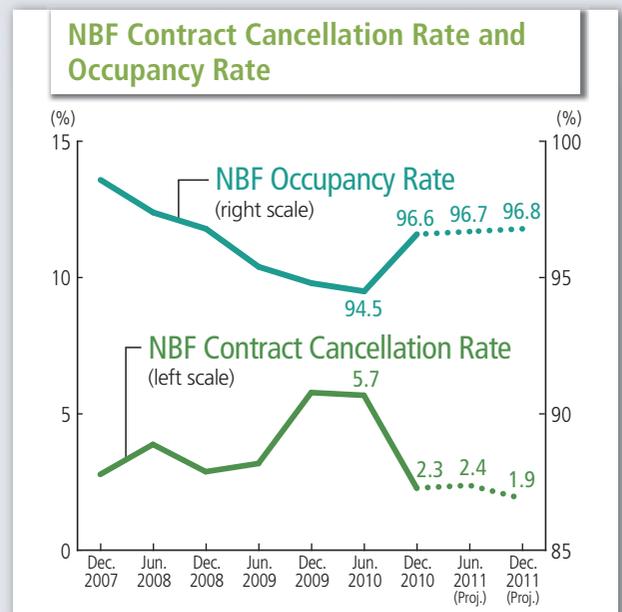
In the office building leasing market, NBF views vacancy rates in the major business districts of Tokyo, Osaka and Nagoya as having peaked in the second half of 2010. Under these conditions, contract cancellations within the NBF portfolio, which exceeded an annualized 10 percent during the 17th and 18th Periods, have decreased recently to the 4 to 5 percent level due to rapid recovery in the second half of the year. As a result, the occupancy rate bottomed out at 94.5 percent in June 2010 and recovered to 96.6 percent as of December 31, 2010.

NBF expects the recovery trend in its occupancy rate to continue going forward and forecasts rates of 96.7 percent for the six months ending June 30, 2011 (the 20th Period) and 96.8 percent for the six months ending

# Internal Growth



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



December 31, 2011 (the 21st Period).

In addition, despite the attention being paid to future supply problems for large-scale office buildings in the 23 wards of Tokyo, we anticipate limited impact as our large-scale office buildings supply approximately one million square meters of floor place on average and, depending on the area, are at standards that make them fully capable of absorbing the effects of the recovering Japanese economy.

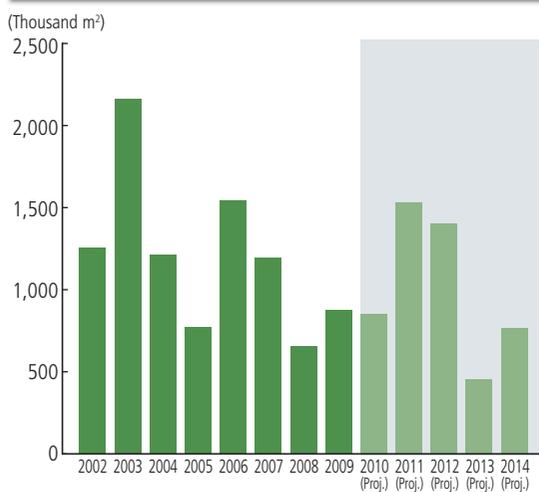
Asking rents for new properties in the major business districts of Tokyo decreased significantly, but average rent levels were comparatively stable as average asking rents were steady for existing buildings, which make up most of our portfolio in Tokyo.

However, based on the current economic environment NBF expects rent levels for existing buildings to gradually decrease. Specifically, we expect rental revenues to decline approximately 3 percent over the next year due to lower rents as lease contracts are renewed.

With tenants beginning to aggressively seek better properties as they realize that rent levels have decreased, NBF expects rent levels to bottom out in mid-2011 and then trend upward.

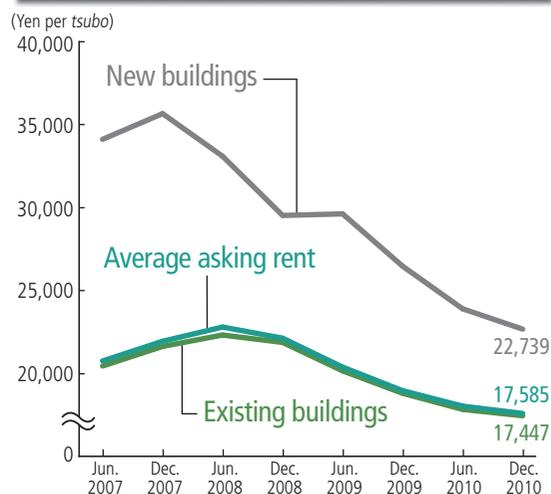
Based on these conditions, NBF aims to improve earnings by continuing to make the most of the advantages of its high-quality portfolio and the leasing capabilities of its sponsor, Mitsui Fudosan Co., Ltd. in order to maintain and improve its occupancy rate.

### Office Floor Space Supply in the 23 Wards of Tokyo



Source: Mori Building Co., Ltd.

### Average Asking Rents in Tokyo CBDs



Source: Miki Shoji Co., Ltd.

We are issuing new units for the first time in about three years. There is no change in our policies for building a strong financial base through conservative financial management.

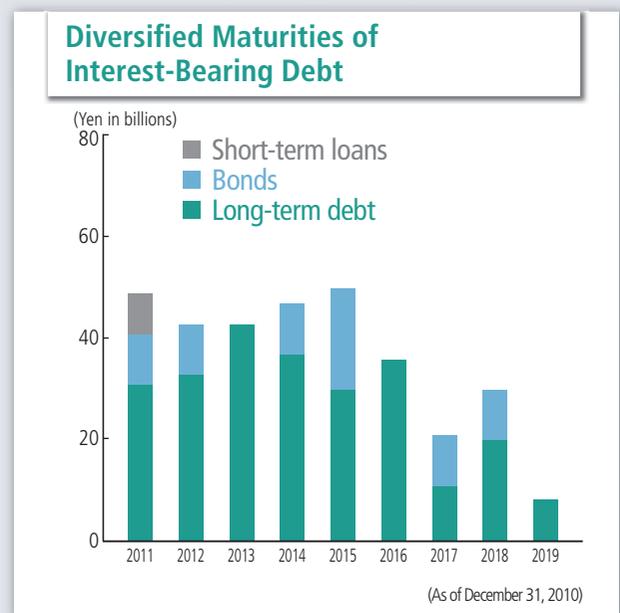
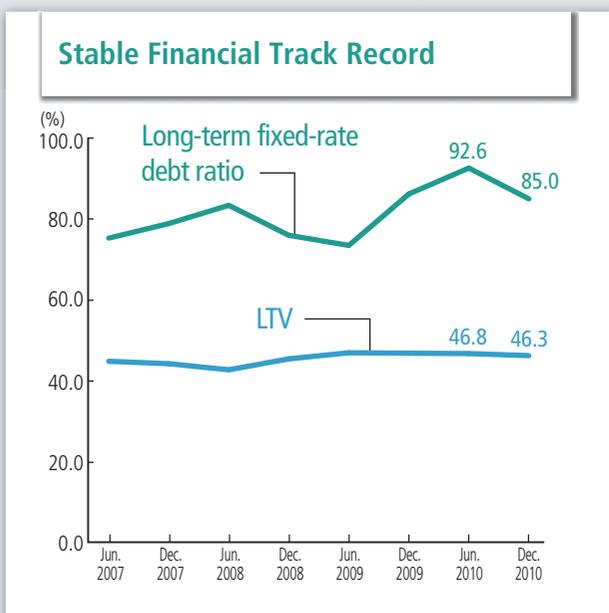
The fund procurement environment for J-REITs has substantially improved with the establishment of a public-private fund in September 2009 and the October 2010 decision by the Bank of Japan to purchase investment units and investment corporation bonds.

NBF issued additional units in January 2011 for part of the capital required to acquire new properties in order to create new growth, and raised approximately ¥29 billion.

NBF will build a stable financial base by continuing its conservative financial management.

We have maintained a sound financial condition, with a loan-to-value (LTV) ratio of 46.3 percent at the end of the 19th Period (the target is set at 40 to 50

# Financial Strategy



percent, with a maximum of 60 percent) and a sound financial situation. We also kept the ratio of long-term fixed-rate debt to total interest-bearing debt at the high level of 85.0 percent (target set at 80 to 90 percent).

Further, despite considerable improvement in the fund procurement environment, we have prepared for any unlikely occurrence by reducing our refinancing risk through measures including diversifying maturities of interest-bearing debt, establishing a total commitment line of ¥50.0 billion, and diversifying credit sources among lending institutions (26 financial institutions, the most for a J-REIT).

Due to our high-quality portfolio and stable performance as the number-one J-REIT, as well as our

good relationships with Mitsui Fudosan and other sponsors, we maintain a good standing with Japanese lenders, have a trusted financial structure, and are decreasing the spreads on our long-term debt.

These steady efforts have been well received, and we have obtained top ratings from credit rating agencies.

By maintaining conservative financial management in order to build a more stable financial base, NBF works to ensure its ability to procure funds flexibly so it can respond as necessary to opportunities to acquire high-quality properties.

