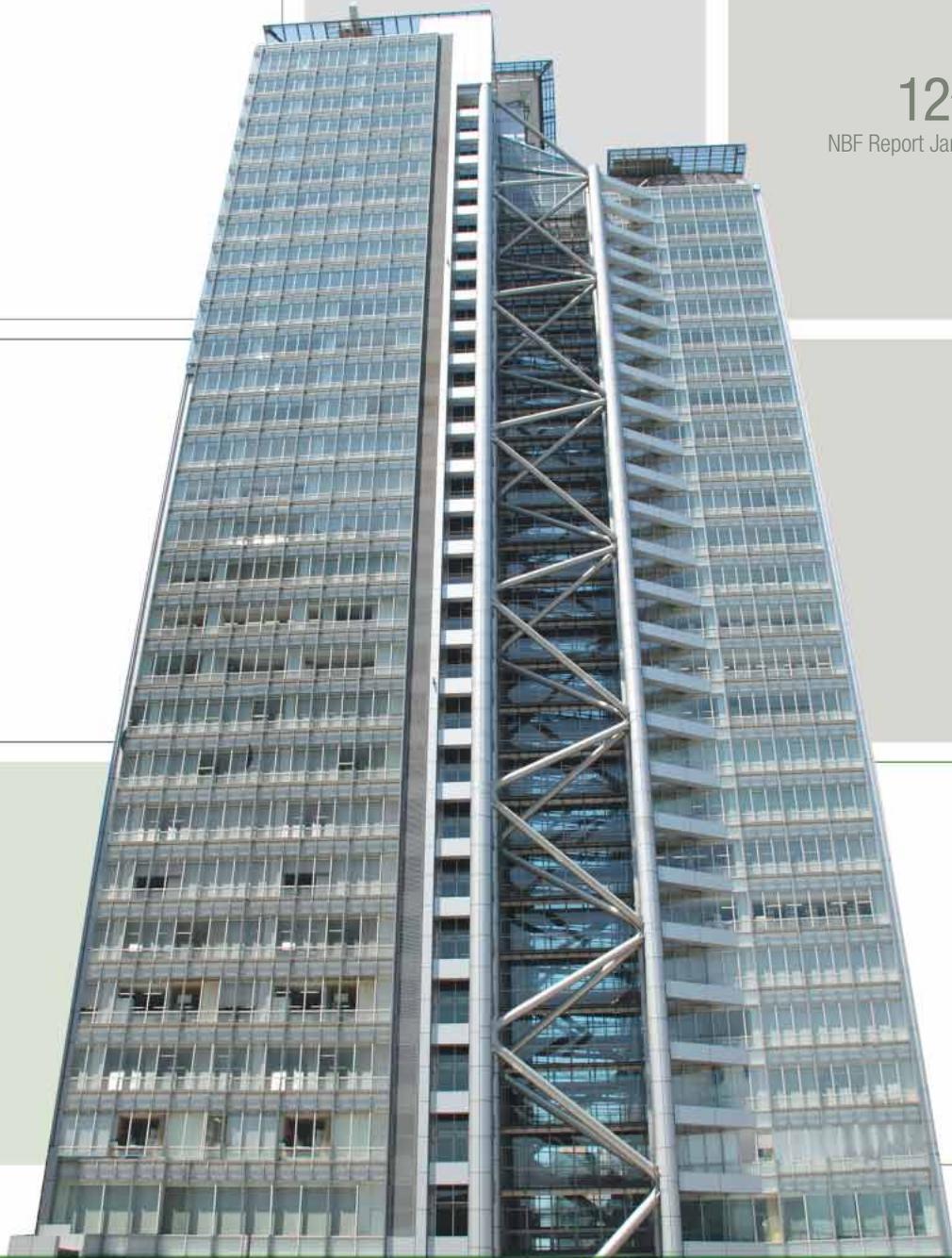




# Balance, Scale and Quality

12th Period

NBF Report January – June 2007



# Profile

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

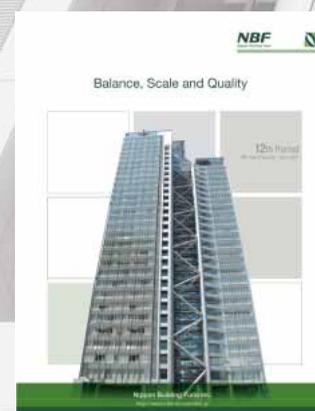
NBF employs funds raised through shareholder subscriptions and borrowing to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. Its fiscal periods are six months long. NBF primarily invests in office buildings in the central business districts of Tokyo, 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 this company's expertise to invest in carefully selected, high-quality properties, with the aim of generating further asset growth.

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### On the Cover

In March 2007, NBF increased its ownership interest in Nakanosakaue Sunbright Twin from 31.6 percent to 80.6 percent, substantially expanding future earnings potential.





Balance, Scale and Quality  
Generate Strong Returns

## Building on Our Strengths

Over the 12 periods, or roughly 6 years, since its listing on the J-REIT section of the Tokyo Stock Exchange in September 2001, NBF has established a track record of stable profit distribution.

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

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

## Japan's First and Largest J-REIT

- ◆ In September 2001, NBF was listed as the first real estate investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.
- ◆ The largest total market capitalization of any J-REIT (¥**868.6** billion)\*
- ◆ The largest scale of managed assets (¥**674.3** billion)\*

## High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **56** 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 **692,222**m<sup>2</sup>\*
- ◆ **910**\* diversified tenants

## NBF's Strengths

## Strong Returns

- ◆ Cash distribution of ¥**19,809** per share for the 12th period
- ◆ **243.7%** total return\*\* since Tokyo Stock Exchange listing on September 10, 2001
- ◆ **57.8%** total return\*\* for NBF in most recent year, compared with **43.6%** for TSE J-REIT index

\*\* Total return includes reinvested distributions.  
(Source: NBF calculations, based on data published by Bloomberg L.P.)

## 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: **44.9%**\*
- ◆ Percentage of long-term, fixed-rate debt included in interest-bearing debt: **75.3%**\*
- ◆ Average years remaining on long-term, fixed-rate interest-bearing debt: **5.52** years\*
- ◆ Total average cost: **1.53%**\*

## Strategic Partnership with Mitsui Fudosan

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

\* As of June 30, 2007

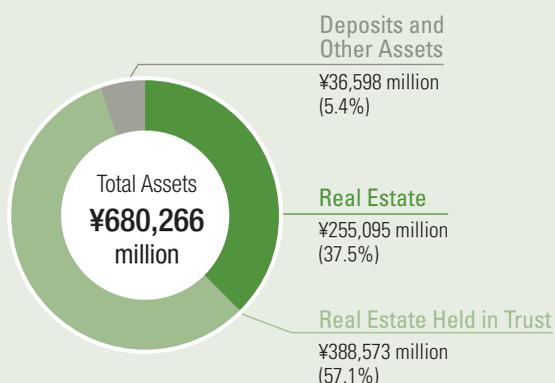
# Financial Highlights

		12th Period from January 1, 2007 to June 30, 2007	11th Period from July 1, 2006 to December 31, 2006	10th Period from January 1, 2006 to June 30, 2006	9th Period from July 1, 2005 to December 31, 2005	12th Period from January 1, 2007 to June 30, 2007
(Yen in millions, except per share data or where otherwise indicated)						U.S. dollars in thousands (Note 1)
Operating revenues	Note 2	¥ 26,641	¥ 25,894	¥ 24,307	¥ 19,363	\$ 215,906
Income before income taxes		10,064	9,767	9,852	7,206	81,560
Net income		10,063	9,766	9,851	7,205	81,553
Funds from operations	Note 3	15,188	14,754	12,951	10,869	123,085
Net operating income from property leasing activities	Note 3	18,442	17,787	15,936	13,333	149,461
Total amount of cash distribution	(a)	10,063	9,766	9,851	7,205	81,554
Total assets		680,266	634,117	633,693	564,902	5,513,139
Interest-bearing debt		281,500	236,500	237,500	257,500	2,281,384
Net assets	(b)	356,509	356,213	356,297	269,375	2,889,292
LTV (Loan to value)	Note 3	44.9%	40.9%	41.0%	48.5%	
Total number of common shares issued (shares)	(c)	508,000	508,000	508,000	422,700	
Net assets per share (Yen/\$)	(b) / (c)	701,790	701,206	701,373	637,274	5,688
Distribution per share (Yen/\$)	(a) / (c)	19,809	19,224	19,391	17,046	161
Funds from operations per share (Yen/\$)	Note 3	29,897	29,043	27,395	26,505	242

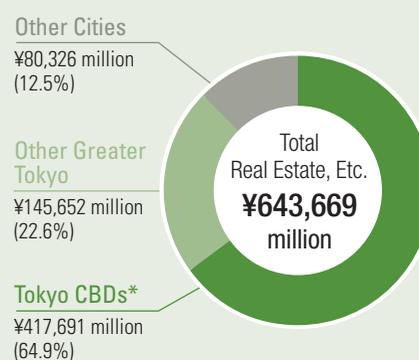
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.39 = U.S.\$1.00, the approximate exchange rate on June 30, 2007.  
2. Operating revenues do not include consumption taxes.  
3. Funds from operations: Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization  
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization  
Loan to value: (Interest-bearing debt + Deposits under management) / Total assets  
Funds from operations per share: (Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization) /  
Weighted average number of common shares issued and outstanding during the period

## Portfolio Highlights (As of June 30, 2007)

### Asset Allocation

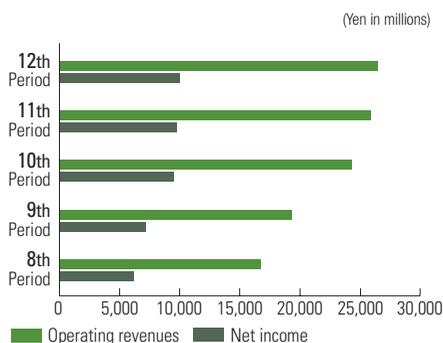


### Regional Allocation

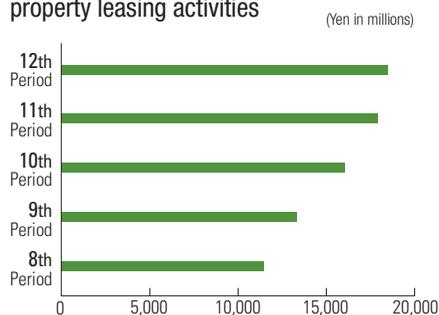


\* Central Business Districts

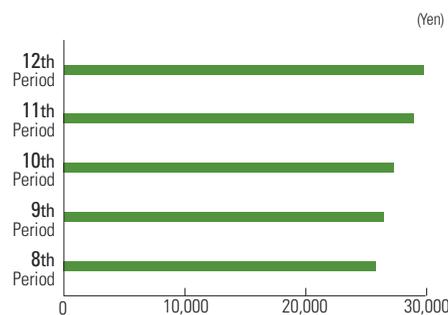
### Operating revenues / Net income



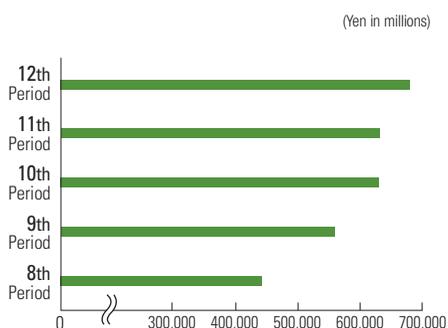
### Net operating income from property leasing activities



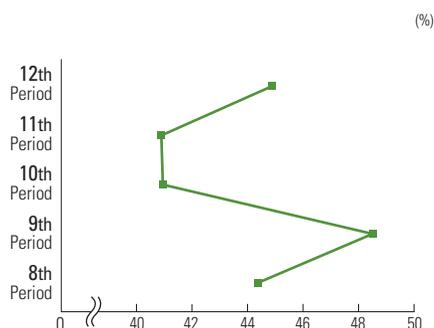
### Funds from operations per share



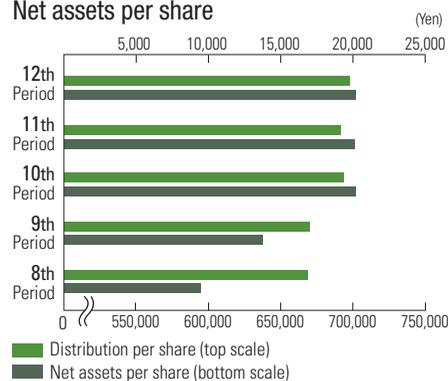
### Total assets



### LTV



### Distribution per share / Net assets per share



### List of Major Tenants (As of June 30, 2007)

Name	Leased Space (m <sup>2</sup> )	Percentage of Total Rentable Area <sup>3</sup>
1 Mitsui Fudosan Co., Ltd. <sup>1</sup>	169,913	24.8%
2 IBM Japan, Ltd. <sup>2</sup>	28,184	4.1%
3 GlaxoSmithKline K.K. <sup>2</sup>	20,515	3.0%
4 AXA Life Insurance Co., Ltd. <sup>2</sup>	17,895	2.6%
5 Fuji Xerox Co., Ltd.	16,106	2.4%
6 Nippon Steel Corporation <sup>2</sup>	15,333	2.2%
7 Nikkei Business Publications, Inc. <sup>2</sup>	13,135	1.9%
8 Transcosmos Inc. <sup>2</sup>	10,193	1.5%
9 The Resolution and Collection Corporation	8,756	1.3%
10 NTT Communications Corporation	8,493	1.2%

Notes: 1. NBF receives lease revenue from Mitsui Fudosan Co., Ltd. after Mitsui Fudosan has taken a fixed percentage commission of the lease revenue from the tenants of the sub-leased space.

2. Indicates tenants with long-term lease contracts (IBM Japan, Ltd.'s contract expires December 2009; GlaxoSmithKline K.K.'s contract (GSK Building) expires September 2010; AXA Life Insurance Co., Ltd.'s contract expires November 2010; Nippon Steel Corporation's contract expires November 2009; Nikkei Business Publications, Inc.'s contract expires November 2009; Transcosmos Inc.'s contract (Shibuya Garden Front) expires September 2009)

3. Percentage of total rentable area = Leased space / Total rentable area of all properties in portfolio

# To Our Shareholders

NBF emphasizes external and internal growth, financial strategy and compliance in working to increase distributions over the medium and long term with the aim of expanding shareholder value.



**Koichi Nishiyama**

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

## Performance during the Six Months Ended June 30, 2007

During the six months ended June 30, 2007, newly acquired properties generated external growth while factors including increased rent for existing tenants generated internal growth. As a result, revenues and earnings both increased, and distribution per share was ¥19,809.

During the six months ended June 30, 2007 (the “12th Period”), NBF’s operating environment continued to become increasingly challenging as acquisition prices rose while returns on investment decreased. NBF made use of its unique information channels, including the Mitsui Fudosan Group, as well as its accumulated know-how in selectively acting on information. After meticulous research, we made one new acquisition and two additional acquisitions to increase ownership of existing properties. Consequently, NBF had 56 properties in its portfolio as of June 30, 2007, and total investment on an acquisition price basis stood at ¥674,354 million.

