



Quality Differentiates NBF

10th Period

NBF Report January – June 2006

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

When NBF concluded the sale and purchase contract for the NBF Platinum Tower in September 2003, it was the company's first development project in which it assumed tenant leasing risk. In March 2006, NBF acquired the property, which continues to be fully occupied, contributing to NBF's profitability.

Building on Our Strengths

Japan's First and Largest J-REIT

- ◆ In September 2001, NBF was listed as the first real estate investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.
- ◆ The largest total market capitalization of any J-REIT (¥563.9 billion)*
- ◆ The largest scale of managed assets (¥624.8 billion)*

High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **55** 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 **670,249m²***
 - ◆ **887*** diversified tenants

NBF's Strengths

◆ Ratings*

- Standard & Poor's
Long-term Corporate: A, Short-term Corporate: A-1
- Moody's Issuer Rating: A2
- R&I Issuer Rating: AA-

- ◆ LTV (Loan to Value): **41.0** %
- ◆ Percentage of long-term, fixed-rate debt included in interest-bearing debt: **89.3** %*
- ◆ Average years remaining on long-term, fixed-rate interest-bearing debt: **5.94** years*
- ◆ Total average cost: **1.52** %*

Sound Finances

- ◆ Cash distribution of **¥19,391** per share for the 10th period

- ◆ **123.3** % total return** since Tokyo Stock Exchange listing on September 10, 2001

- ◆ **14.9** % total return** for NBF in most recent year, compared with **4.7** % for TSE J-REIT index (Source: Bloomberg L.P.)

** Total return includes reinvested distributions.

Strong Returns

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, 2006

Financial Highlights

		10th Period from January 1, 2006 to June 30, 2006	9th Period from July 1, 2005 to December 31, 2005	8th Period from January 1, 2005 to June 30, 2005	7th Period from July 1, 2004 to December 31, 2004	10th Period from January 1, 2006 to June 30, 2006
(Yen in millions, except per share data or where otherwise indicated)						U.S. dollars in thousands (Note 1)
Operating revenue	Note 2	¥ 24,307	¥ 19,363	¥ 16,731	¥ 16,116	\$ 212,277
Income before income taxes		9,852	7,206	6,162	6,307	86,032
Net income		9,851	7,205	6,161	6,306	86,024
Funds from operations	Note 3	12,951	10,869	9,441	8,259	113,099
Net operating income from property leasing activities	Note 3	15,936	13,333	11,457	10,238	139,165
Total amount of cash distribution	(a)	9,851	7,205	6,161	6,306	86,024
Total assets		633,693	564,902	449,556	430,378	5,533,956
Interest-bearing debt		237,500	257,500	199,700	179,500	2,074,055
Total shareholders' equity (Net assets)	(b)	356,297	269,375	216,840	216,985	3,111,497
LTV (Loan to value)	Note 3	41.0%	48.5%	44.4%	41.7%	—
Total number of common shares issued (shares)	(c)	508,000	422,700	364,700	364,700	
Net assets per share (Yen/\$)	(b) / (c)	701,373	637,274	594,571	594,968	6,125
Distribution per share (Yen/\$)	(a) / (c)	19,391	17,046	16,893	17,291	169
Funds from operations per share (Yen/\$)	Note 3	27,395	26,505	25,887	23,060	239

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥114.51 = U.S.\$1.00, the approximate exchange rate on June 30, 2006.

2. Operating revenue does not include consumption taxes.

3. 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

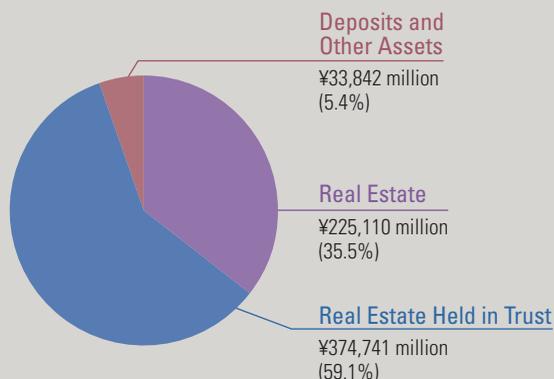
Funds from operations per share: (Net income (excluding Gain on sale of investment properties + Gain on exchange of investment properties) + Depreciation and amortization) / Weighted average number of common shares issued and outstanding during the period.