### Add-on Equity Offering

Number of Units Offered	Primary units offered	34,000 units
	Overallotment	2,500 units
	<b>Total</b>	<b>36,500 units</b>
Total Offering Size	<b>¥28,939 million</b>	
Launch Date	January 11, 2011	
Pricing Date	January 19, 2011	
Closing Date	January 26 / February 22, 2011	

# Planned New Acquisitions

## 62 Mitsubishi Heavy Industries Head Office Building

Location:	16-5, Konan 2-chome, Minato-ku, Tokyo
Completion date:	April 1, 2003
Acquisition date:	September 1, 2011 (scheduled)
Acquisition price:	¥36,300 million



## ⑥ Gate City Ohsaki (Additional Acquisition)

Location: 11-1, 2, 6, Osaki 1-chome, Shinagawa-ku, Tokyo

Completion date: January 6, 1999

Acquisition date: March 31, 2011

Acquisition price: ¥11,631 million



## 60 River City M-SQUARE

Location: 1-6, Tsukuda 2-chome, Chuo-ku, Tokyo

Completion date: January 15, 2010

Acquisition date: February 28, 2011

Acquisition price: ¥13,350 million



## 61 Nihonbashi Kabuto-cho M-SQUARE

Location: 1-4, Nihonbashi Kabutocho, Chuo-ku, Tokyo

Completion date: June 15, 2009

Acquisition date: February 28, 2011

Acquisition price: ¥4,850 million





### 63 NBF Ueno Building

Location: 24-11, Higashi-Ueno 4-chome, Taito-ku, Tokyo

Completion date: January 5, 2010

Acquisition date: January 31, 2011

Acquisition price: ¥10,400 million

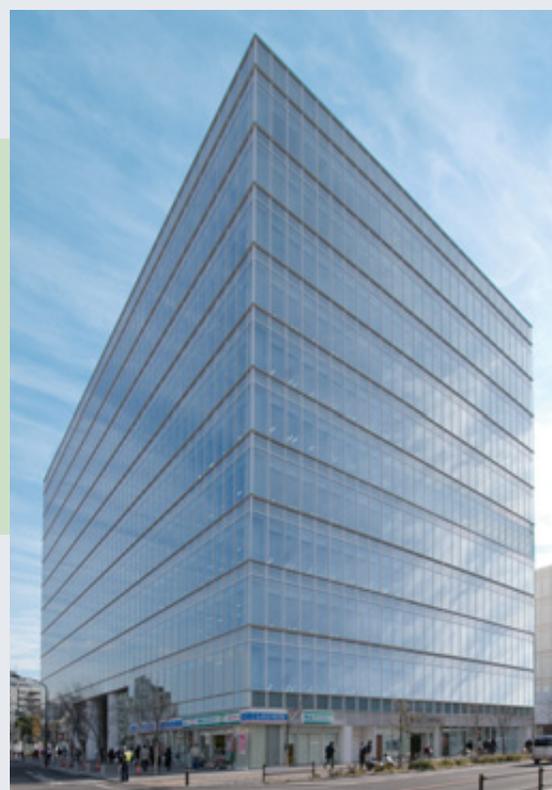
### 64 Chofu South Gate Building

Location: 48-26, Kojimacho 2-chome, Chofu city, Tokyo

Completion date: October 26, 2007

Acquisition date: April 15, 2011

Acquisition price: ¥9,320 million



### 65 Hakata Gion M-SQUARE

Location: 2-1, Reisenmachi, Hakata-ku, Fukuoka City, Fukuoka Prefecture

Completion date: June 25, 2009

Acquisition date: February 28, 2011

Acquisition price: ¥8,000 million

# Location of Office Properties

(As of December 31, 2010)

## 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  
(Additional acquisition in March 2011)
- ⑦ Toranomon Kotohira Tower
- ⑧ NBF Nihonbashi Muromachi Center Building
- ⑨ Nakameguro GT Tower
- ⑩ Mitsuseimei Ochanomizu Building
- ⑪ NBF Ginza Street Building
- ⑫ Shinjuku Mitsui Building No. 2
- ⑬ GSK Building
- ⑭ NBF Toranomon Building
- ⑮ Kowa Nishi-Shinbashi Building B
- ⑯ Nippon Steel Building No. 2
- ⑰ NBF Alliance
- ⑱ Yotsuya Medical Building
- ⑲ Shibuya Garden Front
- ⑳ NBF Shibuya East
- ㉑ NBF Shibakouen Building
- ㉒ NBF Takanawa Building
- ㉓ NBF Akasaka Sanno Square
- ㉔ NBF Shibakouen Daimon Street Building
- ㉕ Sumitomo Densetsu Building
- ㉖ NBF Higashi-Ginza Square
- ㉗ NBF Ogawamachi Building
- ㉘ NBF Ikebukuro Tower
- ㉙ NBF Ikebukuro City Building
- ㉚ NBF Sudacho Verde Building
- ⑥① River City M-SQUARE  
(Acquired in February 2011)
- ⑥② Nihonbashi Kabuto-cho M-SQUARE  
(Acquired in February 2011)
- ⑥③ Mitsubishi Heavy Industries Head Office Building  
(Scheduled for acquisition in September 2011)



① NBF Hibiya Building



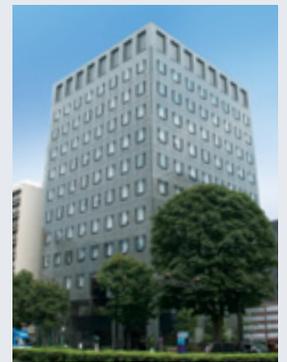
② Nishi-Shinjuku Mitsui Building



③ Shiba NBF Tower

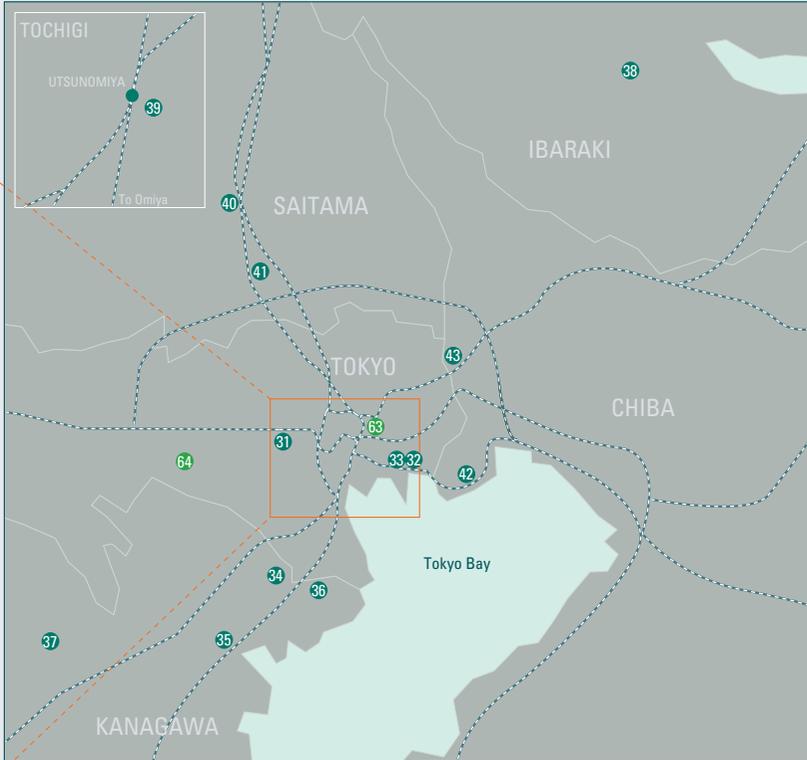


④ NBF Platinum Tower



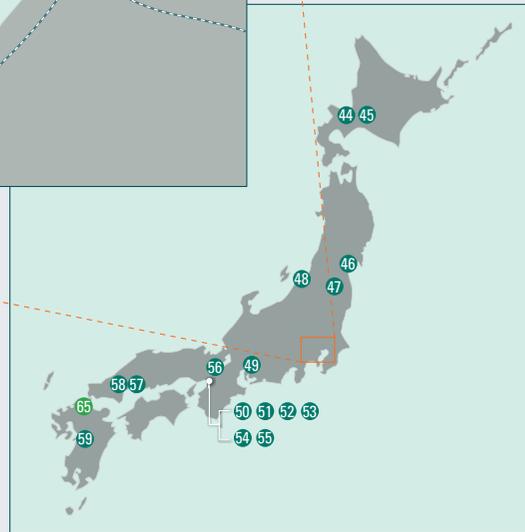
⑤ NBF Minami-Aoyama Building

## Other Greater Tokyo



- 31 Nakanosakaue Sunbright Twin
- 32 NBF Toyosu Canal Front
- 33 NBF Toyosu Garden Front
- 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
- 63 NBF Ueno Building  
(Acquired in January 2011)
- 64 Chofu South Gate Building  
(Acquired in April 2011)

## 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
- 65 Hakata Gion M-SQUARE  
(Acquired in March 2011)



31 Nakanosakaue Sunbright Twin



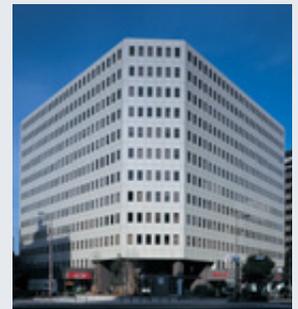
32 NBF Toyosu Canal Front



33 NBF Toyosu Garden Front



50 55 Aqua Dojima NBF Tower, Aqua Dojima East



51 Shinanobashi Mitsui Building

# Portfolio Overview

NBF's properties as of December 31, 2010 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership (%)	Year Built	Acquisition Price (Yen in millions)	Book Value (Yen in millions)
<b>Tokyo CBDs</b>						
1 NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,536
2 Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.1	1999	44,903	35,374
3 Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	29,668
4 NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	29,347
5 NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,657
6 Gate City Ohsaki	Ownership	Compartmented ownership	12.9	1999	30,100	23,902
7 Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	20,351
8 NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,302
9 Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	20,614
10 Mitsuseimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,336
11 NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,594
12 Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	15,992
13 GSK Building	Trust	Fee simple	100.0	1990	15,616	13,629
14 NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,434
15 Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	11,757
16 Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,248
17 NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,465
18 Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,292
19 Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,060
20 NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,147
21 NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,554
22 NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,401
23 NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,290
24 NBF Shibakouen Daimon Street Building	Trust	Co-ownership of compartmented ownership	87.0	1991	6,100	6,319
25 Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,687
26 NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,836
27 NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	5,121
28 NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,636
29 NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,347
30 NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,333
<b>Other Greater Tokyo</b>						
31 Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	81.0	1996	40,750	38,222
32 NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	32,567
33 NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	24,653
34 Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	18,468
35 Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,482
36 Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,272
37 NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,099
38 Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,106
39 NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,438
40 S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	15,134
41 NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,912
42 NBF Shin-Urayasu Tower	Ownership	Fee simple	100.0	1990	15,700	15,780
43 NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,227
<b>Other Cities</b>						
44 Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	3,824
45 NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,705
46 NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,547
47 NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,121
48 NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,647
49 NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	7,061
50 Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,320
51 Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,435
52 Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,239
53 Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,161
54 NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,957
55 Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,749
56 NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,380
57 NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,882
58 Hiroshima Fukuromachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	835	698
59 NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,509
<b>Total</b>					<b>779,560</b>	<b>725,823</b>