Operating revenues for the six months ended June 30, 2007 increased 2.9 percent, or ¥747 million, compared with the previous six-month period to ¥26,641 million. Primary factors in the increase included the contribution of new acquisitions, efforts to set rents at appropriate market levels, and rent increases for existing tenants. As a result, operating income increased 3.9 percent, or ¥460 million, compared with the previous six-month period to ¥12,112 million. Net income increased 3.0 percent, or ¥297 million, compared with the previous six-month period to ¥10,063 million, and distribution per share increased ¥585 compared with the previous six-month period to ¥19,809.

## Initiatives to Generate External Growth

We are employing the scale, expertise and information network we have built to selectively invest in outstanding properties and generate steady external growth.

The strength of the real estate leasing market has caused acquisition prices to rise and has made the real estate acquisition market increasingly competitive. Given these conditions, we avoid investment for the sake of scale alone. Based on our strategy of investing in high-quality, highly competitive office buildings with comparatively stable rental cash flow and little risk of decline in asset value, we invest selectively, making the most of our innovative techniques and collective expertise. As a result, during the six months ended June 30, 2007, we increased our stake in Nakanosakaue Sunbright Twin and acquired a stake in the adjacent Nakanosakaue Sunbright Annex in March 2007. Moreover, in April 2007 NBF acquired the NBF Ginza Street Building using the Mitsui Fudosan Group’s information network, and in June 2007 acquired land with a building located at Kandasuda-cho 2-chome, Chiyoda-ku, Tokyo, adjacent to an existing property, the NBF Sudacho Verde Building.

While our current policies have moderated the pace at which we are acquiring properties to generate external growth, we still expect our asset portfolio to reach ¥1 trillion.

## Initiatives to Generate Internal Growth

Against the backdrop of the strong office building leasing market, NBF is working to strengthen earnings by increasing rent when renewing the contracts of existing tenants.

Corporate demand for office space is expanding against the backdrop of Japan’s economic recovery. In particular, lease rates for new contracts

## Prospects of Performance

(Yen in millions)

	13th Period (Projected) from July 1, 2007 to December 31, 2007	14th Period (Projected) from January 1, 2008 to June 30, 2008
Operating revenues	27,570	28,318
Net income	9,804	10,312
Distribution per share (Yen)	19,300	20,300

in the central business districts (CBDs) of Tokyo continue to rise. NBF is concentrating on enhancing earnings by using the high-quality portfolio it has constructed to raise rents for existing tenants. As of June 30, 2007, contracts up for renewal within two years with below-market lease rates accounted for 50.5 percent of NBF's total rental revenue. These contracts provide the potential for rent increases over the coming two years, and we are therefore taking a focused approach to this issue. During the six months ended June 30, 2007, renegotiation of existing lease contracts increased monthly rental revenue by ¥62 million. During the six months ending December 31, 2007 (the "13th Period"), we plan to increase monthly rental revenue by an additional ¥30 million.

However, even though market conditions are excellent, rent increases are predicated on explanation that merits tenant understanding during each contract renewal. We therefore expect gradual improvement in earnings.

## Financial Initiatives

**NBF will continue to manage its finances conservatively.**

NBF expects interest rates to rise moderately as a result of the strength of Japan's economy. We will therefore work to maintain a conservative loan-to-value (LTV) ratio at 40 to 50 percent, with a maximum 60 percent. Moreover, we are also basing our finances on continued procurement of long-term, fixed-rate funding to avoid the risk of sudden sharp increases in interest payments because of higher interest rates.

## Compliance Initiatives

**NBF is acutely aware of compliance risk.**

NBF is further strengthening compliance risk management to accommodate increasing scale and changing social obligations.

## Fundamental Management Policies and Outlook

NBF is a driving force among Japanese real estate investment trusts (J-REITs). We will make maximum use of the foundation for growth we have constructed to fulfill our mission of generating additional growth in the future.

Looking forward, competition in acquiring properties will continue to intensify. Moreover, interest rates are likely to rise, which will increase the importance of sound finances. Given this market environment, NBF aims to generate additional growth with four primary policies. We will make maximum use of our outstanding portfolio and acquire additional properties to build the foundation for external growth. We will also strengthen earnings capabilities for internal growth. In addition, NBF will execute a stable, conservative financial strategy that can accommodate rising interest rates, and will further strengthen compliance risk management.

Under these policies, NBF aims to further strengthen earnings during the 13th Period, primarily through internal growth. We project operating revenues of ¥27,570 million, operating income of ¥12,236 million, net income of ¥9,804 million, and a distribution of ¥19,300 per share. For the period ending June 30, 2008 (the "14th Period"), we project operating revenues of ¥28,318 million, operating income of ¥13,003 million, net income of ¥10,312 million, and a distribution of ¥20,300 per share. These projections assume no acquisitions or transfers of buildings other than those currently under contract, and no issue of new shares.

The scale of NBF's assets and its management system make it a driving force in the J-REIT market. We will use the foundation for growth we have constructed to fulfill our mission of generating additional growth.

NBF will manage its assets according to its investment policy of achieving sustainable growth in portfolio value and stable profits over the medium-to-long term. Our objective will be increased shareholder value. We will be counting on your continued support as we work toward these goals.



**Koichi Nishiyama**

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

## BALANCE

### Steady External Growth

The office building acquisition market in Japan has become increasingly competitive as a result of the strength of the office building leasing market. NBF is making maximum use of its high-quality portfolio in emphasizing enhanced earnings through internal growth. At the same time, we recognize that external growth through acquiring additional high-quality properties is crucial to building a solid foundation for growth. Both approaches are therefore important to steady growth.

During the six months ended June 30, 2007, NBF increased its stake in Nakanosakaue Sunbright Twin, an existing property, and made a new acquisition at the adjacent Nakanosakaue Sunbright Annex, for a total acquisition price of ¥31,615 million. NBF also acquired the NBF Ginza Street Building for an acquisition price of ¥17,000 million, and acquired land with a building located at Kandasuda-cho 2-chome, Chiyoda-ku, Tokyo, adjacent to an existing property, the NBF Sudacho Verde Building, for an acquisition price of ¥900 million. The total acquisition cost for these three properties was ¥49,515 million. Looking forward, NBF aims to strengthen its foundation for growth by acquiring outstanding properties.

## ¥49,515 million

External growth

	Acquisition price
Nakanosakaue Sunbright Twin Nakanosakaue Sunbright Annex	¥31,615 million
NBF Ginza Street Building	¥17,000 million
Land with a building located at Kandasuda-cho 2-chome, Chiyoda-ku, Tokyo	¥900 million
	<b>¥49,515 million</b>

## 50.5%

Below-market lease contracts



### Strong Potential for Internal Growth

While conditions are strong in the office building leasing market, the supply of new office buildings is limited. Rising rents are particularly prominent in the five central business districts<sup>1</sup> of Tokyo, where average lease rates per square meter as of June 30, 2007 increased 7.2 percent from December 31, 2006 (Source: Miki Shoji Company).

NBF is taking full advantage of these favorable market conditions. We have increased lease rates for new tenants while emphasizing rent increases in renewing contracts with below market lease rates. In Japan's leasing market, rent does not customarily increase for existing tenants other than at contract renewal. Rent increases therefore coincide with contract renewals.

As of June 30, 2007, contracts up for renewal within two years with below-market lease rates accounted for 50.5 percent, or more than half, of NBF's total rental revenue. This indicates strong potential for internal growth.

During the six months ended June 30, 2007, renegotiation of existing lease contracts increased monthly rental revenue by ¥62.0 million. NBF is now conducting lease negotiations with the target of raising rental revenue from renewed contracts by 7 to 8 percent.

Note 1. Chuo-ku, Chiyoda-ku, Minato-ku, Shinjuku-ku, Shibuya-ku

# SCALE

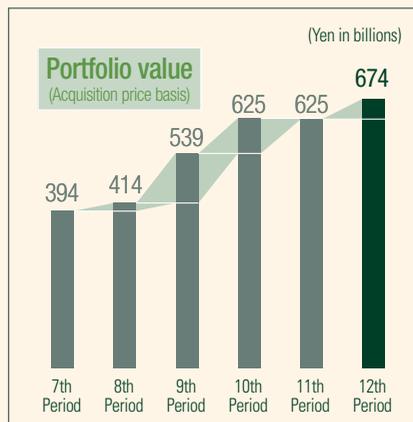
## Potential for Asset Expansion

The vacancy rate in Tokyo's five central business districts as of June 30, 2007 decreased 0.6 percentage points from December 31, 2006 to 1.7 percent, indicating continued strong demand for office space (Source: CB Richard Ellis Japan).

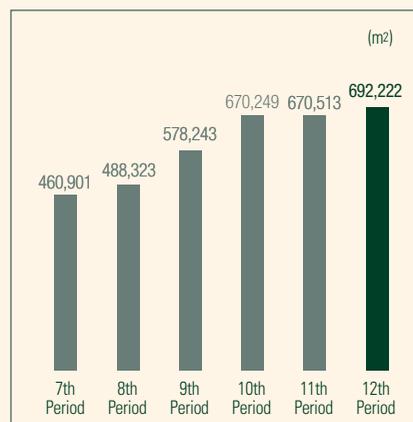
The strength of the office leasing market has caused competition in the office building acquisition market to intensify. However, NBF has been able to steadily increase the scale of its portfolio with high-quality assets. NBF has increased its portfolio on an acquisition price basis by 71 percent from the end of the 7th Period through June 30, 2007. NBF has been able to achieve this kind of performance because of its extensive expertise in acquisitions. We use a powerful information pipeline that includes the Mitsui Fudosan Group, and employ other techniques such as acquiring projects under development and making acquisitions that add to existing properties.

We do not intend to expand the scale of our assets simply for the sake of expansion. We will deploy our strengths and manage risks appropriately to acquire outstanding properties that will maintain their value over the medium to long term in working to further expand and strengthen our portfolio.

**71%**  
Portfolio growth



**692,222m<sup>2</sup>**  
Total rentable area



## The Advantages of Scale

NBF was the first Japanese real estate investment trust (J-REIT), and has steadily expanded the scale of its assets since listing on the J-REIT section of the Tokyo Stock Exchange. Its portfolio as of June 30, 2007 encompassed 56 owned properties valued at ¥674.3 billion on an acquisition price basis, making NBF the largest J-REIT in Japan. The powerful advantage of NBF's scale is not only expressed by the number or value of its properties, but also by total rentable area of 692,222m<sup>2</sup>, which is directly related to earnings.

NBF's market capitalization also indicates competitive advantage. The market capitalization of the entire J-REIT market as of June 30, 2007 was about ¥5.7 trillion. NBF's market capitalization of ¥868.6 billion at that date represents a significant proportion of the J-REIT market capitalization. As in the case of scale of assets, NBF is Japan's largest J-REIT.

We will make maximum use of the advantages of the scale of assets we have built in working to further raise profitability as we concentrate on structuring a matchless portfolio.

# QUALITY

## A High Occupancy Rate

NBF believes that a high level of tenant satisfaction is essential to maintaining a high occupancy rate, and continuously addresses this strategic issue.

Specifically, since listing on the J-REIT section of the Tokyo Stock Exchange in 2001 NBF has quantitatively and qualitatively determined tenant needs through surveys. We precisely address needs uncovered through this analysis in working to raise the level of tenant satisfaction. During the period ended June 30, 2007, NBF earned a highly positive response by implementing upgrades of plumbing and security facilities, as well as by holding various events.

One result of our strategic emphasis on raising tenant satisfaction is that we have maintained an occupancy rate for our portfolio of 97 percent or higher since the 6th Period. Moreover, the occupancy rate as of the end of the 12th Period on June 30, 2007 was 99.0 percent.

A good relationship with tenants does more than just keep the occupancy rate high. It also supports NBF in negotiations to increase lease rates at contract renewal time, and we will continue to execute programs that support profitability.

## Outstanding Risk Management

NBF works to generate stable earnings through three primary risk management initiatives.

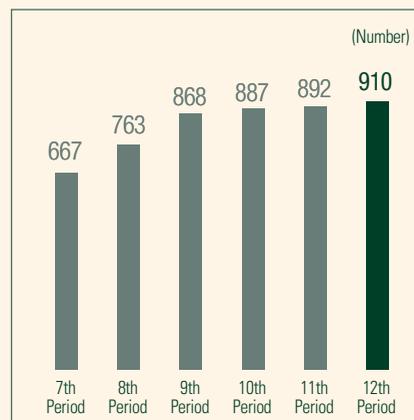
# 99.0%

Occupancy rate



# 910

Tenants



The first is reducing property risk. Building age and probable maximum loss (PML) are two key criteria we use when acquiring properties. As a result of our efforts to acquire highly competitive properties, the average building age of our portfolio as of June 30, 2007 was 13.80 years, or 3.90 years less than at the end of NBF's 1st Period. Moreover, the PML for our portfolio was 1.5 percent, or 3.3 percentage points lower than at the end of the 1st Period.

The second is reducing property concentration risk. Constant efforts have reduced the proportion of the value of our top three properties to 22.1 percent of our entire portfolio on an acquisition cost basis from 54.0 percent at the end of the 1st Period.

The third is reducing tenant risk by increasing the number of tenants. NBF had 910 tenants (1,236 actual tenants<sup>2</sup>) as of June 30, 2007, compared with 411 tenants at the end of the 1st Period. As a result, the proportion of floor space occupied by NBF's top ten tenants excluding Mitsui Fudosan Co., Ltd.<sup>3</sup> was 20.2 percent as of June 30, 2007, down significantly from 54.3 percent at the end of the 1st period.

NBF will continue working to improve portfolio quality through precise risk management.

Notes: 2. The figure of 1,236 actual tenants includes tenants occupying space under sublease contracts.

3. Technically, NBF's largest tenant is Mitsui Fudosan Co., Ltd., which has contracts covering 169,913m<sup>2</sup> for 327 sublease tenants. Mitsui Fudosan is excluded from the weighting calculation because it is not an actual large-scale tenant.

# A Continuing Record of Achievement

## New Acquisitions



### Nakanosakaue Sunbright Twin<sup>1</sup>

Other Greater Tokyo

	Nakanosakaue Sunbright Twin (Additional acquisition)	Nakanosakaue Sunbright Annex
Acquisition date	March 23, 2007	
Ownership status	Compartmented ownership	
Acquisition price	¥31,163 million	¥452 million
Acquisition structure	Ownership	
Location	46-1, Honcho 2-chome, Nakano-ku, Tokyo	46-4, Honcho 2-chome, Nakano-ku, Tokyo
Site area	10,331.90m <sup>2</sup>	
Floor area of building	63,396.95m <sup>2</sup> (NBF share: 49.0%)	2,463.94m <sup>2</sup> (NBF share: 50.3%)
Structure	30 floors above ground, 2 floors below	5 floors above ground, 1 floor below
Completed	September 30, 1996	

Notes: 1. In this report, Nakanosakaue Sunbright Twin and Nakanosakaue Sunbright Annex are collectively referred to as Nakanosakaue Sunbright Twin.

2. Including previous acquisitions (31.6%) and the additional acquisition (49.0%), NBF's ownership interest in Nakanosakaue Sunbright Twin (excluding the Annex) is 80.6%.