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

Portfolio Highlights (As of June 30, 2006)

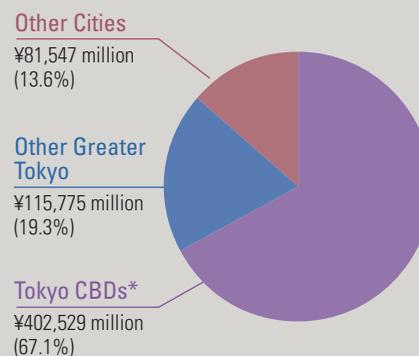
Asset Allocation

Total Assets
¥633,693 million



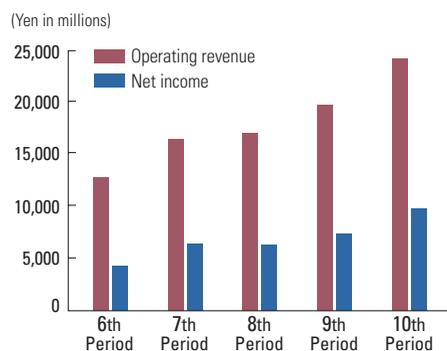
Regional Allocation

Total Real Estate, Etc.
¥599,851 million

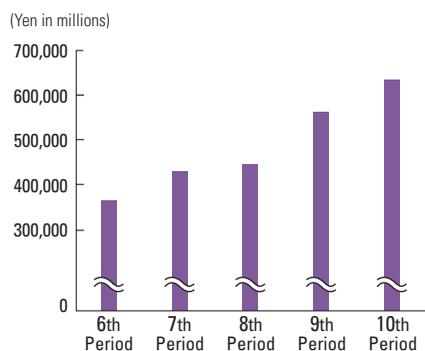


* Central Business Districts

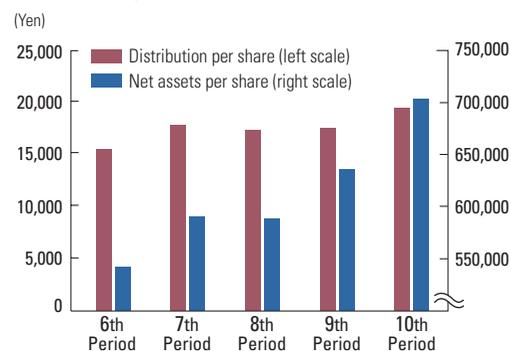
Operating revenue / Net income



Total assets



Distribution per share / Net assets per share



List of Major Tenants (As of June 30, 2006)

Name	Leased Space (m ²)	Percentage of Total Rentable Area ³
1 Mitsui Fudosan Co., Ltd. ¹	169,514	25.6%
2 IBM Japan, Ltd. ²	28,184	4.3%
3 GlaxoSmithKline K.K. ²	22,791	3.4%
4 AXA Life Insurance Co., Ltd. ²	17,441	2.6%
5 Fuji Xerox Co., Ltd.	16,263	2.5%
6 Nippon Steel Corporation ²	15,333	2.3%
7 Nikkei Business Publications, Inc. ²	13,135	2.0%
8 Transcosmos Inc. ²	8,816	1.3%
9 NTT Communications Corporation	8,493	1.3%
10 NEC Facilities, Ltd.	7,483	1.1%

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 January 2010; 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



The six-month period ended June 30, 2006 was the close of the first phase of development of Nippon Building Fund Inc. (“NBF”), which began with the company’s founding. During this time, NBF grew its assets and generated stable income. On July 1, 2006, our second phase of development began. We aim to build on the competitive advantages we have established while further 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, 2006

During the six months ended June 30, 2006 (the “10th Period”), NBF expanded assets under management and generated gain on the sale of a property. Revenue and income increased as a result, and cash dividends per share totaled ¥19,391, the highest since NBF listed its shares.