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

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

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

Appraisal Value	Rentable Area	Leased Area at End of Period	Occupancy Rate at End of Period	Total Number of Tenants at End of Period	Revenue	Percentage of Total Revenues (Note 1)
(Yen in millions)	(m <sup>2</sup> )	(m <sup>2</sup> )	(%)		(Yen in millions)	(%)
55,900	27,576	25,257	91.6	77	1,326	4.9
47,700	32,968	32,968	100.0	1	1,224	4.5
27,200	24,728	24,358	98.5	29	1,008	3.7
50,400	33,503	33,503	100.0	6	1,559	5.7
16,900	9,619	8,900	92.5	8	398	1.5
28,800	20,709	20,709	100.0	1	1,029	3.8
30,600	16,848	16,848	100.0	1	864	3.2
26,900	16,306	16,226	99.5	13	846	3.1
22,100	21,423	21,423	100.0	1	953	3.5
14,700	6,627	6,627	100.0	1	Note 2	Note 2
14,500	3,440	3,440	100.0	1	Note 2	Note 2
14,900	14,874	14,798	99.5	47	644	2.4
21,100	20,426	20,426	100.0	1	Note 2	Note 2
16,500	10,067	10,009	99.4	14	541	2.0
16,200	10,088	10,061	99.7	2	Note 2	Note 2
13,790	17,338	17,338	100.0	2	Note 2	Note 2
10,400	4,043	4,043	100.0	9	310	1.1
7,340	7,450	7,450	100.0	1	254	0.9
13,600	8,258	8,258	100.0	1	Note 2	Note 2
6,540	4,993	4,635	92.8	3	187	0.7
8,200	7,087	7,087	100.0	7	335	1.2
7,170	10,458	10,458	100.0	6	315	1.2
7,260	5,258	5,258	100.0	6	215	0.8
4,390	3,428	2,936	85.6	6	131	0.5
5,550	5,991	5,991	100.0	1	Note 2	Note 2
7,210	4,871	4,871	100.0	8	252	0.9
5,470	4,805	4,805	100.0	1	192	0.7
5,020	5,652	5,488	97.1	12	220	0.8
4,900	5,127	5,127	100.0	11	188	0.7
3,040	2,971	0	0.0	0	Note 2	Note 2
30,500	32,082	32,082	100.0	9	1,046	3.8
35,700	36,638	36,154	98.7	9	1,126	4.1
28,700	28,300	28,300	100.0	4	993	3.6
16,100	27,924	27,924	100.0	1	865	3.2
14,500	20,030	18,650	93.1	87	651	2.4
3,500	12,545	12,545	100.0	1	317	1.2
2,100	5,242	4,153	79.2	13	102	0.4
7,320	16,767	15,812	94.3	61	441	1.6
2,090	6,160	6,160	100.0	39	127	0.5
18,700	20,698	20,344	98.3	35	758	2.8
1,770	3,455	3,270	94.6	13	104	0.4
11,500	22,769	21,163	92.9	40	561	2.1
2,280	4,770	4,437	93.0	23	133	0.5
6,390	11,396	11,396	100.0	12	324	1.2
1,580	5,351	5,351	100.0	4	108	0.4
3,110	7,539	6,602	87.6	9	172	0.6
3,290	13,414	12,272	91.5	47	263	1.0
3,010	10,208	9,837	96.4	33	207	0.8
7,450	9,883	8,625	87.3	20	205	0.7
18,400	21,917	19,935	91.0	43	678	2.5
13,400	25,237	25,237	100.0	1	608	2.2
8,180	14,954	14,490	96.9	30	404	1.5
6,560	11,438	8,943	78.2	37	254	0.9
1,640	5,308	4,834	91.1	20	113	0.4
1,800	3,243	2,055	63.4	15	82	0.3
1,260	3,932	3,091	78.6	13	67	0.2
2,560	5,612	4,900	87.3	26	131	0.5
808	1,309	1,249	95.4	15	38	0.1
3,700	7,934	7,801	98.3	15	173	0.6
772,178	762,983	736,908	96.6	952	27,314	100.0

# Management Team and Management Structure

(As of March 31, 2011)

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 Unitholders

Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Unitholders, which convenes at least once every two years, in principle. The seventh General Meeting of Unitholders convened on March 10, 2011. The date of the next General Meeting of Unitholders has not been set.

The General Meeting of Unitholders adopts or vetoes resolutions on the basis of a simple majority of the voting rights of unitholders in

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

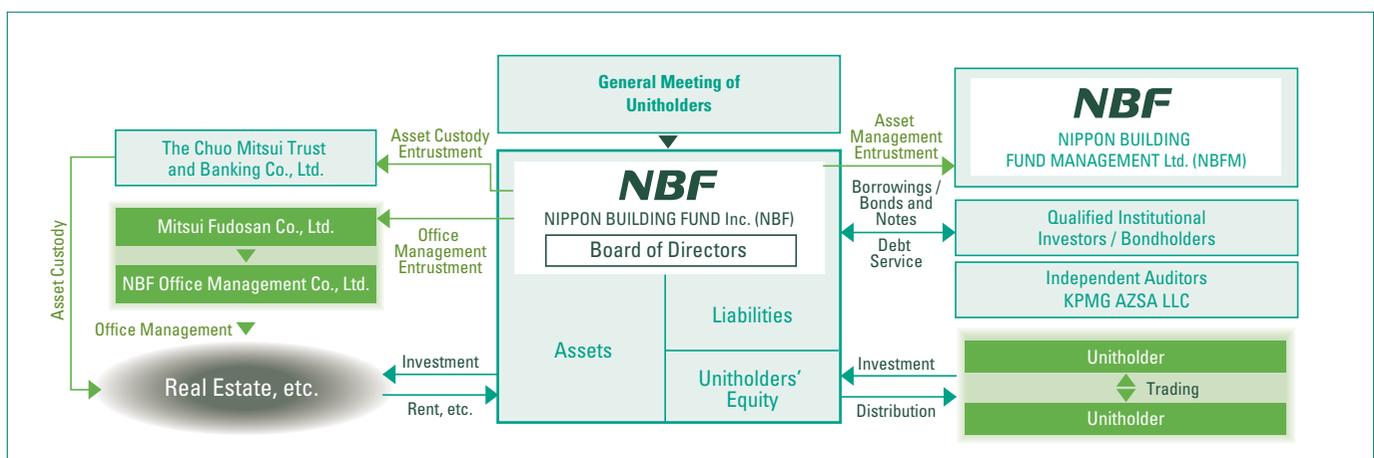
## Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and three or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of March 31, 2011, NBF had two executive directors and three 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:  
Tsutomu Nishikawa  
Koichi Nishiyama  
Standing from left:  
Sadao Kamiyama  
Hatsuo Komatsu  
Yoshiyuki Hirai

	Name	Background Summary
Executive Directors	Tsutomu Nishikawa	Appointed Executive Director of NBF in March 2011 after serving as an executive officer of Mitsui Fudosan Co., Ltd.
	Koichi Nishiyama	Representative Director of Nippon Building Fund Management Ltd. Executive Director of NBF since August 2001.
Supervisory Directors	Hatsuo Komatsu	Attorney. Appointed Supervisory Director of NBF in March 2007.
	Sadao Kamiyama	Certified Public Accountant. Certified Public Tax Accountant. Appointed Supervisory Director of NBF in March 2007.
	Yoshiyuki Hirai	Appointed Supervisory Director of NBF in March 2009. Real Estate Appraiser.

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, all three supervisory directors and the substitute supervisory director were elected at the General Meeting of Unitholders held on March 10, 2011, and assumed office on March 17, 2011.

## Nippon Building Fund Management Ltd.

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

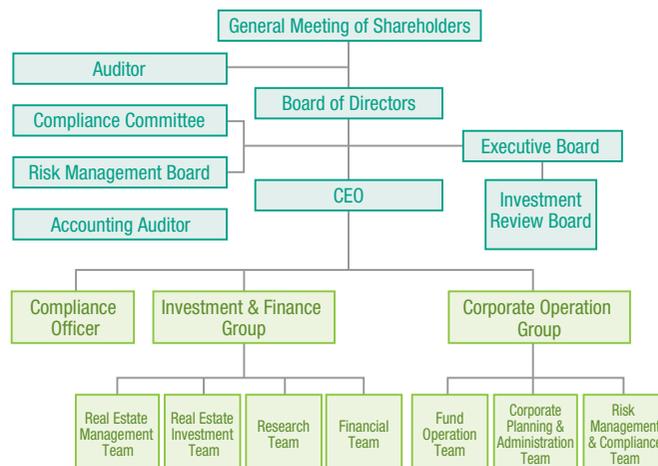
### Matters Entrusted to Nippon Building Fund Management Ltd.

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

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

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

## 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 Akimoto	Director, Head of Investment & Finance Group	April 1983	Joined Mitsui Fudosan Co., Ltd.
		April 1998	Seconded to Daiichi Engei Co., Ltd. under the supervision of Personnel Department of Mitsui Fudosan
		April 2006	Head of Group under Business Promotion Section, Building Department of Mitsui Fudosan
		April 2008	Seconded to Nippon Building Fund Management Ltd. under the supervision of Personnel Department of Mitsui Fudosan (current position)
Hiroshi Yabuki	Director and COO	April 2011	Became Director of Nippon Building Fund Management Ltd. (current position)
		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
Masato Shikata	Director (Part-time)	Feb. 2010	Became Director of Nippon Building Fund Management Ltd. (current position)
		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 unitholders with regard to any transactions in which the interests of NBF and the interests of Nippon Building Fund Management Ltd. and its related corporations or customers may conflict. Nippon Building Fund Management Ltd. follows voluntary rules stipulated in laws and internal bylaws to proactively prevent conflicts of interest.