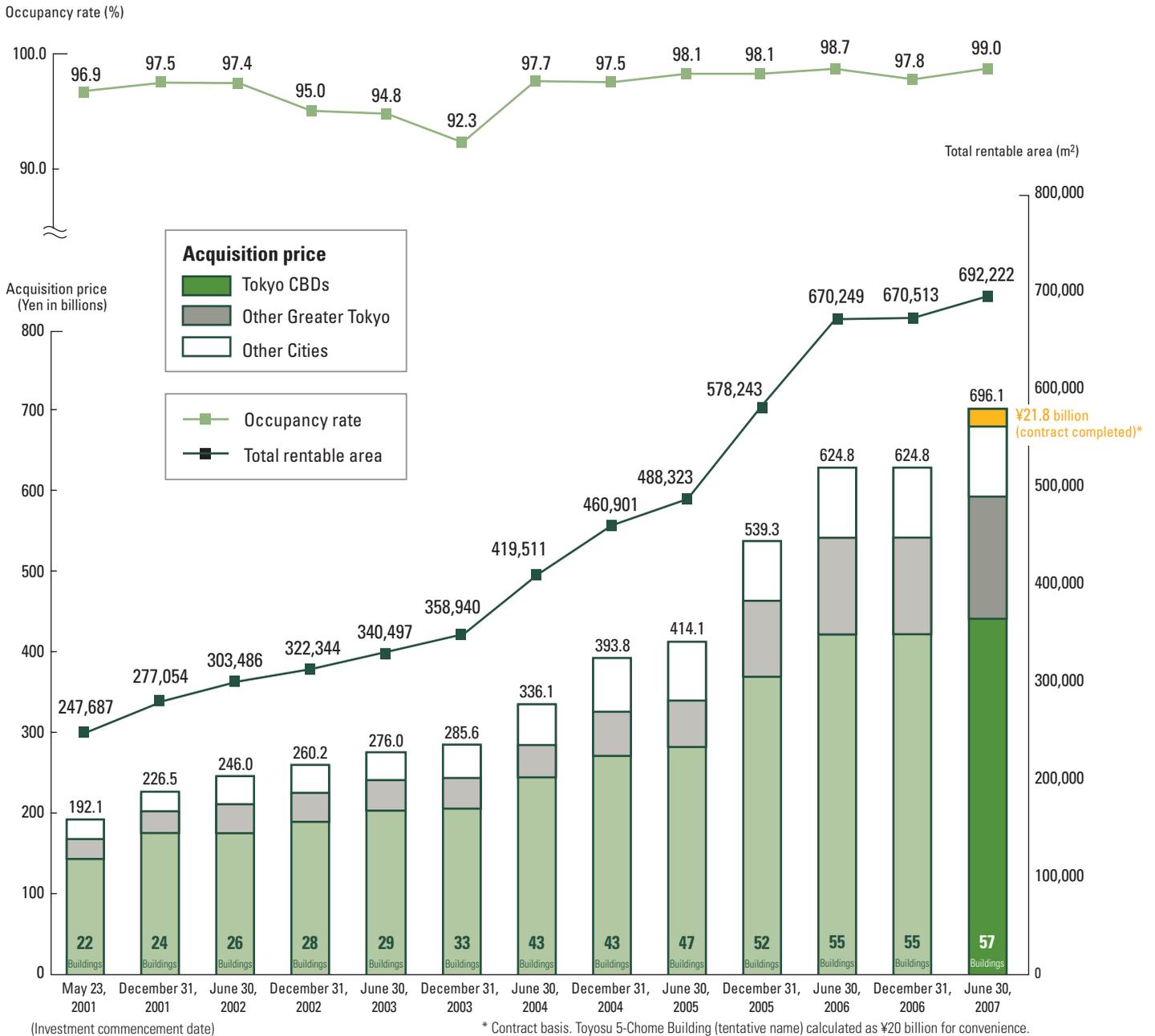


### NBF Ginza Street Building

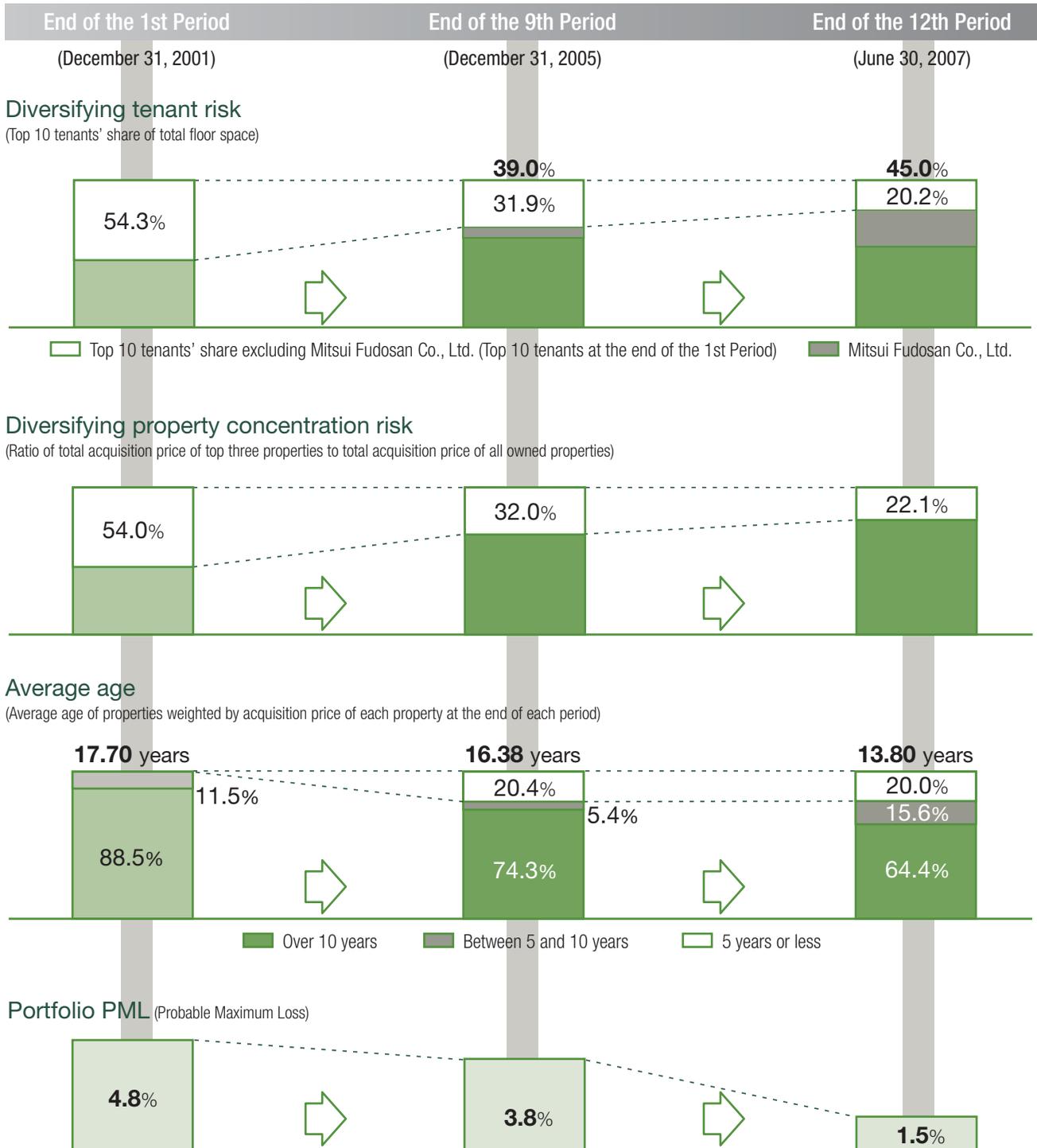
Tokyo CBDs

Acquisition date	April 25, 2007
Ownership status	Fee simple
Acquisition price	¥17,000 million
Acquisition structure	Trust
Location	7-5, Ginza 5-chome, Chuo-ku, Tokyo
Site area	425.60m <sup>2</sup>
Floor area of building	3,408.79m <sup>2</sup>
Structure	10 floors above ground, 1 floor below
Completed	June 12, 1990 (Building expansion: September 30, 1997)

## A Track Record of Steady Growth and High Occupancy Rates



## Ongoing Improvement in Portfolio Quality



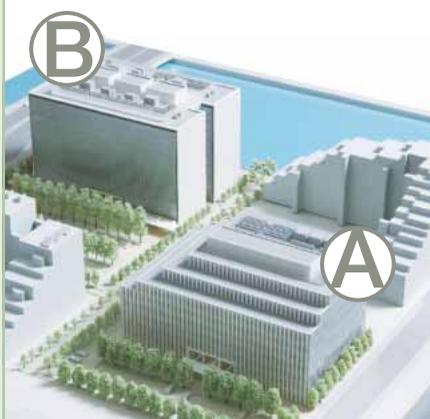
# Planned New Acquisitions

## Toyosu 5-Chome Building (Tentative Name)

14th Period, Other Greater Tokyo (scheduled)

### Integration with the adjacent IST Building adds value

Integrating this acquisition with the IST Building will increase total rentable area to 65,090m<sup>2</sup> and heighten the property's profile. We aim to raise competitiveness by managing the two properties as one, which will add flexibility to tenant management as we work to improve property management cost efficiency.



	Toyosu 5-Chome Building (A) (Tentative Name)	IST Building (B)	(A) + (B)
Acquisition price	¥16,200 million to ¥25,100 million	¥35,200 million	Maximum of ¥60,300 million
Location	Koto-ku, Tokyo		—
Site area	12,551m <sup>2</sup>	14,335m <sup>2</sup>	26,886m <sup>2</sup>
Rentable area	28,326m <sup>2</sup>	36,764m <sup>2</sup>	65,090m <sup>2</sup>
Structure	10 floors	11 floors	—
Completion of construction	October 2007	September 7, 2004	—
Acquisition date	March 31, 2008 (scheduled)	September 13, 2005	—
Seller	Shimizu Corporation	Special Purpose Company of Shimizu Corporation	—

## NBF Nagoya Hirokoji Building

14th Period, Other Cities (scheduled)

### Expansion increases scale and grade

The expansion of the NBF Nagoya Hirokoji Building will raise the standard area of each floor to 1,117m<sup>2</sup> and total floor area to 14,652m<sup>2</sup>, thus increasing the scale of the existing building. This will raise the grade of the property. Efforts to add value including improvements to common areas will further support our objective of increasing competitiveness and rent levels.



	NBF Nagoya Hirokoji Building (A) (Expansion)	NBF Nagoya Hirokoji Building (B) (Existing)	(A) + (B)
Acquisition price	¥1,826 million	¥5,406 million	¥7,232 million
Location	Naka-ku, Nagoya, Aichi		—
Site area	431m <sup>2</sup>	1,252m <sup>2</sup>	1,683m <sup>2</sup>
Rentable area	2,903m <sup>2</sup>	6,873m <sup>2</sup>	9,776m <sup>2</sup>
Structure	9 floors	9 floors above ground, 2 floors below	—
Completion of construction	March 17, 2008 (scheduled)	October 25, 2000	—
Acquisition date	March 17, 2008 (scheduled)	March 30, 2004	—
Seller	Taisei Corporation	Toei Corporation	—

# Main Properties



- From upper left
- ① Yamato Seimei Building
  - ② Nishi-Shinjuku Mitsui Building
- From lower left
- ③ Shiba NBF Tower
  - ④ NBF Platinum Tower



From upper left  
 ⑤ Gate City Ohsaki  
 ⑥ Toranomom Kotohira Tower  
 From lower left  
 ⑫ NBF Toranomom Building  
 ⑮ NBF Alliance  
 ⑧ Nakameguro GT Tower





- From upper left
- 29 IST Building
  - 30 Shin-Kawasaki Mitsui Building
- Center
- 20 NBF Akasaka Sanno Square
- From lower left
- 47 Shinanobashi Mitsui Building
  - 45 52 Aqua Dojima NBF Tower, Aqua Dojima East



# Location of Office Properties

## Tokyo CBDs

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

### Other Greater Tokyo

- 28 Nakanosakaue Sunbright Twin
- 29 IST Building
- 57 Toyosu 5-Chome Building  
(Scheduled for acquisition in March 2008)



7 NBF Nihonbashi Muromachi Center Building



16 Yotsuya Medical Building



17 Shibuya Garden Front



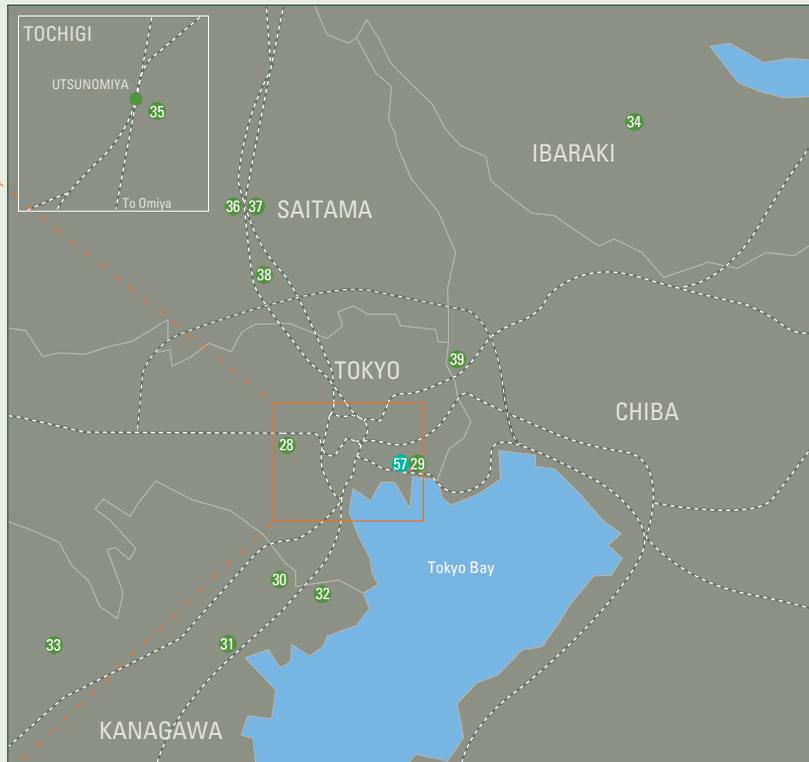
18 NBF Shibakouen Building



22 NBF Higashi-Ginza Square

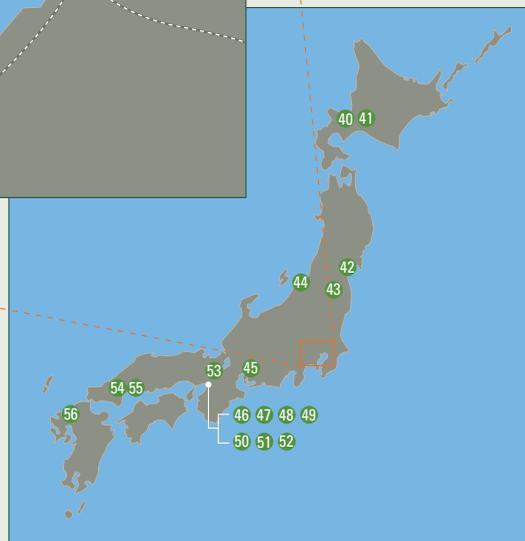
Other Greater Tokyo

- 30 Shin-Kawasaki Mitsui Building
- 31 Yokohama ST Building
- 32 Parale Mitsui Building
- 33 NBF Atsugi Building
- 34 Tsukuba Mitsui Building
- 35 NBF Utsunomiya Building
- 36 S-ino Omiya North Wing
- 37 Daido Life Omiya Building
- 38 NBF Urawa Building
- 39 NBF Matsudo Building



Other Cities

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



32 Parale Mitsui Building



36 S-ino Omiya North Wing



40 Sapporo L-Plaza



48 Sun Mullion NBF Tower



49 Sakaisuji-Honmachi Center Building

# Portfolio Overview

NBF's properties as of June 30, 2007 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 Yamato Seimei Building	Trust	Fee simple	100.0	1984	63,500	64,550
2 Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.1	1999	44,903	37,087
3 Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	31,568
4 NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	31,255
5 Gate City Ohsaki	Ownership	Compartmented ownership	12.9	1999	30,100	25,068
6 Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	21,513
7 NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,015
8 Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	22,680
9 NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,605
10 Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	15,736
11 GSK Building	Trust	Fee simple	100.0	1990	15,616	14,109
12 NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,780
13 Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	12,285
14 Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,910
15 NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,513
16 Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,731
17 Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,446
18 NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,806
19 NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,295
20 NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,288
21 Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,921
22 NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	5,111
23 NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	4,965
24 NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,550
25 NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,494
26 NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,381
27 NBF Ebisu-minami Building	Ownership	Fee simple	100.0	1991	1,000	1,029
<b>Other Greater Tokyo</b>						
28 Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	80.6 Note 4	1996	40,594	40,189
29 IST Building	Trust	Fee simple	100.0	2004	35,200	34,305
30 Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	20,029
31 Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,634
32 Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,345
33 NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,199
34 Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,673
35 NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,540
36 S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	16,215
37 Daido Life Omiya Building	Trust	Fee simple	100.0	1991	2,361	2,213
38 NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,972
39 NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,336
<b>Other Cities</b>						
40 Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	4,247
41 NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,734
42 NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,620
43 NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,408
44 NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,696
45 NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	5,406	5,290
46 Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	17,295
47 Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	12,013
48 Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	9,248
49 Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,432
50 NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	2,048
51 NBF Tanimachi Building	Trust	Fee simple	100.0	1993	1,944	1,911
52 Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,880
53 NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,393
54 NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,963
55 Hiroshima Fukuromachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	835	773
56 NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,376
<b>Total</b>					<b>674,354</b>	<b>643,669</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.