During the six months ended June 2006, NBF acquired two new buildings, sold one building, and executed an exchange of buildings with Mitsui Fudosan Co., Ltd. As a result, our real estate portfolio increased by a net three properties to 55 buildings. Total investment on an acquisition price basis increased 15.8 percent compared to the previous six-month period to ¥624,839 million. Operating revenue for the six months ended June 2006 increased 25.5 percent compared to the previous six-month period to ¥24,307 million, and operating income increased 33.1 percent to ¥11,685 million. Reasons included higher lease revenue as a result of the asset growth discussed above and gains on sales of buildings. Net income increased 36.7 percent compared to the previous six-month period to ¥9,851 million, and cash dividends per share totaled ¥19,391, the highest since NBF listed its shares.

Investment Environment and Initiatives

The office leasing market was favorable during the six months ended June 2006, and competition increased in the real estate acquisition market. NBF focused on investing in and managing high-quality buildings that are highly competitive and have the potential for stable future cash flow.

During the six months ended June 30, 2006, factors including visible,

fundamental recovery throughout Japan’s economy affected NBF’s operating environment. In the office building market, asset management benefited from substantially improved occupancy rates, particularly in Tokyo’s central business districts, and a sustained increase in rent levels of new lease contracts. However, in the real estate acquisition market the price of income-producing properties has been increasing, primarily in the central business districts of Tokyo. Participants such as private funds and J-REITs have been investing aggressively, resulting in increasingly challenging conditions.

In this environment, NBF proceeded to acquire properties after careful deliberation using information acquired through a number of proprietary channels, including Mitsui Fudosan Co., Ltd. We concentrated on investing in and managing high-quality buildings that are highly competitive and have the potential for stable future cash flow.

As a result, we acquired two new properties – the NBF Platinum Tower and the Shin-Kawasaki Mitsui Building – and transferred the Otemae Center Building out of our portfolio. In addition, we exchanged the JFE Building for five properties owned by Mitsui Fudosan Co., Ltd. after accepting a termination notice from JFE Steel Corporation, the sole tenant of the JFE Building. The exchange of buildings with Mitsui Fudosan Co., Ltd. further enhanced the quality of our portfolio. As a result of these initiatives, we achieved a high level of net operating income (NOI) of 5.5 percent on an acquisition price basis.

Phase I in Retrospect

During Phase I of NBF’s development, successes such as achieving objectives for assets under management ahead of schedule made NBF the largest J-REIT and allowed NBF to structure a highly profitable portfolio.

Since becoming the first J-REIT in Japan to list its shares in September 2001, NBF's management policy has been sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. We have structured a high-quality portfolio of large-scale office buildings, primarily in Tokyo's central business districts.

NBF's objective for assets was ¥500 billion by the end of March 2006. Asset expansion has created economies of scale. NBF also had the objective of reducing its dependence on the JFE Building, which accounted for approximately 38 percent of NBF's portfolio when the fund was established. Numerous challenges have confronted NBF as it worked toward these goals, including terrorist attacks in the United States, recession in Japan, weak real estate market conditions, and the so-called "2003 Problem" when the completion of several large-scale office buildings in succession in central Tokyo resulted in an oversupply. Yet over the past 10 fiscal periods we have established a track record of outstanding asset management.

In October 2005, NBF achieved its goal of ¥500 billion in assets under management six months ahead of schedule, and assets under management as of June 30, 2006 totaled ¥624,839 million. Moreover, initiatives such as the exchange of the JFE Building during the six months ended June 30, 2006 have allowed NBF to further strengthen the quality of its portfolio while reducing property concentration risk. NBF has also been able to reduce the average age of its portfolio to 12.86 years from 17.72 years as of December 31, 2001, while reducing its portfolio's probable maximum loss (PML), or the maximum expected rate of loss in the event of an earthquake, to 3.1 percent from 4.8 percent as of December 31, 2001. In addition, we have structured a stable financial base, with a 41.0 percent loan-to-value (LTV) ratio, calculated as the ratio of the total amount of borrowings of NBF bonds and lease deposits under management to the total amount of assets of NBF, and a ratio of long-term, fixed-rate debt to total interest-bearing debt of 89.3 percent.

Basic Policies for Phase II and Outlook

During Phase II, we will make full use of the portfolio we structured during Phase I and our financial base in working to further enhance shareholder value.