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

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

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

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

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

# Management's Discussion and Analysis

## Summary of Selected Financial Data

		19th Period from July 1, 2010 to December 31, 2010	18th Period from January 1, 2010 to June 30, 2010	17th Period from July 1, 2009 to December 31, 2009	19th Period from July 1, 2010 to December 31, 2010
(Yen in millions, except per unit data or where otherwise indicated)					U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 27,314	¥ 28,341	¥ 29,928	\$ 334,447
Revenue from property leasing activities		27,314	28,035	29,928	334,447
Gain on sale of investment property		—	306	—	—
Operating expenses		15,995	16,169	16,404	195,856
Rental expenses		14,824	14,828	15,086	181,520
Loss on sale of investment property		—	140	—	—
Income before income taxes		8,400	9,283	10,663	102,850
Net income	(a)	8,399	9,282	10,662	102,835
Funds from operations	Note 3	13,570	14,354	15,944	166,155
Net operating income from property leasing activities	Note 3	17,661	18,445	20,124	216,247
Total amount of cash distribution	(b)	8,398	9,282	10,662	102,832
Depreciation and amortization		5,171	5,239	5,282	63,320
Capital expenditures		1,769	1,478	1,407	21,660
Total assets	(c)	765,203	774,379	782,311	9,369,450
Interest-bearing debt		325,125	333,500	337,875	3,980,960
Net assets	(d)	394,575	395,458	396,838	4,831,325
Total number of units issued (units)	(e) Note 4	542,000	542,000	542,000	
Net assets per unit (Yen/\$)	(d) / (e)	727,996	729,626	732,173	8,914
Distribution per unit (Yen/\$)	(b) / (e)	15,495	17,125	19,672	190
Funds from operations per unit (Yen/\$)	Note 3	25,036	26,483	29,417	307
ROA	Note 3	1.1%	1.2%	1.4%	
(Annual rate)		(2.2%)	(2.4%)	(2.7%)	
ROE	Note 3	2.1%	2.3%	2.7%	
(Annual rate)		(4.3%)	(4.7%)	(5.4%)	
LTV (Loan to value)	Note 3	46.3%	46.8%	46.9%	
Capital ratio	(d) / (c)	51.6%	51.1%	50.7%	
Payout ratio	(b) / (a) Note 5	100.0%	100.0%	100.0%	
Number of days		184	181	184	
Number of investment properties	Note 6	59	59	61	
Number of tenants	Note 6	952	910	898	
Total rentable area (m <sup>2</sup> )		762,983	763,000	770,150	
Occupancy rate	Note 6	96.6%	94.5%	94.8%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.67 = U.S. \$1.00, the approximate exchange rate on December 31, 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 unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period

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

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

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

4. The Company issued an additional 36,500 units in January and February 2011.

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

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

## Operating Environment and Results

During the six months ended December 31, 2010 (the "19th Period"), exports gradually increased, mainly to Asia, and capital investment, employment conditions and personal consumption showed signs of recovery. However, a lull in Japan's economic turnaround appeared toward the end of the period due to the strengthening yen and other factors, and economic conditions remained severe, with a persistently high unemployment rate.

In the office building leasing market, the occupancy rate declined further for small and medium-sized buildings and remained low in regional cities due to an ongoing trend toward rationalization through office consolidation and relocation and other methods to increase management efficiency. On the other hand, the continued downward revision of rents has resulted in a trend toward 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.

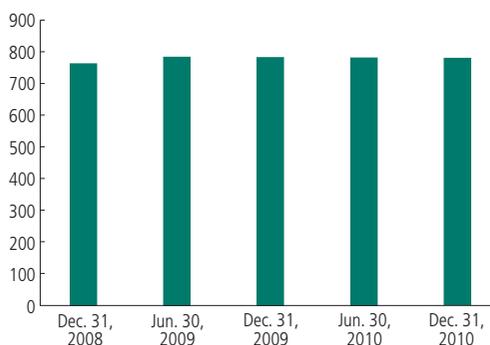
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have stable cash flow from rents. Deliberation concerning properties did not result in new acquisitions in the 19th Period.

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

As a result of these efforts, NBF's real estate portfolio as of December 31, 2010 totaled 59 properties. Total investment on an acquisition price basis was ¥779.6 billion. Total rentable area was 762,983m<sup>2</sup> (230,802 *tsubo*). The occupancy rate increased 2.1 percentage points from June 30, 2010 to 96.6 percent. Tenants totaled 952.

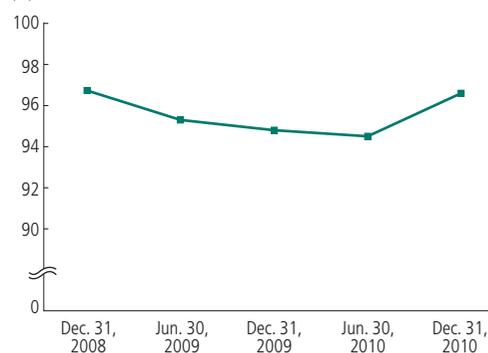
### Total investment

(Yen in billions)



### Occupancy rate

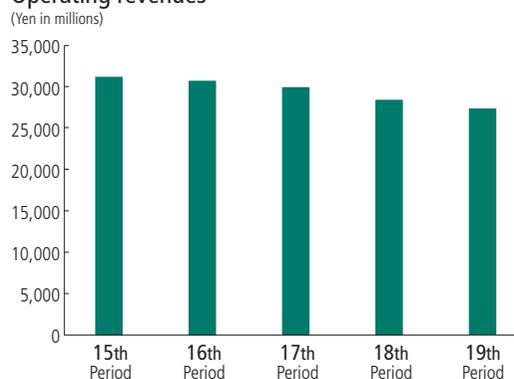
(%)



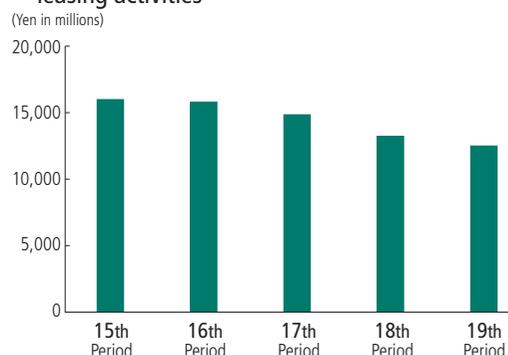
## Overview of Performance

Operating revenues for the six months ended December 31, 2010 decreased ¥1,026 million, or 3.6 percent, compared with the previous six-month period to ¥27,314 million. Operating income decreased ¥853 million, or 7.0 percent, to ¥11,318 million. Net income decreased ¥883 million, or 9.5 percent, to ¥8,398 million. Distribution per unit decreased ¥1,630 to ¥15,495. The main factors were a decrease in rental revenue due to reasons including revisions of existing tenants' rents, and the absence of gain on sale of investment properties recorded in the previous six-month period.

### Operating revenues



### Operating income from property leasing activities



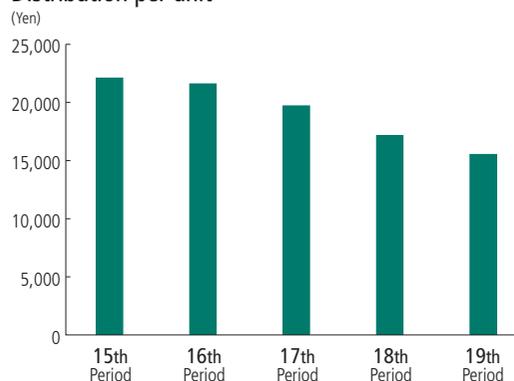
## Distribution for the Current Period

Distribution per unit for the current period was ¥15,495. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

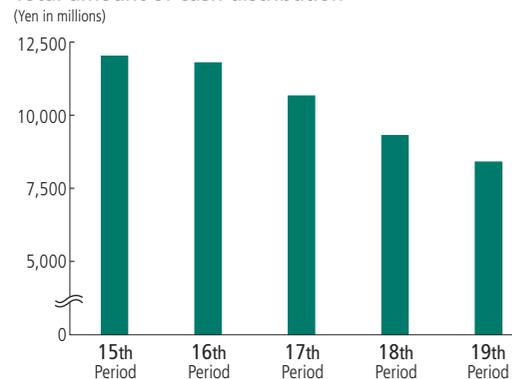
	For the six months ended December 31, 2010	For the six months ended June 30, 2010	For the six months ended December 31, 2009
(Yen in thousands, except per unit amounts)			
Retained earnings	¥8,398,598	¥9,281,802	¥10,662,478
Undistributed earnings	308	52	254
Total cash distribution	8,398,290	9,281,750	10,662,224
(Cash distribution per unit)	15,495	17,125	19,672
Distribution of accumulated earnings	8,398,290	9,281,750	10,662,224
(Distribution of accumulated earnings per unit)	15,495	17,125	19,672
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

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

### Distribution per unit



### Total amount of cash distribution



## Changes in Assets, Liabilities and Net Assets

### Assets

As of December 31, 2010, total assets decreased ¥9,176 million to ¥765,203 million compared with June 30, 2010. Return on average total assets (ROA) for the six months ended December 31, 2010 decreased to 1.09 percent from 1.19 percent for the previous six-month period.

Current assets decreased ¥5,863 million to ¥34,630 million compared with June 30, 2010. Investment properties decreased ¥3,395 million to ¥725,837 million compared with June 30, 2010.

### Liabilities

Current liabilities increased ¥24,589 million to ¥57,539 million compared with June 30, 2010, primarily because of an increase in long-term debt due within one year compared with June 30, 2010.

Long-term debt decreased ¥32,375 million to ¥276,375 million compared with June 30, 2010.

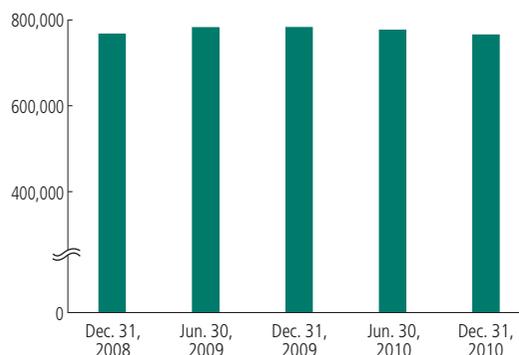
As a result, total interest-bearing liabilities decreased ¥8,375 million to ¥325,125 million compared to June 30, 2010. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities decreased to 85.0 percent as of December 31, 2010 from 92.6 percent as of June 30, 2010. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 46.3 percent as of December 31, 2010 from 46.8 percent as of June 30, 2010.

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.