4. This figure does not include the Nakanosakaue Sunbright Annex, in which NBF has 50.3% 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)	(%)
68,300	27,640	27,111	98.1	61	1,938	7.3
53,500	32,968	32,968	100	1	1,407	5.3
36,500	24,728	24,728	100	27	1,058	4.0
54,600	33,503	33,503	100	5	1,430	5.4
34,400	20,714	20,714	100	1	1,051	3.9
34,700	16,848	16,848	100	1	1,042	3.9
32,000	16,306	16,306	100	14	903	3.4
29,800	21,423	21,423	100	1	1,049	3.9
16,500	3,440	3,440	100	1	Note 2	Note 2
23,000	14,900	14,841	99.6	44	685	2.6
20,200	20,426	20,426	100	1	Note 2	Note 2
19,700	10,193	9,884	97.0	11	537	2.0
18,500	10,088	10,088	100	2	Note 2	Note 2
15,210	17,338	17,338	100	2	614	2.3
11,600	4,043	4,043	100	9	303	1.1
9,170	7,450	7,450	100	1	327	1.2
16,150	8,258	8,258	100	1	Note 2	Note 2
8,350	7,087	7,087	100	7	238	0.9
8,420	10,473	10,458	99.9	5	339	1.3
8,160	5,258	5,258	100	6	248	0.9
6,460	5,991	5,991	100	1	Note 2	Note 2
7,560	4,871	4,871	100	9	235	0.9
6,060	4,805	4,805	100	1	199	0.7
6,220	5,666	5,666	100	13	217	0.8
5,610	5,127	5,127	100	12	188	0.7
4,140	2,971	2,971	100	4	114	0.4
1,450	1,595	1,595	100	3	59	0.2
39,300	31,936	31,900	99.9	8	846	3.2
37,800	36,764	36,615	99.6	9	1,144	4.3
20,500	27,924	27,924	100	1	944	3.5
22,200	20,069	19,833	98.8	88	757	2.8
4,470	12,545	12,545	100	1	304	1.1
2,520	5,230	5,230	100	20	140	0.5
9,690	16,834	15,165	90.1	67	506	1.9
2,790	6,197	6,122	98.8	35	145	0.5
22,000	20,698	20,650	99.8	34	767	2.9
2,560	3,574	3,574	100	14	120	0.4
2,100	3,455	3,455	100	14	114	0.4
2,750	4,770	4,319	90.5	23	140	0.5
6,170	11,396	11,396	100	12	329	1.2
1,770	5,345	5,345	100	8	126	0.5
4,380	7,539	7,415	98.4	9	211	0.8
4,630	13,479	12,794	94.9	56	296	1.1
4,490	10,221	10,012	98.0	35	266	1.0
6,350	6,873	6,873	100	9	235	0.9
24,200	21,935	21,917	99.9	38	840	3.2
15,300	25,237	25,237	100	1	718	2.7
10,700	14,896	14,121	94.8	29	436	1.6
7,430	11,438	11,027	96.4	44	329	1.2
2,430	5,301	4,520	85.3	20	125	0.5
2,190	4,948	4,948	100	3	Note 2	Note 2
2,370	3,243	3,125	96.4	20	116	0.4
1,810	3,931	3,931	100	19	97	0.4
3,290	5,612	5,178	92.3	25	161	0.6
917	1,309	1,283	98.0	16	40	0.1
2,790	5,416	5,416	100	8	157	0.6
826,157	692,222	685,064	99.0	910	26,641	100.0

# Management Team and Management Structure

(As of June 30, 2007)

## Corporate Structure and Management

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 earnings. 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 central business districts (CBDs) in Tokyo, Greater Tokyo and other cities in Japan. NBF also invests in securities, beneficiary certificates representing beneficial interests in trusts (beneficiary certificates) and other assets backed by office properties.

### General Meeting of Shareholders

Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Shareholders, which convenes at least once every two years, in principle. The fifth General Meeting of Shareholders convened on March 8, 2007. The date of the next General Meeting of Shareholders has not been set.

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

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

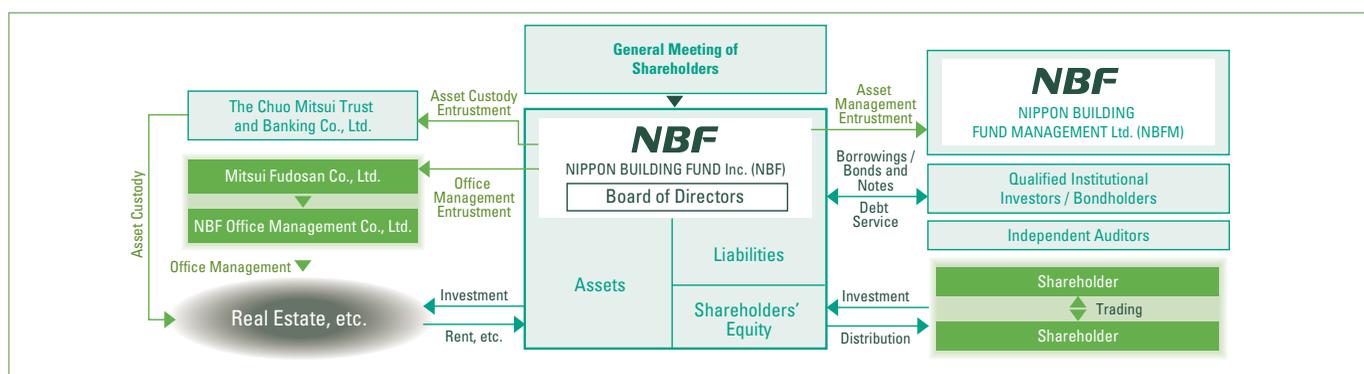
### Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of June 30, 2007, NBF had two executive directors and four supervisory directors.

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

Supervisory directors are responsible for supervising execution by the executive directors.

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



## Management Team



Seated from left:  
Sadafumi Abe  
Koichi Nishiyama

Standing from left:  
Hatsuo Komatsu  
Akira Nishizawa  
Hideo Fukazawa  
Sadao Kamiyama

	Name	Background Summary
Executive Directors	Sadafumi Abe	Appointed Executive Director of NBF in March 2005 after serving as Corporate Auditor of Mitsui Fudosan Co., Ltd.
	Koichi Nishiyama	Representative Director of Nippon Building Fund Management Ltd. Executive Director of NBF since August 2001.
Supervisory Directors	Akira Nishizawa	Appointed Supervisory Director of NBF in August 2001. Real estate appraiser. Tokyo District Court Appraisal Committee member.
	Hideo Fukazawa	Appointed Supervisory Director of NBF in March 2005 after serving as a deputy director of the Ministry of Land, and director of the Government Housing Loan Corporation.
	Hatsuo Komatsu	Attorney. Appointed Supervisory Director of NBF in March 2007.
	Sadao Kamiyama	Certified Public Accountant. Certified Public Tax Accountant. Appointed Supervisory Director of NBF in March 2007.

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 direc-

tors and supervisory directors selected to fill a vacancy or because of an increase in the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two executive directors and all four supervisory directors were elected at the General Meeting of Shareholders held on March 8, 2007, and assumed office on March 17, 2007.

## Nippon Building Fund Management Ltd.

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

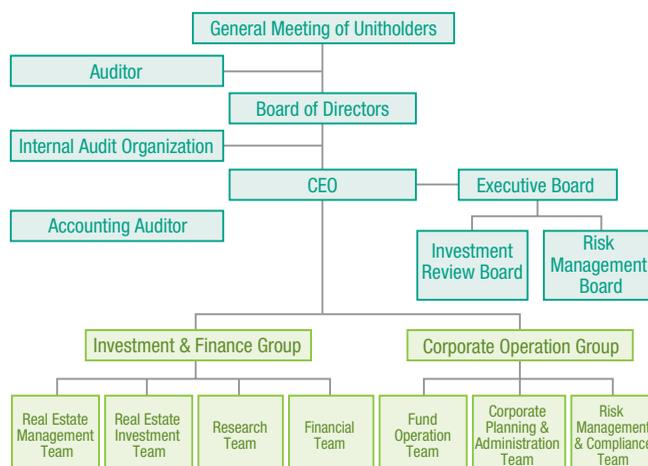
### Matters Entrusted to Nippon Building Fund Management Ltd.

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

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

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

## Management Structure



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. An internal audit unit conducts internal audits covering the operations and departments of Nippon Building Fund Management Ltd. at the request of the Board of Directors.

## 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 President and representative director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position) Aug. 2001 Became Executive Director of NBF (current position)
Yasushi Nakayama	Director, Head of Investment & Finance Group	April 1981 Joined Mitsui Fudosan Co., Ltd. April 2001 Head of Building Business Division, Building Department of Mitsui Fudosan April 2006 Manager of Building Department, Chiyoda Development Division of Mitsui Fudosan April 2007 Became Director of Nippon Building Fund Management Ltd. (current position)
Riichi Morihiro	Director, Head of Corporate Operation Group	April 1978 Joined Sumitomo Life Insurance Company Oct. 2002 Assistant Manager, Financial Corporation Division of Sumitomo Life Insurance April 2005 Director and Manager of Residential Planning Division, Eisen Realty Co., Ltd. April 2006 Became Director of Nippon Building Fund Management Ltd. (current position)
Kimihiko Suwa	Director (Part-time)	Became Director of Nippon Building Fund Management Ltd. (current position)
Tamotsu Shinyama	Director (Part-time)	Became Director of Nippon Building Fund Management Ltd. (current position)
Kaneo Maeda	Corporate Auditor (Part-time)	Became Auditor of Nippon Building Fund Management Ltd. (current position)
Noriaki Moromachi	Corporate Auditor (Part-time)	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 their 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. requires that a compliance officer be assigned to the Corporate Operation Group, and has established Compliance Rules and a Compliance Manual. In addition, a Compliance Program is formulated each year to verify the progress of the execution plan for that year and identify any problem areas.

## Risk Management System

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

### ■ NBF

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

### ■ Nippon Building Fund Management Ltd.

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

The Asset Management Guidelines consist of management guidelines for management, acquisition and sale of assets; financial guidelines for

fund procurement and management policies; accounting guidelines for tax accounting and dividend distribution policies; and guidelines on transactions with potential conflicts of interest.

## Policy and Management System for Dealing with Conflict of Interest Transactions

### ■ Fundamental Policy on Conflict of Interest Transactions

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

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

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

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

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

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

# Management's Discussion and Analysis

## Summary of Selected Financial Data

		12th Period from January 1, 2007 to June 30, 2007	11th Period from July 1, 2006 to December 31, 2006	10th Period from January 1, 2006 to June 30, 2006	12th Period from January 1, 2007 to June 30, 2007
(Yen in millions, except per share data or where otherwise indicated)					U.S. dollars in thousands except per share data (Note 1)
Operating revenues	Note 2	¥ 26,641	¥ 25,894	¥ 24,307	\$ 215,906
Revenue from property leasing		26,641	25,894	22,872	215,906
Revenue from capital gain		—	—	1,435	—
Operating expenses		14,529	14,242	12,622	117,746
Rental expenses		13,323	13,095	11,472	107,977
Income before income taxes		10,064	9,767	9,852	81,560
Net income	(a)	10,063	9,766	9,851	81,553
Funds from operations	Note 3	15,188	14,754	12,951	123,085
Net operating income from property leasing activities	Note 3	18,442	17,787	15,936	149,461
Total amount of cash distribution	(b)	10,063	9,766	9,851	81,554
Depreciation and amortization		5,125	4,988	4,536	41,532
Capital expenditures		1,210	1,317	753	9,806
Total assets	(c)	680,266	634,117	633,693	5,513,139
Interest-bearing debt		281,500	236,500	237,500	2,281,384
Net assets	(d)	356,509	356,213	356,297	2,889,292
Total number of common shares issued (shares)	(e)	508,000	508,000	508,000	—
Net assets per share (Yen)	(d) / (e)	701,790	701,206	701,373	5,688
Distribution per share (Yen)	(b) / (e)	19,809	19,224	19,391	161
Funds from operations per share (Yen)	Note 3	29,897	29,043	27,395	242
ROA	Note 3	1.53%	1.54%	1.64%	
(Annual rate)		(3.06%)	(3.08%)	(3.29%)	
ROE	Note 3	2.82%	2.74%	3.15%	
(Annual rate)		(5.65%)	(5.48%)	(6.30%)	
LTV (Loan to Value)	Note 3	44.9%	40.9%	41.0%	
Capital ratio	(d) / (c)	52.4%	56.2%	56.2%	
Payout ratio	(b) / (a) Note 4	100.0%	99.9%	100.0%	
Number of days		181	184	181	
Number of investment properties	Note 5	56	55	55	
Number of tenants	Note 5	910	892	887	
Total rentable area (m <sup>2</sup> )		692,222	670,513	670,249	
Occupancy rate	Note 5	99.0%	97.8%	98.7%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥123.39 = U.S. \$1.00, the approximate exchange rate on June 30, 2007.

2. Operating revenues do not include consumption tax.

3. All valuations are calculated through the following formulas. The figures in parentheses are annualized based on the 6-month figures for 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

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

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

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

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

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

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

## Operating Environment and Results

During the six months ended June 30, 2007 (the "12th Period"), Japan's economy continued its gradual expansion, supported by firm exports with continued steady growth in capital investment.