Phase II will cover the five years beginning July 1, 2006. We see it as a time during which we will steadily capture the benefits of economic recovery and deploy our management capabilities.

Office rents have been rising. During the six months ending December 31, 2006, which is the first period of Phase II, rent increases will be central

to NBF's growth. In addition, we will work to steadily increase assets under management by taking advantage of additional external opportunities for growth enabled by the scale and quality of the portfolio we built during Phase I. In particular, we will take on tenant leasing risk in development in order to aggressively promote acquisition of development projects that take advantage of excellent investment opportunities.

Furthermore, we are moving to sufficiently insulate the solid financial base we structured in Phase I against expected increases in interest rates.

Along with these efforts to grow and strengthen NBF's profitability, assets and financial base, we are also working to enhance our management and compliance capabilities by strengthening our systems for handling increased assets and changing social requirements. We intend to maintain and strengthen sound, long-term relationships with shareholders.

In implementing these Phase II initiatives, NBF will work to increase funds available for distribution* over the medium term with the aim of increasing shareholder value.

On the basis of these fundamental policies, for the six months ending December 31, 2006 (the "11th Period"), NBF projects operating revenue of ¥25,701 million, net income of ¥9,398 million, and cash dividends per share of ¥18,500. For the six months ending June 30, 2007 (the "12th Period"), NBF projects operating revenue of ¥25,739 million, net income of ¥9,449 million, and cash dividends per share of ¥18,600. These projections assume no acquisitions or sales of buildings and no issue of new shares.

NBF drives the Japanese J-REIT market because of the scale of its assets and its management system. In Phase II of NBF's development, NBF sees its mission as generating additional growth from the assets, financial base and expertise built since the fund's founding.

Looking forward, 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

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

*Funds available for distribution: cash dividends per share calculated based on operating income from property leasing excluding the effect of property sales and property and urban planning taxes that accrue in the first fiscal period upon acquisition of real estate.

Phase II Begins

Nippon Building Fund Inc. will make full use of the portfolio and financial base it has structured during Phase I to strengthen its initiatives in the areas of internal and external growth, finance, and management and compliance systems. This will support our efforts to increase dividends over the medium term and expand shareholder value.

Phase I: The Past Five Years

NBF drives the Japan real estate investment trust (J-REIT) market, and has structured a large-scale, high-quality portfolio and a stable, solid financial base.

Over the past ten fiscal periods, NBF has built a solid track record of growth and shareholder value. NBF is the largest J-REIT in terms of assets,

and moved decisively to enhance portfolio quality by exchanging the JFE Building for five high-potential properties during the six months ended June 30, 2006. In addition, we have structured a stable financial base with a ratio of long-term, fixed-rate debt to total interest-bearing debt of 89.3 percent and a conservative loan-to-value (LTV) ratio of 41.0 percent.

Phase II: The Next Five Years

NBF will make full use of the portfolio and financial base it structured during Phase I with the aim of achieving sustainable growth in portfolio value and stable profits on a medium-to-long-term basis to generate further growth in shareholder value.

Phase II will cover the five years beginning July 1, 2006. We intend to steadily capture the benefits of economic recovery and deploy our asset management capabilities. Growing demand for prime office space is providing opportunities for rent increases, which will be the principal axis of internal growth for NBF at the start of Phase II. In addition, we will act on additional external opportunities for growth enabled by the scale and quality of the portfolio we built during Phase I to steadily increase assets under management. We will maintain fiscal discipline to insulate our solid financial base against expected increases in interest rates, while further enhancing our sound management and compliance systems.

Phase II Management Policies

Internal Growth

Fully realize the potential of NBF's enhanced portfolio.

External Growth

Fully use NBF's three competitive advantages of scale, information and expertise, and take them to a new level.

Finance

Maintain conservative financial policies.

Management and Compliance Systems

Strengthen systems for handling increased assets and changing social requirements.

Increase dividends over the medium term

NBF will focus on four areas during Phase II: internal growth; external growth; finance; and management and compliance systems. With the aim of increasing shareholder value over the medium term, NBF will work to increase funds available for distribution, which are cash dividends per share calculated based on operating income from property leasing excluding the effect of property sales and property and urban planning taxes that accrue in the first fiscal period upon acquisition of real estate.