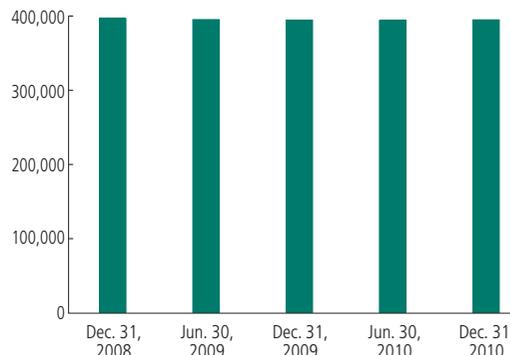
### Net Assets

Net assets decreased ¥883 million to ¥394,575 million compared with June 30, 2010.

**Total assets**  
(Yen in millions)



**Net assets**  
(Yen in millions)



## Funding

### Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2010, NBF had issued 542,000 units out of 2,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

Issue date	Remarks	Units issued and outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3
July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4
August 11, 2004	Third party allocation	4,000	364,700	2,942	210,679	Note 5
August 10, 2005	Public offering	58,000	422,700	51,491	262,170	Note 6
March 16, 2006	Public offering	80,000	502,700	79,040	341,210	Note 7
March 29, 2006	Third party allocation	5,300	508,000	5,236	346,446	Note 8
February 4, 2008	Public offering	31,800	539,800	37,159	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,571	386,176	Note 10

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

## Market Price of Units

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

	For the six months ended December 31, 2010	For the six months ended June 30, 2010 (Yen)	For the six months ended December 31, 2009
High	¥850,000	¥815,000	¥895,000
Low	702,000	704,000	679,000

## Borrowings

Borrowings from financial institutions as of December 31, 2010 are shown below.

### Short-term loans

Lender	Balance (Yen in millions)	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
The Gunma Bank, Ltd.	¥2,000	0.6%	January 31, 2011	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
Shinkin Central Bank	1,000	0.6%	January 31, 2011			
THE KAGOSHIMA BANK, LTD.	1,000	0.6%	January 31, 2011			
The Joyo Bank, Ltd.	1,000	0.6%	February 28, 2011			
THE SHIZUOKA BANK, LTD.	1,000	0.6%	February 28, 2011			
The Yamaguchi Bank, Ltd.	1,000	0.8%	April 28, 2011			
The Chugoku Bank, Limited	1,000	0.8%	June 30, 2011			
<b>Total short-term loans</b>	<b>¥8,000</b>					

## Long-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014			
	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			
	4,625	2.2%	April 28, 2019			
	9,500	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)
	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	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	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	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	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			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
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	1.4%	April 1, 2015			
	2,000	1.3%	October 19, 2018			

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
TAIYO LIFE INSURANCE COMPANY	1,000	1.7%	December 15, 2014	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
	2,000	2.1%	July 11, 2014			
	1,000	2.0%	August 31, 2015			
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014			
The Yamanashi Chuo Bank, Ltd.	1,000	1.1%	December 28, 2012			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			Fixed rate
<b>Total long-term loans</b>	<b>¥247,125</b>					
<b>Total borrowings (Note 6)</b>	<b>¥255,125</b>					

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

	(Yen in millions)			
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥32,750	¥42,750	¥36,750	¥29,750

## 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	¥10,000	¥10,000	—	¥10,000	¥20,000

## Others

NBF had security deposits totaling ¥36,637 million as of December 31, 2010.

## Capital Expenditures

### 1. Planning

As of December 31, 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 (from July 1, 2010 to December 31, 2010)	Cumulative amount paid
(Yen in millions)					
Yokohama ST Bldg.	Renovation of disaster prevention equipment (2nd stage)	From July 2011 to December 2011	¥228	¥ —	¥ —
Shinjuku Mitsui Bldg. No. 2	Renovation of heating equipment (2nd stage)	From January 2011 to May 2011	174	—	—
Shinjuku Mitsui Bldg. No. 2	Renovation of air conditioning (4th to 6th floors)	From January 2011 to April 2011	119	—	—
NBF Takanawa Bldg.	Renovation of air conditioning (4th stage)	From July 2011 to December 2011	106	—	—
Parale Mitsui Bldg.	Renovation of air conditioning automatic control equipment	From October 2011 to December 2011	78	—	—
NBF Atsugi Bldg.	Renovation of air conditioning (2nd, 3rd floor)	From April 2011 to May 2011	55	—	—
NBF Ogawamachi Bldg.	Renovation of air conditioning (5th stage)	From September 2011 to December 2011	53	—	—
NBF Atsugi Bldg.	Renovation of air conditioning (4th, 5th floor)	From April 2011 to May 2011	36	—	—
NBF Atsugi Bldg.	Renovation of air conditioning (6th, 7th floor)	From July 2011 to September 2011	35	—	—

## 2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,769 million in capital expenditures together with ¥718 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsui Bldg. No. 2	Renovation of refrigeration system (1st stage), renovation of gas flue damper, renovation of fire safety equipment, etc.	From July 2010 to December 2010	¥ 266
NBF Hibiya Bldg.	Renovation of security system, renovation of air conditioning, leasehold improvement of 1st floor lobby, etc.		187
Shiba NBF Tower	Renovation of refrigerator, renovation of smoking room, renovation of office floor blinds, etc.		138
NBF Takanawa Bldg.	Renovation of air conditioning (2nd stage), renovation of restroom (2nd stage), renovation of rooftop transformer (2nd stage), etc.		72
NBF Kumamoto Bldg.	Leasehold improvement, construction of electric equipment, construction of security equipment, etc.		70
NBF Ogawamachi Bldg.	Renovation of air conditioning (3rd stage), renovation of gondola, renovation of room window, etc.		63
NBF Ikebukuro Tower	Renovation of air conditioning (4th stage), renovation of refrigerant pipe, renovation of air supply and exhaust fans (4th stage), etc.		60
NBF Unix Bldg.	Renovation of mechanical parking, construction of restroom vanity automatic faucet, construction of restroom jet towel, etc.		38
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		875
<b>Total</b>			<b>¥1,769</b>

## 3. Cash Reserve for Capital Improvements

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

	As of December 31, 2010	As of June 30, 2010
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,398	¥1,273
Amount accumulated in the current period	1,690	2,751
Withdrawal from reserves in the current period	1,906	2,626
Amount carried forward	¥1,182	¥1,398

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 ¥4,344 million as of December 31, 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 December 31, 2010	For the six months ended June 30, 2010 (Yen in millions)	For the six months ended December 31, 2009
Asset management fees	¥ 943	¥ 988	¥1,078
Asset custody fees	37	37	37
Agent fees (stock transfer, accounting and administrative)	44	45	47
Directors' remuneration	19	19	19
Auditor's fees	13	13	13
Other expenses	115	99	124
<b>Total</b>	<b>¥1,171</b>	<b>¥1,201</b>	<b>¥1,318</b>

### Trading Activities during the Current Period

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

None.

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

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

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

#### (1) Ongoing Transactions

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

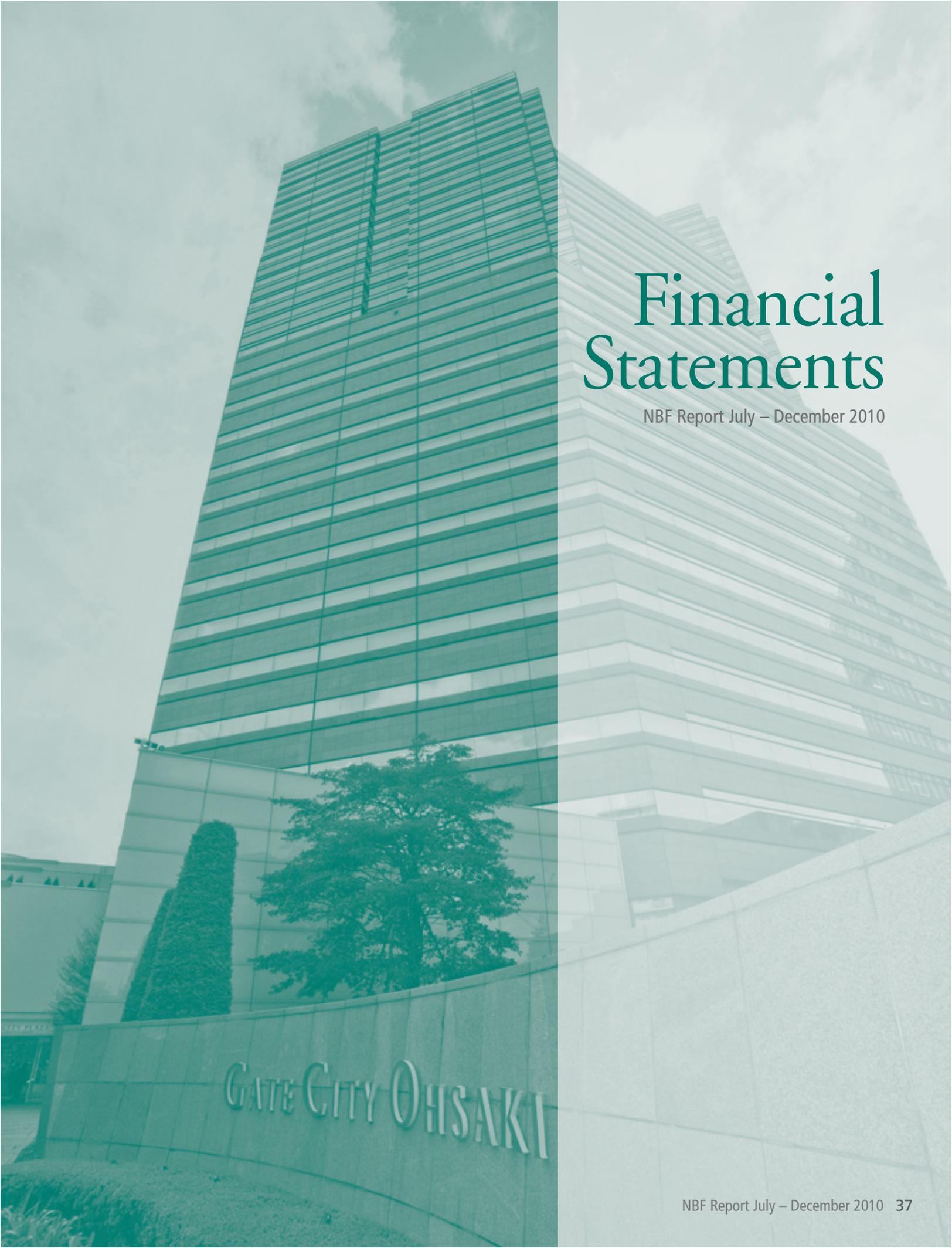
#### (2) Fees Paid for the Period from July 1, 2010 to December 31, 2010