In the office building leasing market, strong corporate performance fueled aggressive business expansion and improved employment conditions, which further raised demand for office space in the central business districts (CBDs) of Tokyo. The result was a marked decrease in vacancy rates and increase in rents for new tenants. Moreover, continued strong growth in the leasing market was not limited to rents for new tenants in Tokyo CBDs, with an upward trend also apparent in rent for lease contract renewals.

In the real estate acquisition market, solid demand for office space and low interest rates continued to drive aggressive investment by domestic and foreign funds, J-REITs and other institutions, which significantly increased acquisition prices and lowered yields. As a result, the environment for real estate acquisition remained challenging.

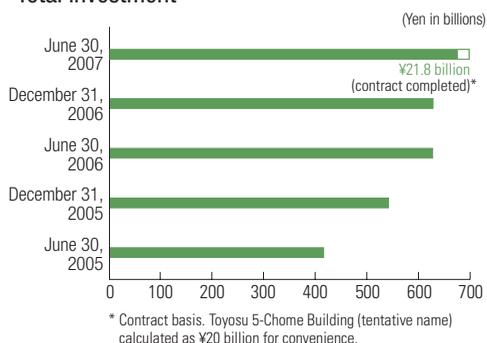
Under these conditions, NBF continued to manage its assets based on a strategy of investing in high-quality, highly competitive office buildings with comparatively stable rental cash flow and little risk of decline in asset value.

During the 12th Period, NBF exercised careful deliberation that made the most of its accumulated expertise and original information channels such as the Mitsui Fudosan Group. In March 2007, NBF made an additional acquisition in Nakanosakaue Sunbright Twin (acquisition price: ¥31,163 million) and a new acquisition in the Nakanosakaue Sunbright Annex (acquisition price: ¥452 million). In April 2007, NBF acquired the NBF Ginza Street Building (acquisition price: ¥17,000 million). In June 2007, NBF closed the acquisition of land with a building located at Kandasuda-cho 2-chome, Chiyoda-ku, Tokyo, for which it had completed an acquisition contract in December 2006 (acquisition price: ¥900 million).

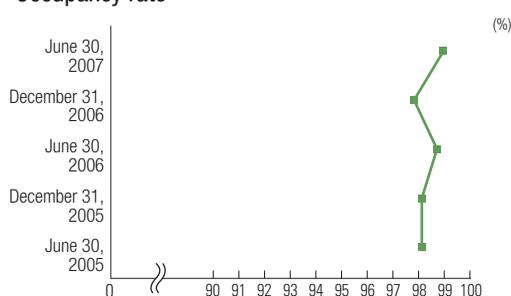
For its portfolio properties, NBF also implemented various measures to increase tenant satisfaction, including conducting surveys to achieve an understanding of tenant needs, providing meticulous property management services, doing regular renewal construction and improving administrative processes. At the same time, NBF identified suitable markets, set appropriate rents and increased rents for existing tenants who renewed their lease contracts. These and other efforts further enhanced profitability.

As a result of these efforts, NBF's real estate portfolio as of June 30, 2007 totaled 56 buildings. Total investment on an acquisition price basis was ¥674,354 million. Total rentable area was 692,222m<sup>2</sup>. The occupancy rate increased 1.2 percentage points from December 31, 2006 to 99.0 percent. Tenants totaled 910.

### Total investment



### Occupancy rate



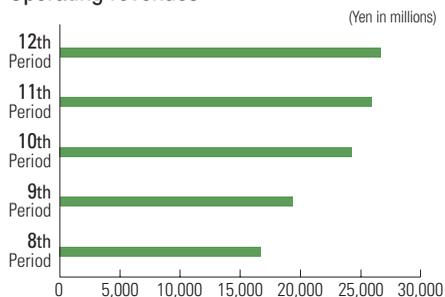
## Overview of Performance

Operating revenues for the six months ended June 30, 2007 increased 2.9 percent, or ¥747 million, compared with the previous six-month period to ¥26,641 million. Operating income in the property leasing business increased 4.0 percent, or ¥519 million, compared with the previous six-month period to ¥13,318 million. Operating income increased 3.9 percent, or ¥460 million, compared with the previ-

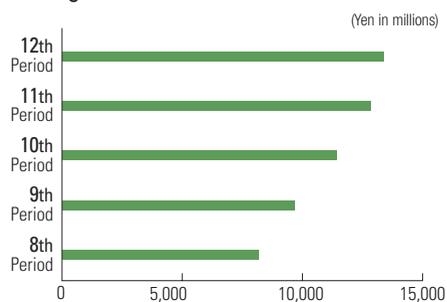
ous six-month period to ¥12,112 million.

Operating income increased due to an increase in operating revenues resulting from the contribution of Nakanosakaue Sunbright Twin and the NBF Ginza Street Building, which NBF acquired during the six months ended June 30, 2007, as well as internal growth resulting from factors including rent increases for existing tenants who renewed their leases.

### Operating revenues



### Operating income from property leasing activities



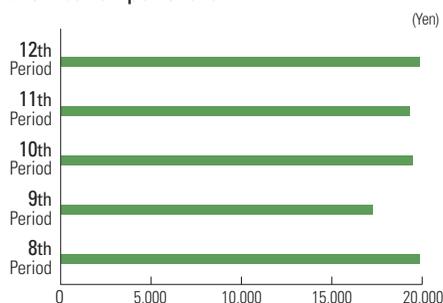
### Distribution for the Current Period

Distribution per share for the current period was ¥19,809. NBF expected to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

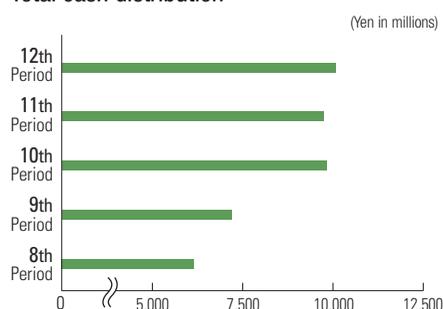
	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
(Yen in thousands, except per share amounts)			
Retained earnings	¥10,063,002	¥9,766,001	¥9,850,811
Undistributed earnings	30	209	183
Total cash distribution	10,062,972	9,765,792	9,850,628
(Total cash distribution per share)	19,809	19,224	19,391
Distribution of accumulated earnings	10,062,972	9,765,792	9,850,628
(Distribution of accumulated earnings per share)	19,809	19,224	19,391
Cash distribution in excess of accumulated earnings (per share)	—	—	—

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

### Distribution per share



### Total cash distribution



## Changes in Assets, Liabilities and Net Assets

### Assets

As of June 30, 2007, total assets increased ¥46,149 million to ¥680,266 million compared with December 31, 2006. Return on average total assets (ROA) for the six months ended June 30, 2007 decreased to 1.53 percent from 1.54 percent for the previous six-month period.

Current assets decreased ¥2,336 million to ¥32,441 million compared with December 31, 2006. Investment properties increased ¥46,521 million to ¥643,643 million compared with December 31, 2006.

### Liabilities

Current liabilities increased ¥27,868 million to ¥77,188 million compared with December 31, 2006, primarily because of an increase in short-term loans compared with December 31, 2006.

Long-term debt increased ¥17,000 million to ¥212,000 million compared with December 31, 2006.

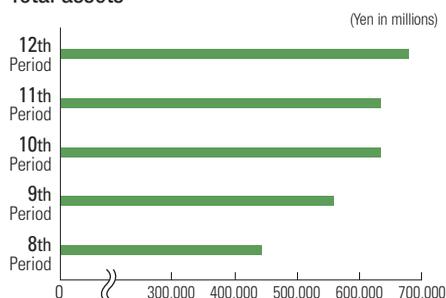
As a result, total interest-bearing liabilities increased ¥45,000 million to ¥281,500 million compared with December 31, 2006. However, the ratio of fixed-rate long-term debt to total interest-bearing liabilities decreased to 75.3 percent from 82.5 percent as of June 30, 2007. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 44.9 percent from 40.9 percent as of June 30, 2007.

In addition, NBF worked to diversify funding sources. In January 2007, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of June 30, 2007, NBF had issued bonds totaling ¥30 billion under this shelf registration.

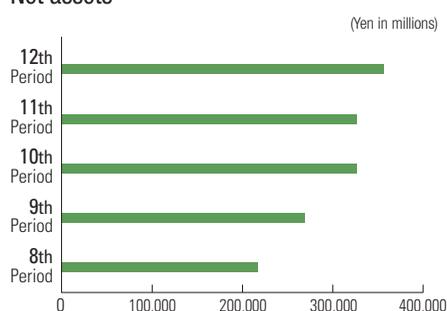
### Net Assets

Net assets increased ¥297 million to ¥356,509 million compared with December 31, 2006.

#### Total assets



#### Net assets



## Funding

### Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of June 30, 2007, NBF had issued 508,000 common shares out of 2,000,000 total authorized shares. NBF's common shares were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon

the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of shares, NBF's common shares comprise the sole class of shares authorized and issued by NBF.

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

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

## Market Price of Shares

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

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
(Yen)			
High	¥1,990,000	¥1,580,000	¥1,170,000
Low	1,550,000	1,080,000	995,000

## Borrowings

Borrowings from financial institutions as of June 30, 2007 are shown below.

### Short-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Sumitomo Trust and Banking Company, Limited	¥10,000	0.8%	July 31, 2007	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3)
Shinkin Central Bank	7,000	0.8%	July 31, 2007			
The Shinsei Bank, Limited	7,000	0.8%	July 31, 2007			
Mitsubishi UFJ Trust and Banking Corporation	3,000	0.8%	July 31, 2007			
THE BANK OF FUKUOKA, LTD.	2,000	0.9%	July 31, 2007			
The Hachijuni Bank, Ltd.	2,000	1.0%	September 28, 2007			
THE KAGOSHIMA BANK, LTD.	1,000	0.9%	July 31, 2007			
The Gunma Bank, Ltd.	1,000	0.9%	July 31, 2007			
The Yamaguchi Bank, Ltd.	1,000	0.9%	July 31, 2007			
THE SHIZUOKA BANK, LTD.	1,000	0.9%	August 31, 2007			
The Chugoku Bank, Limited	1,000	0.9%	July 31, 2007			
The Iyo Bank, Ltd.	1,000	0.9%	July 31, 2007			
The Yamanashi Chuo Bank, Ltd.	500	1.0%	September 28, 2007			

**Total short-term debt** ¥37,500

Long-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan	¥ 4,000	1.8%	November 28, 2014	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu. See (Note 3)  Fixed rate
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
Sumitomo Life Insurance Company	12,000	1.7%	May 23, 2008			
	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 19, 2011			
	3,000	1.2%	February 3, 2010			
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			
The Chuo Mitsui Trust and Banking Co., LIMITED	9,000	1.3%	July 16, 2007			
	5,000	1.6%	March 30, 2011			
	1,000	1.2%	March 30, 2009			
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			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
The Norinchukin Bank	8,000	1.1%	November 20, 2008			
Nippon Life Insurance Company	3,000	0.9%	October 30, 2009			
	2,000	0.8%	April 1, 2010			
	2,000	1.1%	October 19, 2010			
The Sumitomo Trust and Banking COMPANY, LIMITED	6,000	1.3%	July 16, 2007			
DAIDO LIFE INSURANCE COMPANY	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
The Dai-ichi Mutual Life Insurance Company	2,000	0.8%	February 13, 2008			

(Continued)

Long-term debt (Continued)

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	0.7%	September 28, 2007	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3)
TAIYO LIFE INSURANCE COMPANY	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
Sumitomo Mitsui Banking Corporation	1,000	1.5%	June 30, 2009			
The Joyo Bank, Ltd.	1,000	1.4%	May 23, 2008			Fixed rate
<b>Total long-term debt</b>	<b>¥164,000</b>					
<b>Total borrowings (Note 4)</b>	<b>¥201,500</b>					

Notes: 1. With respect to the date of drawdown and date of repayment in case of more than one short-term loan from the same lender, the earliest date of repayment for all such loans coming due is given.

2. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.

3. A special agreement attached to "Loan Agreement" entered into between the NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.

4. The total amount of long-term borrowings (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	¥10,000	¥18,000	¥8,000	¥22,000

NBF Bonds

Issue	Issue date	Balance as of June 30, 2007 (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. 4 Unsecured Bonds	September 22, 2004	¥ 10,000	1.04%	September 22, 2009	Bullet payment	Note 1	Notes 2 and 4
No. 5 Unsecured Bonds	September 22, 2004	¥ 10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Notes 2 and 4
No. 6 Unsecured Bonds	March 9, 2005	¥ 10,000	0.80%	March 9, 2010	Bullet payment	Note 1	Notes 3 and 5
No. 7 Unsecured Bonds	November 9, 2005	¥ 10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 8 Unsecured Bonds	March 7, 2007	¥ 10,000	1.48%	March 7, 2012	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	¥ 10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	¥ 10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
<b>Total (Note 6)</b>		<b>¥80,000</b>					

Notes: 1. Use of funds includes acquisition of Real Estate, etc., repayment of borrowings and working capital.

2. These bonds are only issued to qualified institutional investors and rank pari passu with other bonds issued.

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 pursuant to material decline in credit rating.

6. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Yen in millions)					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	—	—	¥20,000	—	¥20,000

Others

NBF had security deposits totaling ¥34,515 million as of June 30, 2007.

## Capital Expenditures

### Planning

As of June 30, 2007, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from January 1, 2007 to June 30, 2007)	Cumulative amount paid
(Yen in millions)					
Yokohama ST Bldg.	Security equipment renovation	From July 2007 to December 2007	¥142	¥ —	¥ —
NBF Sendai Honcho Bldg.	Air conditioning equipment renovation (4th Period)	From September 2007 to December 2007	¥ 82	¥ —	¥ —
NBF Utsunomiya Bldg.	Cleaning and sealing renovation of exterior walls	From July 2007 to October 2007	¥ 25	¥ —	¥ —
NBF Ogawamachi Bldg.	Renovation of central monitoring facilities	From March 2008 to May 2008	¥ 75	¥ —	¥ —
NBF Ikebukuro Tower	Renovation of HVAC equipment (1st Period)	From April 2008 to May 2008	¥ 59	¥ —	¥ —
Parale Mitsui Bldg.	New lighting ballast installation (1st Period)	From May 2008 to June 2008	¥ 45	¥ —	¥ —
NBF Urawa Bldg.	Exterior wall renovation	From September 2007 to January 2008	¥ 40	¥ —	¥ —
NBF Utsunomiya Bldg.	Outdoor unit fan motor replacement Compressor overhaul	From April 2008 to June 2008	¥ 26	¥ —	¥ —

### Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,210 million in capital expenditures together with ¥618 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Shibakouen Bldg.	Renovation of common areas, barrier-free construction, renovation of air conditioning system including regulators and heat exchangers Air conditioning equipment renovation (3rd Period)	From January 2007 June 2007	¥ 132
NBF Sendai Honcho Bldg.	Work including 6th floor east air conditioning equipment		85
Other buildings	Work including maintenance projects and renovation to raise tenant satisfaction		993
<b>Total</b>			<b>¥1,210</b>

### Cash Reserve for Capital Improvements

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

	As of June 30, 2007	As of December 31, 2006
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 949	¥1,413
Amount accumulated in the current period	1,536	1,460
Withdrawal from reserves in the current period	1,899	1,924
Amount carried forward	¥ 586	¥ 949

- 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. The above reserves do not include an accumulated reserve of ¥3,627 million as of June 30, 2007 for repair based on maintenance and other contracts with management organizations at buildings owned by NBF.