Internal Growth

NBF will extract maximum value from the enhanced portfolio it structured during Phase I. We also intend to strengthen the profitability of our portfolio. NBF will concentrate on increasing rent levels for lease contracts that are substantially below the market average. We will also

maximize our use of the comprehensive strengths of Mitsui Fudosan in working to maintain high occupancy rates with high-quality tenant services. Moreover, we will enhance market competitiveness by conducting strategic renovations while strategically revising our portfolio.

External Growth

While making optimum use of our three competitive advantages of scale, information and expertise, we will continue to acquire outstanding properties to steadily expand assets under management. We will work to capture a wide variety of excellent investment opportunities by exploiting economies of scale in developing and rehabilitating properties. We will also enhance the sophistication of

our creativity and risk management, as represented by projects such as the NBF Platinum Tower, while investigating issues including new acquisition methods to further differentiate NBF. In addition, we will continue to employ information gathered from Mitsui Fudosan and other important sources in working to strengthen and enhance our proprietary information channels.

Finance

With the aim of maintaining conservative financial policies, NBF will work to maintain and strengthen its stable financial base to counter the risk of higher interest rates. We intend to keep our LTV ratio at 40 to 50 percent while maintaining a high ratio of long-term, fixed-rate debt to

total interest-bearing liabilities to prepare against interest rate increases. In procuring funds, we will emphasize diversity, flexibility and staggered maturities.

Management and Compliance Systems

NBF aims to maintain and strengthen sound, long-term relationships of trust with shareholders while strengthening its systems for handling increased assets and changing social requirements. We are working to strengthen compliance and risk management in ways such as enhancing internal controls, improving internal audits, and raising

the level of risk management organization. In addition, NBF is enhancing the content of disclosure and maintaining and improving its transparency, while reinforcing the organization, personnel and systems of its asset management company so that it provides consistent asset management know-how.

A Continuing Record of Achievement

Six Months of Progress

Five Properties Acquired through JFE Building Exchange

April 2006

After accepting a lease termination notice effective March 31, 2007 from JFE Steel Corporation, the sole tenant of the JFE Building, NBF transferred the JFE Building to Mitsui Fudosan Co., Ltd. and in return acquired the Nishi-Shinjuku Mitsui Building (additional acquisition), Gate City Ohsaki, the Toranomon Kotohira Tower (additional acquisition), the Parale Mitsui Building, and the Shinanobashi Mitsui Building in April 2006. This transaction allowed NBF to resolve the effect of the departure of the JFE Building's tenant by securing stable cash flow from the five properties received in exchange. Moreover, the transaction reduces NBF's dependence on a single large tenant, thus reducing asset concentration risk, and also allowed NBF to further strengthen the quality of its portfolio.

Acquisition of NBF Platinum Tower

March 2006

NBF acquired the NBF Platinum Tower in March 2006, having concluded the sale and purchase contract for this development project in September 2003. Purchasing a development project in collaboration with Mitsui Fudosan Co., Ltd. enabled NBF to systematically acquire an outstanding new property. The property is fully occupied, and contributing to NBF's profitability.

Acquisition of Shin-Kawasaki Mitsui Building

March 2006

In March 2006, NBF acquired a 35 percent co-ownership interest in the Shin-Kawasaki Mitsui Building with the intention of enhancing NBF's portfolio in other Greater Tokyo. This large-scale property features 31-story twin towers, and is highly competitive compared with other buildings in the surrounding area. It has excellent access to major neighboring urban areas, and an urban redevelopment project is planned in the vicinity. NBF therefore expects this property to become even more profitable as improvements in the surrounding area progress.

Project Agreement Concluded to Expand the NBF Nagoya Hirokoji Building

June 2006

In June 2006, NBF concluded a project agreement with Taisei Corporation under which Taisei will construct an addition to the NBF Nagoya Hirokoji Building and then sell this additional property to NBF once the building expansion is completed. With acquisition scheduled for January 2008, the new large-scale building will enhance NBF's ability to attract new tenants and respond to the needs of existing tenants for additional floor space. NBF expects these and other factors to make the property more competitive and increase its returns. In addition, NBF will participate with Taisei in product planning and other parts of the expansion plan, and will work to strengthen the property's competitiveness while moving toward early acquisition.