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A
Office management fees, etc. (Note 2)	¥1,120	Mitsui Fudosan Co., Ltd.	¥1,084	96.8%
		NBF Office Management Co., Ltd.	32	2.8%
Property maintenance fees	2,671	First Facilities Co., Ltd.	442	16.5%
		Mitsui Fudosan Co., Ltd.	351	13.1%
		Mitsui Fudosan Building Management Co., Ltd.	145	5.4%
		First Facilities West Co., Ltd.	124	4.7%
		First Facilities Yokohama Co., Ltd.	11	0.4%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.1%
Leasing related service fees	74	Mitsui Fudosan Co., Ltd.	18	23.9%
		NBF Office Management Co., Ltd.	11	15.5%
		Mitsui Real Estate Sales Co., Ltd.	0	0.4%

Notes: 1. "Related parties" are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period from July 1, 2010 to December 31, 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.	¥744
Mitsui Fudosan Building Management Co., Ltd.	216
Mitsui Fudosan Co., Ltd.	168
First Facilities West Co., Ltd.	81
Mitsui Fudosan Housing Lease Co., Ltd.	17
Mitsui Real Estate Sales Co., Ltd.	0
Mitsui Home Linkage Co., Ltd.	0



# Financial Statements

NBF Report July – December 2010

GATE CITY OHSAKI

# Balance Sheets

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

	As of December 31, 2010	As of June 30, 2010
(Yen in millions)		
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents (Note 4)	¥ 33,668	¥ 39,600
Tenant receivables	281	302
Other current assets	681	591
Total current assets	34,630	40,493
Investment Properties:		
Land including trust accounts (Note 5)	473,463	473,463
Buildings and improvements including trust accounts (Note 5)	278,481	276,923
Other tangible assets (Note 5)	8,624	8,408
Less: accumulated depreciation (Note 5)	(70,385)	(65,217)
Leasehold rights in trust accounts and other intangible assets	35,654	35,655
Total investment properties, net	725,837	729,232
Other Assets	4,736	4,654
<b>Total Assets</b>	<b>¥765,203</b>	<b>¥774,379</b>
<b>Liabilities</b>		
Current Liabilities:		
Short-term loans (Note 4, 7)	¥ 8,000	¥ 16,000
Long-term debt due within one year (Note 4, 7)	40,750	8,750
Accounts payable	3,779	3,022
Rents received in advance	3,348	3,376
Accrued expenses and other liabilities	1,662	1,802
Total current liabilities	57,539	32,950
Long-term Debt (Note 4, 7)	276,375	308,750
Tenant Security Deposits Including Trust Accounts (Note 4)	36,637	37,151
Other Liabilities	77	70
<b>Total Liabilities</b>	<b>370,628</b>	<b>378,921</b>
<b>Net Assets (Note 6)</b>		
Unitholders' Equity		
Unitholders' capital	386,176	386,176
Units authorized: 2,000,000 units		
Units issued and outstanding: 542,000 units		
Retained earnings	8,399	9,282
<b>Total Net Assets</b>	<b>394,575</b>	<b>395,458</b>
<b>Total Liabilities and Net Assets</b>	<b>¥765,203</b>	<b>¥774,379</b>

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

# Statements of Income

NIPPON BUILDING FUND INC.

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

	For the six months ended December 31, 2010	For the six months ended June 30, 2010	For the six months ended December 31, 2009
	(Yen in millions)		
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental (Note 8)	¥24,747	¥25,583	¥26,986
Other revenues related to property leasing (Note 8)	2,567	2,452	2,942
Gain on sale of investment properties (Note 9)	—	306	—
<b>Total Operating Revenues</b>	<b>27,314</b>	<b>28,341</b>	<b>29,928</b>
<b>Operating Expenses:</b>			
Property management fees (Note 8)	3,776	3,798	4,033
Real estate taxes (Note 8)	2,621	2,648	2,535
Repairs and maintenance (Note 8)	718	883	739
Insurance (Note 8)	32	36	37
Other rental expenses (Note 8)	2,506	2,224	2,460
Depreciation and amortization (Note 8)	5,171	5,239	5,282
Loss on sale of investment property (Note 9)	—	140	—
Asset management fees	943	988	1,078
Other operating expenses	228	213	240
<b>Total Operating Expenses</b>	<b>15,995</b>	<b>16,169</b>	<b>16,404</b>
<b>Operating Income</b>	<b>11,319</b>	<b>12,172</b>	<b>13,524</b>
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest income	7	8	7
<b>Non-Operating Expenses:</b>			
Interest expense	(2,888)	(2,862)	(2,798)
Amortization of bond issue costs	(5)	(5)	(27)
Other non-operating expenses, net	(33)	(30)	(43)
<b>Ordinary Income</b>	<b>8,400</b>	<b>9,283</b>	<b>10,663</b>
<b>Income before Income Taxes</b>	<b>8,400</b>	<b>9,283</b>	<b>10,663</b>
Current and deferred income taxes (Note 10)	(1)	(1)	(1)
<b>Net Income</b>	<b>¥ 8,399</b>	<b>¥ 9,282</b>	<b>¥10,662</b>

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

# Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

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

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
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
Cash dividends declared	—	—	(9,282)	(9,282)
Net income	—	—	8,399	8,399
<b>Balance as of December 31, 2010</b>	<b>542,000</b>	<b>¥386,176</b>	<b>¥ 8,399</b>	<b>¥394,575</b>

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

# Statements of Cash Flows

NIPPON BUILDING FUND INC.

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

	For the six months ended December 31, 2010	For the six months ended June 30, 2010	For the six months ended December 31, 2009
	(Yen in millions)		
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 8,400	¥ 9,283	¥ 10,663
Depreciation and amortization	5,171	5,239	5,282
Amortization of bond issue costs	5	5	27
Interest expense	2,888	2,862	2,798
(Increase) Decrease in tenant receivables	21	(8)	358
Increase (Decrease) in accounts payable	757	(197)	308
Increase (Decrease) in rents received in advance	(28)	(159)	(78)
Decrease in investment properties due to sale	—	3,272	—
Cash payments of interest expense	(2,887)	(2,815)	(2,636)
Other, net	(226)	(203)	236
<b>Net Cash Provided by Operating Activities</b>	<b>14,101</b>	<b>17,279</b>	<b>16,958</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment properties	(1,756)	(1,501)	(1,435)
Proceeds from tenant security deposits	4,213	3,408	3,324
Payments for tenant security deposits	(4,727)	(5,103)	(3,727)
Payments for security deposits paid to lessors	(15)	(8)	(3)
Other, net	(92)	(119)	(80)
<b>Net Cash Used in Investing Activities</b>	<b>(2,377)</b>	<b>(3,323)</b>	<b>(1,921)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from (Repayment of) short-term loans, net	(8,000)	(8,000)	(27,500)
Proceeds from long-term debt	2,000	24,000	45,000
Repayment of long-term debt	(2,375)	(20,375)	(18,125)
Payment for bond issue costs	—	(54)	—
Payment of dividends	(9,281)	(10,658)	(11,802)
<b>Net Cash Used in Financing Activities</b>	<b>(17,656)</b>	<b>(15,087)</b>	<b>(12,427)</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(5,932)</b>	<b>(1,131)</b>	<b>2,610</b>
Cash and Cash Equivalents at the Beginning of Period	39,600	40,731	38,121
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥ 33,668</b>	<b>¥ 39,600</b>	<b>¥ 40,731</b>

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

# Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2010, June 30, 2010 and December 31, 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 units. Those units are listed on the J-REIT section of the Tokyo Stock Exchange.

As of December 31, 2010, NBF had ownership or beneficiary interests in 59 office properties containing approximately 762,983 square meters of rentable office space. As of December 31, 2010, NBF had leased office space to 952 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 96.6%.

### 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 terms of the bonds.

#### **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 December 31, 2010, June 30, 2010, and December 31, 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 sheet and income statement accounts.

#### **Reclassifications**

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended December 31, 2010.

### **Note 3 | Change in Accounting Policy**

#### **The New Accounting Standard for Asset Retirement Obligations**

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

## Note 4 Financial Instruments

Effective from the fiscal period ended June 30, 2010, NBF adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" (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). The standard and guidance require companies to disclose fair value and certain other information of financial instruments as follows.

(For the six months ended December 31, 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 the safety of the investments.

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

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

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

Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties and repay outstanding loans and bonds. While these loans and bonds are exposed to liquidity risk, such risk is managed in 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 vacating of properties by tenants due to the termination of contract. NBF manages this risk by monitoring forecasted cash flows on a monthly basis to ensure it has sufficient funds.

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

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

### Estimated Fair Value of Financial Instruments

Book value, fair value and the difference between the two as of December 31, 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
<b>Assets</b>			
(1) Cash and cash equivalents	¥ 33,668	¥ 33,668	¥ —
Total	¥ 33,668	¥ 33,668	¥ —
<b>Liabilities</b>			
(1) Short-term loans	¥ 8,000	¥ 8,000	¥ —
(2) Long-term debt due within one year	40,750	40,991	241
(3) Long-term debt	276,375	284,119	7,744
Total	¥325,125	¥333,110	¥7,985

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

## Assets:

## (1) Cash and cash equivalents

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

## Liabilities:

## (1) Short-term loans

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

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

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

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥10,000	¥10,060	¥ 60
(2) Long-term loans	30,750	30,931	181
Total	¥40,750	¥40,991	¥241

## 1) Investment corporation bonds

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

## 2) Long-term loans

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

## (3) Long-term debt

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

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 60,000	¥ 61,646	¥1,646
(2) Long-term loans	216,375	222,473	6,098
Total	¥276,375	¥284,119	¥7,744

## 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	¥36,637

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

(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	¥33,668	—	—	—	—	—

### 4. Repayment Schedule for Loans and Investment Corporation Bonds

(Yen in millions)						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 8,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	10,000	10,000	—	10,000	20,000	20,000
Long-term loans	30,750	32,750	42,750	36,750	29,750	74,375
Total	¥48,750	¥42,750	¥42,750	¥46,750	¥49,750	¥94,375

(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 the safety of the investments.