### Expenses regarding Entrustment, etc.

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

Item	For the six months ended	For the six months ended	For the six months ended
	June 30, 2007	December 31, 2006	June 30, 2006
	(Yen in millions)		
Asset management fees	¥ 977	¥ 949	¥ 877
Asset custody fees	30	30	26
Agent fees (stock transfer, accounting and administrative)	58	56	67
Directors' remuneration	19	19	11
Auditor's fees	13	12	12
Other expenses	108	80	157
<b>Total</b>	<b>¥1,205</b>	<b>¥1,147</b>	<b>¥1,150</b>

Note: In addition to the amounts stated above, there are asset management fees of ¥161 million for the period from January 1, 2007 to June 30, 2007, and ¥493 million for the period from January 1, 2006 to June 30, 2006 related to investment in properties which were booked on each property.

### Trading Activities during the Current Period

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

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

Name of building	Acquisitions	
	Date	Acquisition price (Note 1)
Nakanosakaue Sunbright Twin	March 23, 2007	¥31,163
Nakanosakaue Sunbright Annex	March 23, 2007	452
NBF Ginza Street Bldg.	April 25, 2007	17,000
NBF Sudacho Verde Bldg.	June 11, 2007	900
<b>Total</b>		<b>¥49,515</b>

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

#### 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.

#### Transactions with Interested Parties and Transactions with Major Shareholders of Investment Trust Management Company

##### (1) Ongoing Transactions

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

## (2) Fees Paid for the Period from January 1, 2007 to June 30, 2007

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A (Note 2)
Brokerage commission	¥ 537	Mitsui Fudosan Investment Advisors, Inc.	¥ 510	95.0%
Office management fees, etc. (Note 3)	1,058	Mitsui Fudosan Co., Ltd.	1,022	96.5%
		NBF Office Management Co., Ltd.	28	2.6%
Property transfer fee	8	Mitsui Fudosan Co., Ltd.	8	100.0%
Property maintenance fees	2,249	First Facilities Co., Ltd.	326	14.5%
		Mitsui Fudosan Co., Ltd.	321	14.3%
		First Facilities West Co., Ltd.	127	5.6%
		Mitsui Fudosan Building Management Co., Ltd.	80	3.6%
		First Facilities Yokohama Co., Ltd.	12	0.5%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.0%
Leasing related service fees	102	Mitsui Fudosan Co., Ltd.	36	35.4%
		NBF Office Management Co., Ltd.	35	34.4%
Corporate bonds acceptance commission	125	Mizuho Securities Co., Ltd.	40	32.0%

Notes: 1. "Interested parties" are as defined in Article 20 of the government ordinance regarding investment trusts and investment corporations, principally, parties related to NBF and the asset management firm to which it entrusts investment trust management under contract. "Major shareholders of the investment trust management company" are as defined by Article 9, Paragraph 3 of the government ordinance regarding investment trusts and investment corporations. During the period ended June 30, 2007, transactions with and fees paid to Mitsui Fudosan Investment Advisors, Inc., Mitsui Fudosan Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., NBF Office Management Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd. and Mizuho Securities Co., Ltd. were as described above.

2. Figures indicate percentages of total prices.

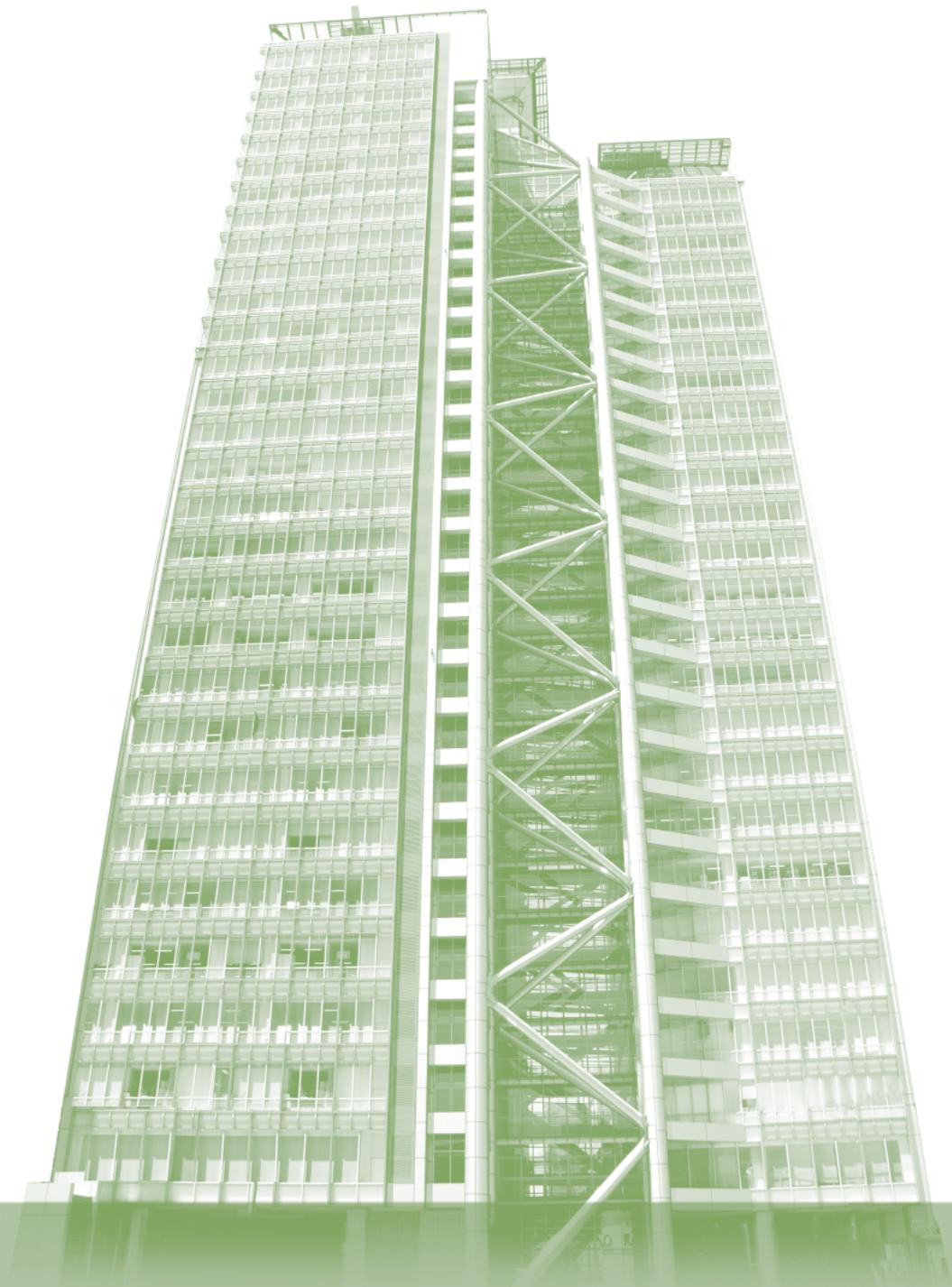
3. NBF leases Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Toranomon Kotohira Tower, Naka-Meguro GT Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg. and Shinanobashi Mitsui Bldg. to Mitsui Fudosan Co., Ltd., which sub-leases them to sub-lessees. Further, Sumitomo Trust & Banking Co., Ltd., as trustee, also leases the Yotsuya Medical Bldg. to Mitsui Fudosan Co., Ltd., which sub-leases it to sub-lessees. Accordingly, NBF does not entrust the office management business for those properties to Mitsui Fudosan. Instead, NBF Office Management Co., Ltd. has been entrusted to undertake such business on behalf of NBF, the owner and lessor of those properties.

4. In addition to the above fees, a certain portion of the fees paid by NBF to a third party (a company supervising investment company securities) for handling payments of principal and interest concerning the No. 2, No. 3, No. 4, No. 5 and No. 6 NBF Bonds was paid to Daiwa Securities SMBC Co., Ltd. and in the same manner, a certain portion of the fees for the No. 6 NBF Bond was paid to Nomura Securities Co., Ltd.

5. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

	(Yen in millions)
Mitsui Fudosan Co., Ltd.	189
First Facilities Co., Ltd.	175
First Facilities West Co., Ltd.	157
Mitsui Fudosan Building Management Co., Ltd.	120
Mitsui Designtech Co., Ltd.	32
First Facilities Yokohama Co., Ltd.	13
Rehouse Escrow Co., Ltd.	6
Mitsui Fudosan Housing Lease Co., Ltd.	5
Mitsuihome Linkage Co., Ltd.	1

# Financial Statements



# Balance Sheets

NIPPON BUILDING FUND INC.  
As of June 30, 2007 and December 31, 2006

	As of June 30, 2007	As of December 31, 2006
(Yen in millions)		
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	¥ 31,383	¥ 34,131
Tenant receivables	509	336
Consumption tax refund receivables and other current assets	549	310
Total current assets	32,441	34,777
Investment properties:		
Land including trust accounts (Note 3)	390,757	357,174
Building and improvements including trust accounts (Note 3)	245,911	235,037
Other tangible assets (Note 3)	6,108	5,897
Less: accumulated depreciation (Note 3)	(34,801)	(29,693)
Leasehold rights in trust accounts and other intangible assets	35,668	28,707
Total investment properties, net	643,643	597,122
Other assets	4,182	2,218
<b>Total Assets</b>	<b>¥680,266</b>	<b>¥634,117</b>
<b>Liabilities</b>		
Current Liabilities:		
Short-term loans (Note 5)	¥ 37,500	¥ 11,500
Long-term debt due within one year (Note 5)	32,000	20,000
Bonds due within one year (Note 5)	—	10,000
Accounts payable	3,439	2,440
Rents received in advance	3,181	2,987
Accrued expenses and other liabilities	1,068	2,392
Total current liabilities	77,188	49,319
Long-term debt (Note 5)	212,000	195,000
Tenant security deposits	34,515	33,534
Other liabilities	54	51
<b>Total Liabilities</b>	<b>323,757</b>	<b>277,904</b>
<b>Net Assets (Note 4)</b>		
Shareholders' equity		
Common shares, non-par value	346,446	346,446
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 508,000 shares		
Retained earnings	10,063	9,767
<b>Total Net Assets</b>	<b>356,509</b>	<b>356,213</b>
<b>Total Liabilities and Net Assets</b>	<b>¥680,266</b>	<b>¥634,117</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 June 30, 2007, December 31, 2006 and June 30, 2006

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
	(Yen in millions)		
<b>Revenues:</b>			
Rental (Note 6)	¥23,992	¥23,121	¥20,799
Other revenues related to property leasing (Note 6)	2,649	2,773	2,073
Gain on sale of investment properties (Note 7)	—	—	685
Gain on exchange of investment properties (Note 7)	—	—	750
<b>Total Revenues</b>	<b>26,641</b>	<b>25,894</b>	<b>24,307</b>
<b>Operating Expenses:</b>			
Property management fees (Note 6)	3,327	3,403	2,832
Real estate taxes (Note 6)	2,178	1,765	1,923
Insurance (Note 6)	35	36	37
Repairs and maintenance (Note 6)	618	593	474
Other rental expenses (Note 6)	2,041	2,310	1,670
Depreciation and amortization (Note 6)	5,125	4,988	4,536
Asset management fees	977	949	877
Other expenses	228	198	273
<b>Total Operating Expenses</b>	<b>14,529</b>	<b>14,242</b>	<b>12,622</b>
<b>Operating Income</b>	<b>12,112</b>	<b>11,652</b>	<b>11,685</b>
Interest income	16	3	0
Interest expense	(1,944)	(1,822)	(1,642)
New investment shares issue costs	—	—	(141)
Amortization of bond issue costs	(64)	(36)	(36)
Other expenses, net	(56)	(30)	(14)
<b>Income before Income Taxes</b>	<b>10,064</b>	<b>9,767</b>	<b>9,852</b>
Current and deferred income taxes (Note 8)	(1)	(1)	(1)
<b>Net Income</b>	<b>¥10,063</b>	<b>¥ 9,766</b>	<b>¥ 9,851</b>

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

# Statements of Shareholders' Equity

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2007, December 31, 2006 and June 30, 2006

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of December 31, 2005	422,700	¥262,170	¥ 7,205	¥269,375
Cash dividends declared	—	—	(7,205)	(7,205)
Issuance of new shares through public offering as of March 16, 2006	80,000	79,040	—	79,040
Issuance of new shares through allocation to a third party as of March 29, 2006	5,300	5,236	—	5,236
Net income	—	—	9,851	9,851
Balance as of June 30, 2006	508,000	346,446	9,851	356,297
Cash dividends declared	—	—	(9,850)	(9,850)
Net income	—	—	9,766	9,766
Balance as of December 31, 2006	508,000	346,446	9,767	356,213
Cash dividends declared	—	—	(9,767)	(9,767)
Net income	—	—	10,063	10,063
<b>Balance as of June 30, 2007</b>	<b>508,000</b>	<b>¥346,446</b>	<b>¥10,063</b>	<b>¥356,509</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 June 30, 2007, December 31, 2006 and June 30, 2006

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
	(Yen in millions)		
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 10,064	¥ 9,767	¥ 9,852
Depreciation and amortization	5,125	4,988	4,536
Amortization of bond issue costs	64	36	36
Interest expense	1,944	1,822	1,642
(Increase) Decrease in tenant receivables	(173)	4	(102)
Gain on exchange of investment properties	—	—	(774)
Increase (Decrease) in accounts payable	818	(209)	525
Increase (Decrease) in rents received in advance	193	31	(197)
Decrease in investment properties in trust accounts due to sale	—	—	1,677
Cash payments of interest expense	(1,889)	(1,815)	(1,553)
(Increase) Decrease in consumption tax refund receivable	(190)	2,219	(1,145)
Other, net	(1,400)	1,082	274
<b>Net Cash Provided by Operating Activities</b>	<b>14,556</b>	<b>17,925</b>	<b>14,771</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment properties	(44,515)	(2,341)	(64,419)
Payments for purchases of intangible assets	(6,963)	—	(8,871)
Proceeds from tenant security deposits	3,167	1,900	10,212
Payments for tenant security deposits	(2,187)	(1,188)	(8,879)
Refunds from security deposits paid to lessors	9	—	4
Payments for security deposits paid to lessors	(14)	(9)	(3)
Payments for purchases of other assets	(1,877)	(81)	(695)
<b>Net Cash Used in Investing Activities</b>	<b>(52,380)</b>	<b>(1,719)</b>	<b>(72,651)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from short-term loans	125,000	24,000	168,000
Repayment of short-term loans	(99,000)	(24,000)	(206,000)
Proceeds from (Repayment of) long-term debt, net	19,000	(1,000)	18,000
Payments for bond issue costs	(164)	—	—
Proceeds from issuance of common shares	—	—	84,135
Repayments of common shares	—	—	—
Payment of dividends	(9,760)	(9,844)	(7,199)
<b>Net Cash Used in (Provided by) Financing Activities</b>	<b>35,076</b>	<b>(10,844)</b>	<b>56,936</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(2,748)</b>	<b>5,362</b>	<b>(944)</b>
Cash and cash equivalents at the beginning of period	34,131	28,769	29,713
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥ 31,383</b>	<b>¥ 34,131</b>	<b>¥ 28,769</b>

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

# Notes to Financial Statements

NIPPON BUILDING FUND INC.

June 30, 2007, December 31, 2006 and June 30, 2006

## 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 Investment Trust Law of Japan with Mitsui Fudosan Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and Nippon Building Fund Management Ltd. (hereinafter “NBFM”) acting as sponsors. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001.