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

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

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

Proceeds from loans and investment corporation bonds are used mainly to acquire real estate properties and repay outstanding loans and bonds. While these loans and bonds are exposed to liquidity risk, such risk is managed in 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 vacating of properties by tenants due to the termination of contract. NBF manages this risk by monitoring forecasted cash flows on a monthly basis to ensure it has sufficient funds.

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

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

### Estimated Fair Value of Financial Instruments

Book value, fair value and 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
<b>Assets</b>			
(1) Cash and cash equivalents	¥ 39,600	¥ 39,600	¥ —
Total	¥ 39,600	¥ 39,600	¥ —
<b>Liabilities</b>			
(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 book values are considered to approximate fair values because these instruments are settled within a short term period.

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

Fair values of Long-term 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 is 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

(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

(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 5 Schedule of Tangible Assets of Investment Properties

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

	As of December 31, 2010			As of June 30, 2010		
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥218,479	¥ —	¥218,479	¥218,479	¥ —	¥218,479
Land in trust	254,984	—	254,984	254,984	—	254,984
<b>Land including trust total</b>	<b>473,463</b>	<b>—</b>	<b>473,463</b>	<b>473,463</b>	<b>—</b>	<b>473,463</b>
Buildings and improvements	142,649	(26,866)	115,783	142,172	(24,389)	117,783
Buildings and improvements in trust	135,832	(39,904)	95,928	134,751	(37,510)	97,241
<b>Buildings and improvements including those in trust</b>	<b>278,481</b>	<b>(66,770)</b>	<b>211,711</b>	<b>276,923</b>	<b>(61,899)</b>	<b>215,024</b>
Structures	2,260	(861)	1,399	2,238	(788)	1,450
Machinery and equipment	1,138	(496)	642	1,119	(449)	670
Tools, furniture and fixtures	850	(369)	481	804	(331)	473
Structures in trust	1,918	(631)	1,287	1,904	(582)	1,322
Machinery and equipment in trust	1,339	(684)	655	1,312	(641)	671
Tools, furniture and fixtures in trust	1,071	(574)	497	994	(527)	467
Construction in process	48	—	48	37	—	37
<b>Other tangible assets total</b>	<b>8,624</b>	<b>(3,615)</b>	<b>5,009</b>	<b>8,408</b>	<b>(3,318)</b>	<b>5,090</b>
<b>Total</b>	<b>¥760,568</b>	<b>¥(70,385)</b>	<b>¥690,183</b>	<b>¥758,794</b>	<b>¥(65,217)</b>	<b>¥693,577</b>

## Note 6 Net Assets

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

## Note 7 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on December 31, 2010 and June 30, 2010 ranged from 0.64% to 0.75% and from 0.69% to 0.82%, respectively. Long-term debt is at fixed rates and as of December 31, 2010 and June 30, 2010 consisted of the following:

	As of December 31, 2010	As of June 30, 2010
	(Yen in millions)	
Unsecured loans due 2011 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 1.1% to 2.4%	¥247,125	¥247,500
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	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
	<b>317,125</b>	<b>317,500</b>
Less: amount due within one year	40,750	8,750
	<b>¥276,375</b>	<b>¥308,750</b>

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

The annual maturities of long-term debt as of December 31, 2010 were as follows:

	(Yen in millions)
Due after one to two years	¥42,750
Due after two to three years	42,750
Due after three to four years	46,750
Due after four to five years	49,750
Due after five years	94,375

During the period ended December 31, 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 December 31, 2010.

## Note 8 Rental Revenues and Expenses

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

	For the six months ended December 31, 2010	For the six months ended June 30, 2010 (Yen in millions)	For the six months ended December 31, 2009
<b>Revenues from Property Leasing:</b>			
Rental:			
Rental revenues	¥22,025	¥22,757	¥24,022
Common area charges	2,608	2,706	2,844
Others	114	120	120
Subtotal	24,747	25,583	26,986
Other revenues related to property leasing:			
Parking lots	531	534	557
Facility charge	138	140	139
Incidental income	1,808	1,486	1,766
Cancellation fees	46	228	439
Miscellaneous income	44	64	41
Subtotal	2,567	2,452	2,942
Total revenues from property leasing	27,314	28,035	29,928
<b>Rental Expenses:</b>			
Property management fees	3,776	3,798	4,033
Real estate taxes	2,621	2,648	2,535
Repairs and maintenance	718	883	739
Insurance	32	36	37
Other rental expenses	2,506	2,224	2,460
Depreciation and amortization	5,171	5,239	5,282
Total rental expenses	14,824	14,828	15,086
<b>Operating Income from Property Leasing Activities</b>	<b>¥12,490</b>	<b>¥13,207</b>	<b>¥14,842</b>

## Note 9 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, 2010 and December 31, 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
<b>NBF Hakata Gion Building</b>	
	(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 10 Income Taxes**

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.01% for the periods ended December 31, 2010, June 30, 2010 and December 31, 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 December 31, 2010	For the six months ended June 30, 2010	For the six months ended December 31, 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 unitholders at least 90% of earnings available for dividends for a period and other requirements prescribed in Japanese tax regulations are met, the investment corporation is allowed to deduct total amount of dividends in calculating its taxable income under Japanese tax regulations.

**Note 11 Per Unit Information**

Information about earnings per unit for the periods ended December 31, 2010, June 30, 2010 and December 31, 2009 and net assets per unit as of December 31, 2010, June 30, 2010 and December 31, 2009 was as follows.

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

	For the six months ended December 31, 2010	For the six months ended June 30, 2010	For the six months ended December 31, 2009
		(Yen)	
<b>Earnings per Unit:</b>			
Net income	¥15,495	¥17,124	¥19,671
Weighted average number of units outstanding	542,000	542,000	542,000
	As of December 31, 2010	As of June 30, 2010	As of December 31, 2009
<b>Net Assets per Unit</b>	¥727,996	¥729,626	¥732,173

**Note 12 Leases****As Lessor**

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

	As of December 31, 2010	As of June 30, 2010
	(Yen in millions)	
Due within one year	¥19,396	¥16,699
Due after one year	28,947	25,892
Total	¥48,343	¥42,591

## Note 13 Transactions with Related Parties

(For the six months ended December 31, 2010)

(1) Parent Company and Major Corporate Unitholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥943 (Note 3)	Accounts payable	¥241 (Note 3)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 2)	¥2 (Note 3)	Accounts payable	¥1 (Note 3)

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

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

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

(For the six months ended June 30, 2010)

(1) Parent Company and Major Corporate Unitholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥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 Regarding the Management of Institutions" concluded between NBF and NBFM.

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

(For the six months ended December 31, 2009)

(1) Parent Company and Major Corporate Unitholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥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 the fee amount is subject to the conditions set forth in the by-laws of NBF.  
 2. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and the fee amount is set forth in the "General Administration Regarding the Management of Institutions" concluded between NBF and NBFM.  
 3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

## Note 14 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" (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). The standard and guidance require companies to disclose fair value and certain other information of investment and rental property as follows.

(For the six months ended December 31, 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 June 30, 2010	Net decrease	As of December 31, 2010	As of December 31, 2010	
¥729,233	¥3,410	¥725,823	¥772,178	

- 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 recognition of depreciation costs.  
 3. Fair value as of December 31, 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 December 31, 2010 is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Gain and Loss on Sale of Investment Properties).

(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 8 (Rental Revenues and Expenses) and Note 9 (Gain and Loss on Sale of Investment Properties).

## Note 15 Segment Information

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

(For the six months ended December 31, 2010)

### Segment Information

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

### Related Information

#### 1. Information by Products and Services

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

#### 2. Information by Geographic Areas

##### (1) Operating revenues

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

##### (2) Investment properties

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

#### 3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥6,306	Real estate leasing business

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

Disclosure of the segment information for previous periods has been omitted as NBF has only one segment of the real estate leasing business.

## Note 16 Significant Subsequent Events

### Issuance of New Units

At meetings of the Board of Directors held on January 11, 2011 and January 19, 2011, it was resolved to issue new units. Payments for the new issuance were made on January 26, 2011 and February 22, 2011, and the new units were issued under the conditions described below.

As a result, the total amount of stated capital increased to ¥415,115 million and the number of units issued and outstanding increased to 578,500 units.

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

(I) Number of units issued	34,000 units
(II) Offering price per unit	¥818,025
(III) Total offering price	¥27,813 million
(IV) Issue price per unit	¥792,855
(V) Total issue price	¥26,957 million
(VI) Payment date	January 26, 2011
(VII) Initial date subject to distribution	January 1, 2011

#### B. Issuance of New Units through Public Allocation to a Third Party Allocation

(I) Number of units issued	2,500 units
(II) Issue price per unit	¥792,855
(III) Total issue price	¥1,982 million
(IV) Payment date	February 22, 2011
(V) Initial date subject to distribution	January 1, 2011
(VI) Allottee	Nomura Securities Co., Ltd.

# Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2010 and June 30, 2010, and the related statements of income, changes in net assets and cash flows for each of the six months ended December 31, 2010, June 30, 2010 and December 31, 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 December 31, 2010 and June 30, 2010, and the results of its operations and its cash flows for each of the six months ended December 31, 2010, June 30, 2010 and December 31, 2009, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 16 to the financial statements, which states that Nippon Building Fund Inc. issued new units.

KPMG AZS A LLC

Tokyo, Japan  
March 29, 2011

# 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 December 31, 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 unitholders and the Board of Directors as Administrative Agent regarding the Management of Institutions based on an entrustment from NBF and pursuant to an Agreement for General Administration Regarding the Management of Institutions.

#### Fees for the Asset Management Operation

##### Management Fees 1

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

##### Management Fees 2

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

##### Management Fees 3

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

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

## History of NBFM

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

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

## List of Shareholders (As of December 31, 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 Life Insurance Company Limited	297	3.0
Britel Fund Trustees Limited	297	3.0
<b>Total</b>	<b>9,900</b>	<b>100.0%</b>

## Directors and Staff

As of December 31, 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 on consideration of a quantitative proportion of the office stock located in the various regions of Japan.

#### Area Diversification

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

The following table sets forth above said area diversification strategy.