NBF is an externally managed real estate fund, formed as an investment corporation. NBFM, as NBF’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Mitsui Fudosan Co., Ltd. currently owns 43% of NBFM while Sumitomo Life Insurance Company owns 35% and the remaining 22% is mainly owned by financial institutions.

On September 10, 2001, NBF had raised approximately ¥50,000 million through an initial public offering of common shares. Those common shares are listed on the J-REIT section of the Tokyo Stock Exchange.

As of June 30, 2007, NBF had ownership or beneficiary interests in 56 office properties containing approximately 692,222 rentable square meters of office space. As of June 30, 2007, NBF had leased office space to 910 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 99.0%.

### 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 Securities and Exchange Law and its 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 Securities 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 and 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	2-52 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-19 years

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

## Bond Issue Costs

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

## New Investment Shares Issue Cost

The issue costs of new investment shares are expensed in the period of payment.

The public offering of new investment shares on March 16, 2006 was conducted through underwriting agreements under which a securities company underwrote all of the newly issued shares at an agreed issue price and sold them at an offering price different from such issue price to investors ("spread method"). Under the spread method, the substantial difference between the offering price and the issue price serves as the underwriting fee for the underwriting securities company. NBF therefore did not pay underwriting fees to the underwriting securities company. In the case of the public offering of new investment shares on March 16, 2006, the total amount of the difference between the offering price and the issue price was ¥2,496 million, which would have been accounted for as the issue cost of new NBF investment shares if it had been conducted through underwriting agreements under which the securities company had underwritten shares at an issue price and sold them at an offering price that was the same as the issue price ("conventional method"). Therefore, under the spread method, the issue cost of new investment shares was ¥2,496 million lower, and operating income and income before income taxes were ¥2,496 million higher, than had the conventional method been applied.

## 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. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥166 million for the period ended June 30, 2007 and ¥105 million for the period ended June 30, 2006, respectively. No capitalized real estate taxes for the period ended December 31, 2006.

## 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 June 30, 2007.

## Finance Leases

Finance leases that do not transfer ownership of the leased property to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

## Note 3 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2007 and December 31, 2006 consisted of the following:

	As of June 30, 2007			As of December 31, 2006		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
	(Yen in millions)					
Land	¥137,624	¥ —	¥137,624	¥114,256	¥ —	¥114,256
Land in trust	253,133	—	253,133	242,918	—	242,918
<b>Land including trust total</b>	<b>390,757</b>	<b>—</b>	<b>390,757</b>	<b>357,174</b>	<b>—</b>	<b>357,174</b>
Buildings and improvements	113,167	(9,710)	103,457	103,361	(7,513)	95,848
Buildings and improvements in trust	132,744	(23,438)	109,306	131,676	(20,797)	110,879
<b>Building and improvements including those in trust</b>	<b>245,911</b>	<b>(33,148)</b>	<b>212,763</b>	<b>235,037</b>	<b>(28,310)</b>	<b>206,727</b>
Structures	1,592	(337)	1,255	1,502	(266)	1,235
Machinery and equipment	819	(193)	626	765	(154)	611
Tools, furniture and fixtures	351	(108)	243	313	(76)	237
Structures in trust	1,353	(314)	1,039	1,327	(274)	1,054
Machinery and equipment in trust	1,279	(433)	846	1,250	(386)	864
Tools, furniture and fixtures in trust	683	(268)	415	631	(227)	404
Construction in process in trust	31	—	31	109	—	109
<b>Other tangible assets total</b>	<b>6,108</b>	<b>(1,653)</b>	<b>4,455</b>	<b>5,897</b>	<b>(1,383)</b>	<b>4,514</b>
<b>Total</b>	<b>¥642,776</b>	<b>¥(34,801)</b>	<b>¥607,975</b>	<b>¥598,108</b>	<b>¥(29,693)</b>	<b>¥568,415</b>

## Note 4 – Net Assets

NBF issues only non-par value shares in accordance with the Investment Trust Law of Japan and all of the issue price of new shares is 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 5 – Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2007 and December 31, 2006 ranged from 0.77% to 0.99% and from 0.67% to 0.81%, respectively. Long-term debt is at fixed rates and as of June 30, 2007 and December 31, 2006 consisted of the following:

	(Yen in millions)	
	As of June 30, 2007	As of December 31, 2006
Unsecured loans due 2007 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.4%	¥164,000	¥165,000
0.75% unsecured bonds due 2007	—	10,000
1.04% unsecured bonds due 2009	10,000	10,000
0.80% unsecured bonds due 2010	10,000	10,000
1.60% unsecured bonds due 2011	10,000	10,000
1.48% unsecured bonds due 2012	10,000	—
1.74% unsecured bonds due 2014	10,000	—
1.85% unsecured bonds due 2015	10,000	10,000
2.04% unsecured bonds due 2017	10,000	—
2.00% unsecured bonds due 2018	10,000	10,000
	244,000	225,000
Less: amount due within one year	32,000	30,000
	¥212,000	¥195,000

The annual maturities of long-term debt as of June 30, 2007 were as follows:

	(Yen in millions)
2007	¥17,000
2008	23,000
2009	10,000
2010	12,000
2011	14,000
Thereafter	88,000

During the period ended June 30, 2007, NBF obtained committed credit lines of ¥30 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion on June 30, 2007.

## Note 6 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2007, December 31, 2006 and June 30, 2006 were as follows:

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
	(Yen in millions)		
<b>Revenues from Property Leasing:</b>			
Rental:			
Rental revenues	¥21,099	¥20,180	¥18,198
Common area charges	2,770	2,817	2,467
Others	123	124	134
Subtotal	23,992	23,121	20,799
Other revenues related to property leasing:			
Parking lots	597	584	531
Facility charge	138	148	76
Incidental income	1,524	1,807	1,325
Cancellation fees	289	186	81
Miscellaneous income	101	48	60
Subtotal	2,649	2,773	2,073
Total revenues from property leasing	26,641	25,894	22,872
<b>Rental Expenses:</b>			
Property management fees	3,327	3,403	2,832
Real estate taxes	2,178	1,765	1,923
Repairs and maintenance	618	593	474
Insurance	35	36	37
Other rental expenses	2,041	2,310	1,670
Depreciation and amortization	5,125	4,988	4,536
Total rental expenses	13,324	13,095	11,472
<b>Operating Income from Property Leasing Activities</b>	<b>¥13,317</b>	<b>¥12,799</b>	<b>¥11,400</b>

## Note 7 – Breakdown on Gain on Sale of Investment Properties

On June 30, 2006 NBF sold two properties set forth below:

	(Yen in millions)		(Yen in millions)
<b>Otemae Center Building</b>		<b>JFE Building</b>	
Revenue from sale of investment properties	¥2,370	Revenue from sale of investment properties	¥91,000
Cost of investment properties	1,677	Cost of investment properties	71,707
Other sales expenses	8	Other sales expenses	24
Gain on sale of investment properties	¥ 685	Advanced depreciation of investment properties	18,519
		Gain on exchange of investment properties	¥ 750
(Yen in millions)			
<b>Total</b>			
Revenue from sale of investment properties	¥93,370		
Cost of investment properties	73,384		
Other sales expenses	32		
Advanced depreciation of investment properties	18,519		
Gain on sale of investment properties	¥ 685		
Gain on exchange of investment properties	¥ 750		

## Note 8 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was 0.01% for the period ended June 30, 2007, December 31, 2006 and June 30, 2006. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible dividends paid	(39.39)	(39.39)	(39.39)
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

## Note 9 – Per Share Information

Information about earnings per share for the periods ended June 30, 2007, December 31, 2006 and June 30, 2006 and net assets per share as of June 30, 2007 and December 31, 2006 was as follows.

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

	For the six months ended June 30, 2007	For the six months ended December 31, 2006	For the six months ended June 30, 2006
(Yen)			
Earnings per Share of Common Shares:			
Net income	¥19,808	¥19,224	¥20,836
Weighted average number of common shares outstanding	508,000	508,000	472,745
	As of June 30, 2007	As of December 31, 2006	
Net Assets per Share	¥701,790	¥701,206	

## Note 10 – Leases

Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee (“ownership-transfer finance leases”) are capitalized by the lessee, while other finance leases (“non-ownership-transfer finance leases”) are permitted to be accounted for as operating lease transactions.

NBF treats all non-ownership-transfer finance leases as operating leases. Accordingly, leased assets with respect to non-ownership-transfer finance leases where NBF is the lessee are not recognized in the accompanying balance sheets and lease payments are charged to income when incurred.

### As Lessee

Pro forma information of non-ownership-transfer finance leases contracted as a lessee, such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance leases and depreciation expense of finance leases, which is required under Japanese accounting standards for leases for the six months ended June 30, 2007 is summarized as follows:

	(Yen in thousands)		
	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥3,027	¥2,320	¥706

Obligations under finance leases as of June 30, 2007 and December 31, 2006 are as follows:

	As of June 30, 2007	As of December 31, 2006
	(Yen in millions)	
Due within one year	¥ 1	¥ —
Due after one year	—	—
Total	¥ 1	¥ —

The amount of obligations under finance leases includes the imputed interest expense portion.

Total payment for non-ownership-transfer finance leases for the six months ended June 30, 2007 was ¥302 thousand.

Depreciation expense, which is not reflected in the accompanying statements of income, is computed by the straight-line method over the respective lease period. The residual value at the end of the lease period is not considered for the calculation of depreciation. Depreciation expense for the six months ended June 30, 2007 was equal to the above total payment for finance leases.

**Note 11 – Transactions with Related Parties****(January 1, 2007 – June 30, 2007)**

(1) Parent Company and Major Corporate Shareholders

None applicable.

(2) Directors and Major Individual Shareholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,139 (Note 3)	Accounts payable	¥348 (Note 3)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 2)	¥7 (Note 3)	Accounts payable	¥1 (Note 3)

- Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is subject to the conditions set forth in the by-laws of NBF.  
2. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NBF and NBFM.  
3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.  
4. Asset management fees include management fees totaling ¥161,343,000 related to the acquisition of real estate and other tangible assets and calculated as a component of their respective book values.

(3) Subsidiaries

Not applicable, because the Company has no subsidiaries in which it has invested.

(4) Sister Companies

None applicable

**(July 1, 2006 – December 31, 2006)**

(1) Parent Company and Major Corporate Shareholders

None applicable.

(2) Directors and Major Individual Shareholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥949 (Note 3)	Accounts payable	¥320 (Note 3)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 2)	¥2 (Note 3)	Accounts payable	¥1 (Note 3)

- Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is subject to the conditions set forth in the by-laws of NBF.  
2. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NBF and NBFM.  
3. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(3) Subsidiaries

Not applicable, because the Company has no subsidiaries in which it has invested.

(4) Sister Companies

None applicable

**Note 12 – Subsequent Events**

None applicable

# Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of June 30, 2007 and December 31, 2006, and the related statements of income, shareholders' equity and cash flows for each of the six months ended June 30, 2007, December 31, 2006 and June 30, 2006 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of June 30, 2007 and December 31, 2006, and the results of its operations and its cash flows for each of the six months ended June 30, 2007, December 31, 2006 and June 30, 2006 in conformity with accounting principles generally accepted in Japan.

*KPMG AZSA & Co.*

Tokyo, Japan  
September 28, 2007

## Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF’s assets and undertakes management of the institutions of NBF. As of June 30, 2007, NBFM has been entrusted as an asset management company only by NBF.

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

#### Operation

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

### Fees for the Asset Management Operation

#### Management Fees 1

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

#### Management Fees 2

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

#### Management Fees 3

In the event that Real Estate, etc. is newly-acquired, compensation equivalent to the total amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings, and in the event of the simultaneous acquisition of multiple units of Real Estate, etc., the acquisition price of each item; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition are excluded) multiplied by the following percentage rates will, in principle, be payable; provided, however, that with the approval of the directors of NBF, compensation will be calculated within the scope decided up to the following maximum rates.

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

## History of NBFM

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

September 19, 2000	Established
November 17, 2000	Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law
January 29, 2001	Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law
February 15, 2001	Registered as a general real estate investment advisor under the Real Estate Investment Advisor Registration Regulations
March 7, 2001	Obtained approval as an Asset Management Company under the Investment Trust Law of Japan
March 22, 2001	Increased capital from ¥100 million to ¥198 million
May 23, 2001	Changed name (from "MF Asset Management Co., Ltd." to "Office Building Fund Management Japan Limited")
June 16, 2001	Increased capital from ¥198 million to ¥495 million
March 14, 2003	Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")

## List of Shareholders (as of June 30, 2007)

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

## Directors and Staff

As of June 30, 2007, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 16 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Yasushi Nakayama	Director, Head of Investment & Finance Group (standing)
Riichi Morihiro	Director, Head of Administration Group (standing)
Kimihiko Suwa	Director
Tamotsu Shinyama	Director
Kaneo Maeda	Corporate Auditor
Noriaki Moromachi	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, 2007	(Yen in thousands)
Total Assets	¥2,186,889
Total Liabilities	524,926
Net Assets	¥1,661,963

Profit and loss for the most recent fiscal year:

Year ended March 31, 2007	(Yen in thousands)
Operating Income	¥2,318,993
Ordinary Profit	1,678,473
Net Income	968,968

# 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 mid-term 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 mid-term to long-term basis. The selection criteria of investment assets is based on the composition of investment assets in the portfolio and based on consideration of a quantitative proportion of the office stock located in the various regions of Japan.

#### Area Diversification

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

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. Relatively high liquidity at the time of sales.</li> </ul>
<b>Other Greater Tokyo</b> Other 14 wards in Tokyo and neighboring cities (see Note 1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama, etc.	<ul style="list-style-type: none"> <li>Basic special characteristics are between those of Tokyo CBDs and Other Cities.</li> </ul>

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

<b>Other Cities</b> Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto, etc.	<ul style="list-style-type: none"> <li>Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs.</li> <li>Also, scale of market is relatively small and growth rates relatively low.</li> <li>Relatively high yearly NOI yields. 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

##### Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to the "Designated Real Estate Ratio." As of June 30, 2007, 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).

##### Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from their acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of meas-

ures responding to risks of deterioration and obsolescence, insurability and so forth. The details of the relevant criteria are set forth in the following table (“Investment Objectives and Policies,” Articles of Incorporation).

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

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> <li>Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m<sup>2</sup> (approximately 500 <i>tsubo</i>) or more. 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.</li> </ul>
Measures regarding status of legal title	<ul style="list-style-type: none"> <li>In cases such as co-ownership, divided condominium ownership, a building erected on leased land, etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated. <ul style="list-style-type: none"> <li>measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans.</li> <li>appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner’s interest, etc.</li> </ul> </li> </ul>
Tenancy characteristics	<ul style="list-style-type: none"> <li>Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.</li> </ul>
Environmental; condition of land, etc.	<ul style="list-style-type: none"> <li>Absence of harmful substances such as asbestos, (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.</li> </ul>

### 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).

### (3) Management and Disposition Policies

Regarding acquired operating properties, the goal is to obtain steady growth of operating profits on a mid-term 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 mid-term to long-term basis, lease out all operating properties 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 “Investment Objectives and Policies” 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. (Articles of Incorporation).

### Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on

renovation plans for each building. As of June 30, 2007, foreseen reserves provided from January to December 2007 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” (or raised floor); expenses for other move-in construction costs (partitions, etc.)</li> </ul>

**Total Foreseen Amount: (annual basis) ¥2,982 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 55 properties owned by NBF as of the end of June 2007.

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

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

### Appraisal Value, etc.

In the event that valuation of real estate, land leasehold rights and superficies (including beneficiary certificates, securities and *tokumei-kumiai* ownership interests, and other asset-backed instruments) is undertaken for the purpose of disclosure in Performance Information Reports, etc., the value to be used for disclosure will, in principle, be the appraisal valuation provided by a certified real estate appraiser (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.

### 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

### Issuance of Shares

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

### 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 Article 2.3.1 of the Securities 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 (Articles of Incorporation).

### 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. (Long- and mid-term operating asset management policy and annual management plan established by the Asset Management Company).

### Derivatives

In order to avoid risks of fluctuation in the prices of operating assets as well as risks of fluctuations in interest rates, futures transactions, option transactions, swap transactions and forward rate transactions with respect to Japanese interest rates may be undertaken (“Investment Objectives and Policies,” Articles of Incorporation).

## Distribution Policies of NBF

### A. Distributions of Profits

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

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

### Earnings Available for Distributions

NBF's earnings available for distributions are based on accounting of profits prepared in accordance with the Investment Trust Law and the Securities and Exchange Law of Japan 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 in accordance with the Investment Trust Law of Japan and corporate accounting principles generally deemed to be fair and appropriate.

### Cash Distribution of Profits

The amount of cash distributions will be determined by NBF, such amount being in excess of 90% of taxable income available for dividends of NBF set forth in Article 67-15 of the Special Taxation Measures Law of Japan (hereinafter "Taxable Income Available for Dividends"); provided, however, that the maximum amount of distributions will be the Distributable Amount. NBF has the right to allow for long-term reserve for repair, reserve for outstanding claims, reserve for distributions and other reserves and allowances similar thereto which are deemed necessary for maintenance or appreciation of the assets of NBF.

### B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its shareholders in excess of retained earnings under the Investment Trust 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 Earnings 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).

- Amount determined by NBF as being eligible for the requirements of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Earnings being less than the Taxable Income Available for Dividends
- 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

### NBF's Current Policy on Distributions in Excess of Profits

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

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

### C. Method of Distributions

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

## Investment Objectives

The Investment Objectives of NBF specified in the Articles of Incorporation are as follows.

### 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, land leasehold rights and superficieses, including inclusive trusts consisting of funds appurtenant to real estate.
- (3) *Tokumei-kumiai* ownership interests (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) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.5.3 of the Securities 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).
- (5) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.7.4 of the Securities 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) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.7 of the Securities 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) Investment Securities (meaning those specified in Article 2.1.7.2 of the Securities 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) Beneficiary Certificates of Money Trust (limited to those the trust assets of which are primarily invested and Managed Assets referred to in paragraph (1) or (3) 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) Call loans
- (3) Japanese Government Bonds, Notes and Bills
- (4) Regional Treasury Bonds, Notes and Bills
- (5) Commercial Paper
- (6) Designated Bonds of Special Purpose Companies (meaning those specified in Article 2.1.3.2 of the Securities 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).
- (7) Monetary Claims (limited to those claims that are deemed Designated Assets under the Investment Trust Law of Japan other than those referred to above).
- (8) Securities (other than those listed above or in section (A)).
- (9) Rights to financial futures transactions (limited to those deemed Designated Assets under the Investment Trust Law of Japan).
- (10) Rights to financial derivative transactions (limited to those deemed Designated Assets under the Investment Trust Law of Japan).
- (11) Moreover, in order to avoid risks of fluctuation in the prices of the Managed Assets as well as risks of fluctuations in interest rates, futures transactions, option transactions, swap transactions and forward rate transactions with respect to Japanese interest rates may be undertaken. In addition, NBF may acquire shares of stock in real estate management companies, etc. to the extent that such acquisition is incidental to NBF's investment in the principal Designated Assets.
- (12) Beneficiary Certificates of trusts for securities of monetary claims

### 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) Certificates of deposit issued by Japanese legal entities
- (2) Equity interests of partnerships defined under Article 667 of the Civil Code (limited to such partnerships established by contribution of real estate, real estate leasehold rights and superficies for the purpose of leasing, operating or managing, etc., of the same; hereafter, "Voluntary Partnership Equity Interests")
- (3) Trademark rights
- (4) Copyrights
- (5) Chattels defined under the Civil Code (hereafter, "Chattels")

### D. Investment in Ordinary Securities

NBF does not, in principle, have the objective of investing in and managing assets which are securities, except for those described in A. above.

## Investment Restrictions

**A. 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.**

### 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).

### Borrowing

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

### 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."

### Investment in Other Funds

See "Investment Objectives, A. Principal Investment Objectives among Designated Assets."

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

### Subscription and Margin Trading of Securities

NBF may not subscribe to, or conduct margin trading of, securities.

### Compliance with Laws and Regulations

The Managed Assets of NBF will be managed in compliance with Investment Trust 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 Investment Trust Law of Japan**

While a registered investment corporation must entrust business related to asset management to an asset management company, 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 Investment Trust Law of Japan) besides restrictions applied to a registered investment corporation. NBF will naturally comply with such investment restrictions, a general overview of which follows.

### **Reciprocal Transactions with Investment Corporations (§ 34.3.1.5)**

Transactions between investment corporations, the assets of which are managed by an asset management company, are prohibited except for certain cases specified in the provisions of the government ordinance regarding the Investment Trust Law of Japan that are considered unlikely to result in failure to protect the interests of shareholders.

### **Transactions by an Investment Corporation with Investment Trust Assets (§ 15.1.3)**

Transactions by an investment corporation with investment trust assets subject to asset management are prohibited except for certain cases specified in the provisions of the government ordinance regarding the Investment Trust Law of Japan that are considered unlikely to result in failure to protect the interests of shareholders.

### **Transactions for the Benefit of Third Parties (§ 34.3.1.6)**

An asset management company may not undertake transactions in certain securities 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.

### **Transactions Harmful to the Interests of NBF (§ 34.3.1.7)**

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.

### **Other Transactions Specified in the Government Ordinance regarding the Investment Trust Law of Japan (§ 34.3.1.8)**

In the addition to the foregoing, those acts specified in the government ordinance regarding the Investment Trust Law of Japan being certain acts committed by an asset management company that would result in failure to protect the interests of shareholders, damage the fairness of the management of the assets of NBF, and pose a risk of damaging the good public reputation of NBF are prohibited.

### **Limitation on Acquisition of the Same Issue of Shares (§ 194)**

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

### **Restriction on Acquisition of Own Shares and Acceptance of Pledge (§ 80.1)**

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

- when acquired as the result of merger;
- if necessary for attaining the purpose of exercising its rights; or
- when purchasing shares pursuant to the provisions of the Investment Trust Law of Japan.

### **Restriction on Acquisition of Parent Corporation's Shares by Subsidiary Corporation (§ 81.1)**

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

- when acquired as the result of merger; or
- if necessary for attaining the purpose of exercising its rights.

## Restrictions of Transactions with Interested Parties

### (1) Restriction on an asset management company (§ 34.3)

In accordance with the provisions of laws and regulations, an asset management company is prohibited from committing any of the following acts in connection with transactions with an Interested Party, etc. "Interested Party, etc." as used herein means a person who holds a majority of the shares of an asset management company or otherwise has a close relationship with said asset management company as designated by the government ordinance regarding the Investment Trust Law of Japan.

- a) An investment trust agent, trust company, financial institution engaged in trust business, investment advisor, residential land and building specialist, etc. who is an Interested Party, etc. of an asset management company undertakes a transaction which harms the interests of NBF with the objective of benefiting a customer, etc. specified in the Investment Trust Law of Japan.
- b) Undertaking transactions which harm the interests of an investment corporation with the objective of benefiting an Interested Party, etc. of NBFM.
- c) Undertaking transactions clearly recognized to be unnecessary in light of the management policies for the assets of an investment corporation, the amount of net assets of NBF, or market conditions, with the purpose of benefiting a securities company, registered financial institution, residential land and building specialist or other person specified in the government ordinance regarding the Investment Trust Law of Japan who is an Interested Party, etc. of an asset management company.
- d) In the event that a securities company, who is an Interested Party, etc. of an asset management company, acts as an underwriter in a securities transaction, undertaking transactions with the objective of fraudulently manipulating the market for the purpose of having an influence upon the conditions of the primary offer or secondary distribution of said securities not reflecting correct market pricing.
- e) In the event that an issuer, securities company or registered financial institution, who is an Interested Party, etc. of an asset management company, undertakes a primary offer or secondary distribution of securities or participates in handling a primary offer, private offering, or secondary distribution at a time when the subscription amount of said acquisition or the amount of purchase offer of securities to said issuer, securities company or registered financial institution is not foreseen to reach that otherwise expected by said issuer, securities company or registered financial institution, acquiring or purchasing said securities with assets of NBF at the request of said issuer, securities company or registered financial institution.
- f) In the event that a specified real estate syndicate, who is an Interested Party, etc. of an asset management company, makes a solicitation in connection with the execution of a specified real estate syndication agreement at a time when the contract amount of said specified real estate syndication agreement is not foreseen to reach that otherwise expected by said specified real estate syndicate, acquiring a *tokumei kumiai* interest pursuant to said specified real estate syndication agreement with assets of NBF at the request of said specified real estate syndicate.
- g) In the event that the manager of a *tokumei kumiai*, who is an Interested Party, etc. of an asset management company, makes a solicitation in connection with the execution of a *tokumei kumiai* agreement at a time when the total investment amount otherwise obtained pursuant to said *tokumei kumiai* agreement is not foreseen to reach that expected by the manager of said *tokumei kumiai*, acquiring a *tokumei kumiai* interest pursuant to said *tokumei kumiai* agreement with assets of NBF at the request of the manager of said *tokumei kumiai*.
- h) In the event that a trust company, who is an Interested Party, etc. of an asset management company, makes a solicitation in connection with the execution of a trust agreement at a time when the amount of trust assets otherwise obtained pursuant to said trust agreement is not foreseen to reach that expected by said trustee, acquiring a beneficiary certificate pursuant to said trust with assets of NBF at the request of said trustee.

i) In the event that a distributor of trust beneficiary interests, who is an Interested Party, etc. of an asset management company, distributes, or acts as an agency or intermediary of distribution of, trust beneficiary interests at a time when the total amount of purchase offer of said trust beneficiary interests to said distributor of trust beneficiary interests is not foreseen to reach that otherwise expected by said distributor of trust beneficiary interests, purchasing said trust beneficiary interests with assets of NBF at the request of said distributor of trust beneficiary interests.

## **(2) Submission of written notice when conflict of interest is anticipated**

### **Submission of Written Notice When Conflict of Interest is Anticipated (§ 34.6.2-4 of the Investment Trust Law)**

An asset management company must, in the event that any sale or purchase of, or any other transaction set forth under the government ordinance regarding the Investment Trust Law with respect to, the Designated Assets (excluding the specified assets set forth under the Investment Trust Law and such assets as are set forth under the enforcement regulations of the Investment Trust Law, the same to apply hereinafter in this paragraph) is conducted between an investment corporation the assets of which are managed by said asset management company on one hand, and said asset management company, its director or executive officer, any other investment corporation, investment fund which directs management, Interested Party, etc. or other person set forth under the government ordinance regarding the Investment Trust Law on the other, submit written notice, in accordance with the enforcement regulations of the Investment Trust Law, to said investment corporation, other investment corporations (which invest in the same kind of assets as the said Designated Assets) the assets of which are managed by said asset management company and other persons set forth under the government ordinance regarding the Investment Trust Law specifying the matters relating to such transaction; provided, however, that in lieu of such submission of written notice, said asset management company may, in accordance with the government ordinance regarding the Investment Trust Law, provide the matters to be specified in such written notice by such methods as using electronic information processing systems or other telecommunication technology which are

set forth under the enforcement regulations of the Investment Trust Law with the consent of said investment corporation the assets of which are managed by said asset management company, other investment corporations (which invest in the same kind of assets as the said Designated Assets) the assets of which are managed by said asset management company and other persons set forth under the government ordinance regarding the Investment Trust Law.

## **(3) Restriction on an investment corporation**

### **Restrictions on Asset Management (§ 195)**

A registered investment corporation must not, in principle, acquire or sell securities, lend or borrow securities, acquire or sell real estate, lease real estate or entrust the supervision of real estate (provided, however, that, it is acceptable to cause NBFM to act as an agent or broker concerning the purchase or leasing of residential building lots or buildings) or otherwise engage in transactions concerning Designated Assets other than the preparation of residential building lots and design of buildings, with its executive directors or supervisory directors, asset management companies who perform asset management, close relatives of executive directors or supervisory directors, or persons or employees who perform duties similar to directors or auditors of an asset management company who perform asset management.

# Corporate Data

As of June 30, 2007

Corporate Office:	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan +81-3-3281-8810 <a href="http://www.nbf-m.com/nbf_e/">http://www.nbf-m.com/nbf_e/</a>
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding. ¥346,447 million 508,000 shares
Shareholders:	14,906
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Public Accountants:	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our Asset Management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 26, 2007 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2007 to June 30, 2007, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

# Investors' Information

As of June 30, 2007

## Fiscal Period

Six months ending June 30 and December 31

## Total Number of Common Shares Issued

12th Period (From January 1, 2007 to June 30, 2007) **508,000** shares

11th Period (From July 1, 2006 to December 31, 2006) **508,000** shares

## Distributions

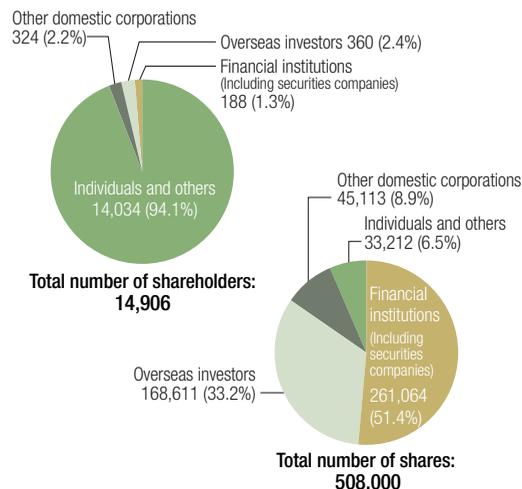
Confirmed distribution for the 12th Period (ended June 2007)

For the operating period from January 1, 2007 to June 30, 2007 (6 months) **¥19,809** per share

Expected distribution for the 13th Period (ending December 2007)

For the operating period from July 1, 2007 to December 31, 2007 (6 months) **¥19,300** per share

## Shareholders



## Major Shareholders

Name	Number of Shares Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	33,526	6.6%
NikkoCiti Trust and Banking Corporation (Trust Account)	31,790	6.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,884	6.1
The Bank of New York, Treaty JASDEC Account	27,847	5.5
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	24,995	4.9
Mitsui Fudosan Co., Ltd.	19,735	3.9
The Nomura Trust and Banking Co., Ltd. (Trust Account)	14,759	2.9
UBS AG London Asia Equities	13,314	2.6
Sumitomo Life Insurance Company	11,256	2.2
The Chugoku Bank, Ltd.	10,413	2.0

## Stock Price Range and Trading Volume



**NBF**  
Nippon Building Fund

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**Nippon Building Fund Inc.**

7-2, Yaesu 2-chome, Chuo-ku,  
Tokyo 104-0028, Japan

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