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

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

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

Notes: 1. "Neighboring cities" refers to the metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi.  
 2. Due to unforeseeable events, such as extreme fluctuations in 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 December 31, 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"> <li>■ Net rentable area, including net rentable area of entire building and standard net rentable area per floor.</li> <li>■ Desired total net rentable area is 1,650m<sup>2</sup> (approximately 500 <i>tsubo</i>) or more.</li> <li>■ Desired standard net rentable area per floor is 330m<sup>2</sup> (approximately 100 <i>tsubo</i>) or more.</li> </ul>
Construction type and specifications of facilities	<ul style="list-style-type: none"> <li>■ Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.</li> </ul>
Earthquake resistance	<ul style="list-style-type: none"> <li>■ Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto (obtain structural appraisal/assessment (appraisal/assessment of the building structure pursuant to the Building Standards Law conducted by The Building Center of Japan), etc.).</li> </ul>
Measures regarding status of legal title	<ul style="list-style-type: none"> <li>■ In cases such as co-ownership, divided condominium ownership, a building erected on leased land, etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated.</li> <li>• Measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans.</li> <li>• Appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner’s interest, etc.</li> </ul>
Tenancy characteristics	<ul style="list-style-type: none"> <li>■ Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.</li> </ul>
Environmental: condition of land, etc.	<ul style="list-style-type: none"> <li>■ Absence of harmful substances such as asbestos (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.</li> </ul>

### c) Uncompleted or Unleasable Properties

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

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

### (3) Management and Disposition Policies

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

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

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

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

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of December 31, 2010, foreseen reserves provided from January to December 2011 are as follows:

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

**Total Foreseen Amount (annual basis): ¥3,389 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 December 31, 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 Units

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

#### b) Debt Financing

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

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

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

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

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

#### d) Derivative Transactions

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

### (5) Disclosure Policy

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

#### a) Appraisal Value, etc.

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

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

## Investment Objectives of NBF

### Investment Restrictions in Articles of Incorporation

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

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

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

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

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

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

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

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

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

#### C. Assets Other than Designated Assets

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

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

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

## Distribution Policies of NBF

### A. Distributions of Profits

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

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

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

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

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

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

### B. Distribution in Excess of Earnings

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

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

- (1) Amount determined by NBF as being eligible for the requirements of Article 39.32.3 of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Amount being less than the Taxable Income Available for Dividends.
- (2) Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in 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 unitholders in Japan to whom such distributions are paid requires them to calculate capital gain or loss at the time of each distribution, NBF will not make distributions in excess of profits.

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

### C. Method of Distributions

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

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

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

## Investment Restrictions

### A. Investment Restrictions in Articles of Incorporation

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

#### (1) Investment Location and Currencies

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

#### (2) Borrowing

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

#### (3) Concentration of Investment

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

#### (4) Investment Objectives

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

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

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

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

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

the rules stipulated by the Investment Trusts Association (as amended), as well as “Investment Objectives and Policies” of the Articles of Incorporation.

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

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

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

#### a) Internal Transactions (§ 42.2.1)

Transactions between an asset management company and its directors or officers are prohibited except for certain cases specified in Article 128 of the government ordinance regarding the Financial Instruments and Exchange Law that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

#### b) Reciprocal Transactions with Managed Assets (§ 42.2.2)

Transactions between asset management companies of investment corporation assets are prohibited except for certain cases specified in the provisions of the government ordinance regarding the Financial Instruments and Exchange Law of Japan that are considered unlikely to result in failure to protect the interests of unitholders, damage fair transactions or discredit the financial instruments business.

#### c) Transactions for the Benefit of Third Parties (§ 42.2.3)

An asset management company may not undertake transactions in certain financial instruments, indices or options based on fluctuations in the

price, index, value, or amount of consideration related to transactions in the assets of an investment corporation, without a legally valid reason, with the objective of benefiting a third party other than NBF or said investment.

#### **d) Transactions Harmful to the Interests of NBF (§ 42.2.4)**

An asset management company may not undertake transactions that are other than upon normal terms and conditions for such transactions, and further, such transactions upon said conditions would be harmful to the interests of the investment.

#### **e) Other Transactions Defined by Cabinet**

##### **Office Ordinances**

In addition to the above, the following activities are prohibited (§42.2.7 of the Financial Instruments and Exchange Law, Cabinet Office Ordinance §130).

- (i) Transactions among the auditors, officers and employees of an asset management company
- (ii) Transactions for the benefit of the investment management company or third parties that would be harmful to the interests of the investment corporation
- (iii) Transactions for the benefit of third parties that are not necessary according to investment management policies, the financial condition of assets under management, or market conditions
- (iv) Asset management that introduces unfair restrictions or other limitations from external entities
- (v) The sale or purchase of investment securities, or similar transactions, with the objective of unfairly inflating transaction amounts or artificially inflating prices
- (vi) Transactions between third parties and their agents (excluding specific transactions to which rights holders have agreed pursuant to advance explanation of the rationale for the transaction)
- (vii) When entities as specified below engage in underwriting investment securities or other transactions, requested tenders or acquisitions of investment securities when the subject investment securities to be acquired by or the amount subscribed under the tender agreement by the said underwriter differ from the planned amounts
  - (a) foreign entities including corporations for their own account (as stipulated by Cabinet Office Ordinance §126.3)
  - (b) entities that hold more than 50/100 of the total amount of investment securities representing underlying managed assets issued in the two most recent fiscal years, as defined by §2.8.1-3, §2.8.8 and §2.8.9 of the Financial Instruments and Exchange Law (limited to investment securities that give holders rights in the said managed assets and such rights)
- (viii) Other activities prohibited by Cabinet Office Ordinance 130

#### **(2) Limitation on Acquisition of the Same Issue of Units (§ 194 of the Investment Trust Law)**

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

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

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

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

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

An investment corporation (subsidiary), a majority of the units of which is owned by another investment corporation (parent), may not acquire the units of such parent investment corporation except in the following cases:

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

### **C. Other Restrictions**

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

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

# Corporate Data

(As of December 31, 2010)

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 <a href="http://www.nbf-m.com/nbf_e/">http://www.nbf-m.com/nbf_e/</a>
Date of Inception:	March 16, 2001
Capital:	Contributed capital and units issued and outstanding. ¥386,176 million 542,000 units
Unitholders:	14,812
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, Sugunami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Auditors:	KPMG AZSA LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 30, 2011 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2010 to December 31, 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.

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

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

# Investors' Information

(As of December 31, 2010)

## Fiscal Periods

Six months ending June 30 and December 31

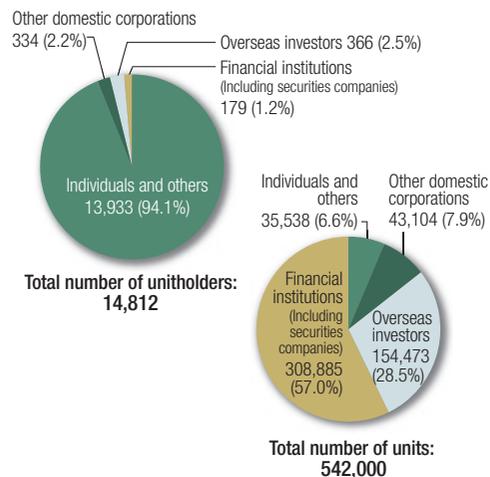
## Total Number of Units Issued

19th Period (From July 1, 2010 to December 31, 2010)	542,000 units
18th Period (From January 1, 2010 to June 30, 2010)	542,000 units

## Distributions

Expected distribution for the 20th Period (ending June 2011)	
For the operating period from January 1, 2011 to June 30, 2011 (6 months)	¥15,100 per unit
Confirmed distribution for the 19th Period (ended December 2010)	
For the operating period from July 1, 2010 to December 31, 2010 (6 months)	¥15,495 per unit

## Unitholders

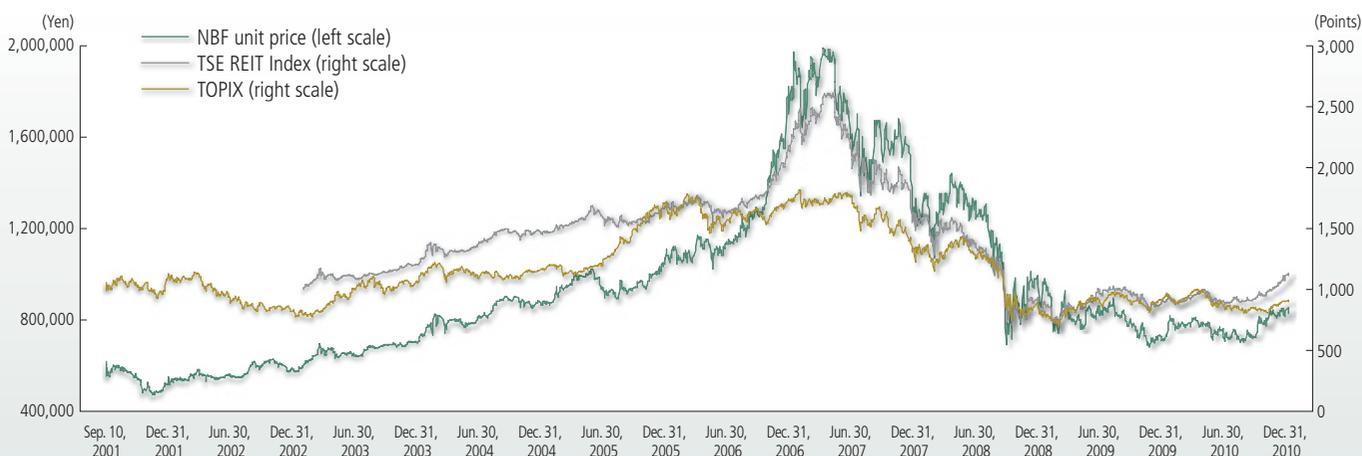


## Major Unitholders

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	65,656	12.1%
The Nomura Trust and Banking Co., Ltd. (Trust Account)*	53,581	9.9
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	40,635	7.5
Mitsui Fudosan Co., Ltd.	19,735	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,833	3.3
Sumitomo Life Insurance Company	12,256	2.3
The Chugoku Bank, Ltd.	9,559	1.8
AIG Edison Life Insurance Company GA NON DIMA	7,944	1.5
Nomura Bank (Luxembourg) SA	7,823	1.4
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 Unit Price



**NBF**  
Nippon Building Fund



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**Nippon Building Fund Inc.**

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

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