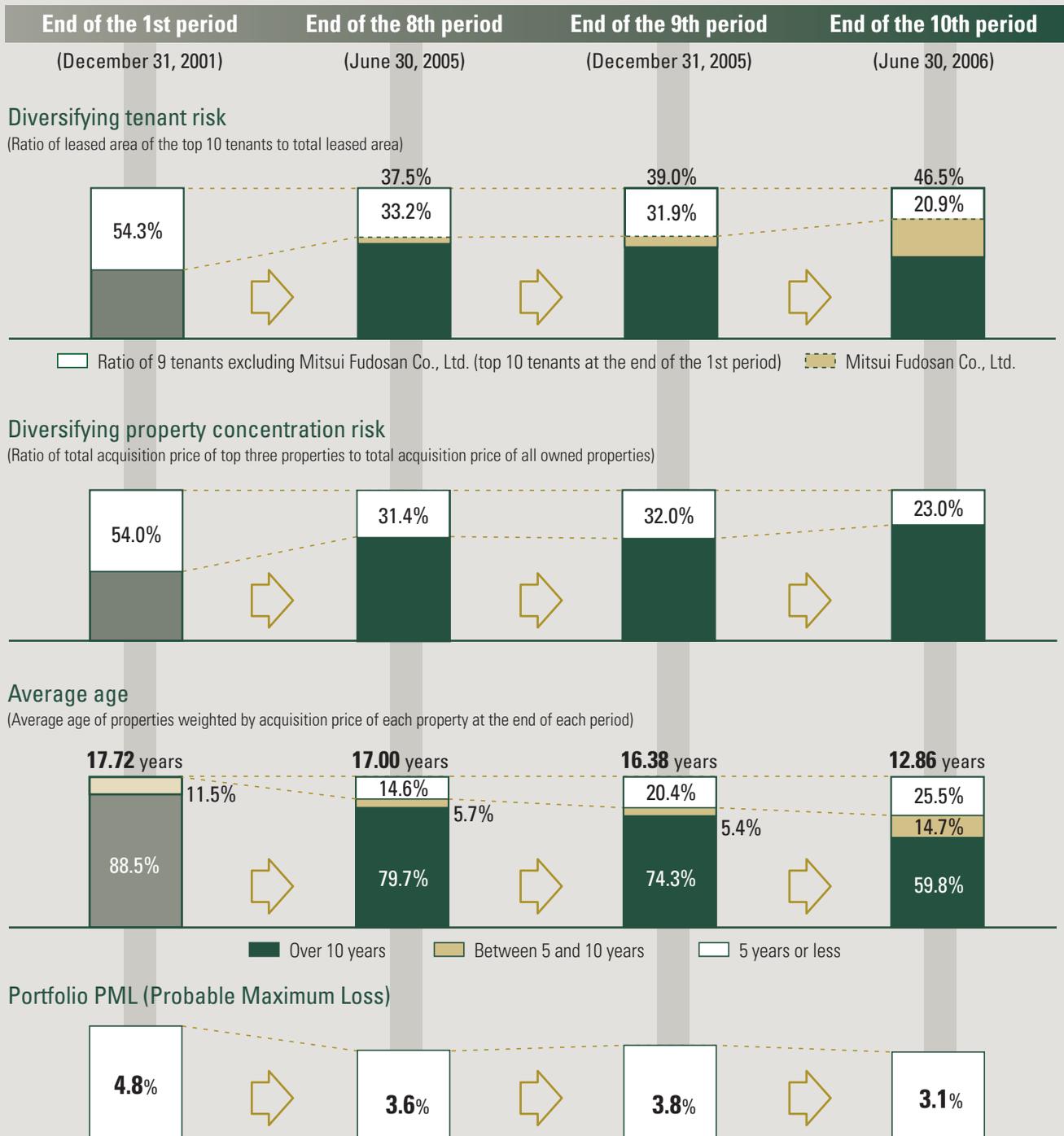
Issue of New Shares Increases Capital

March 2006

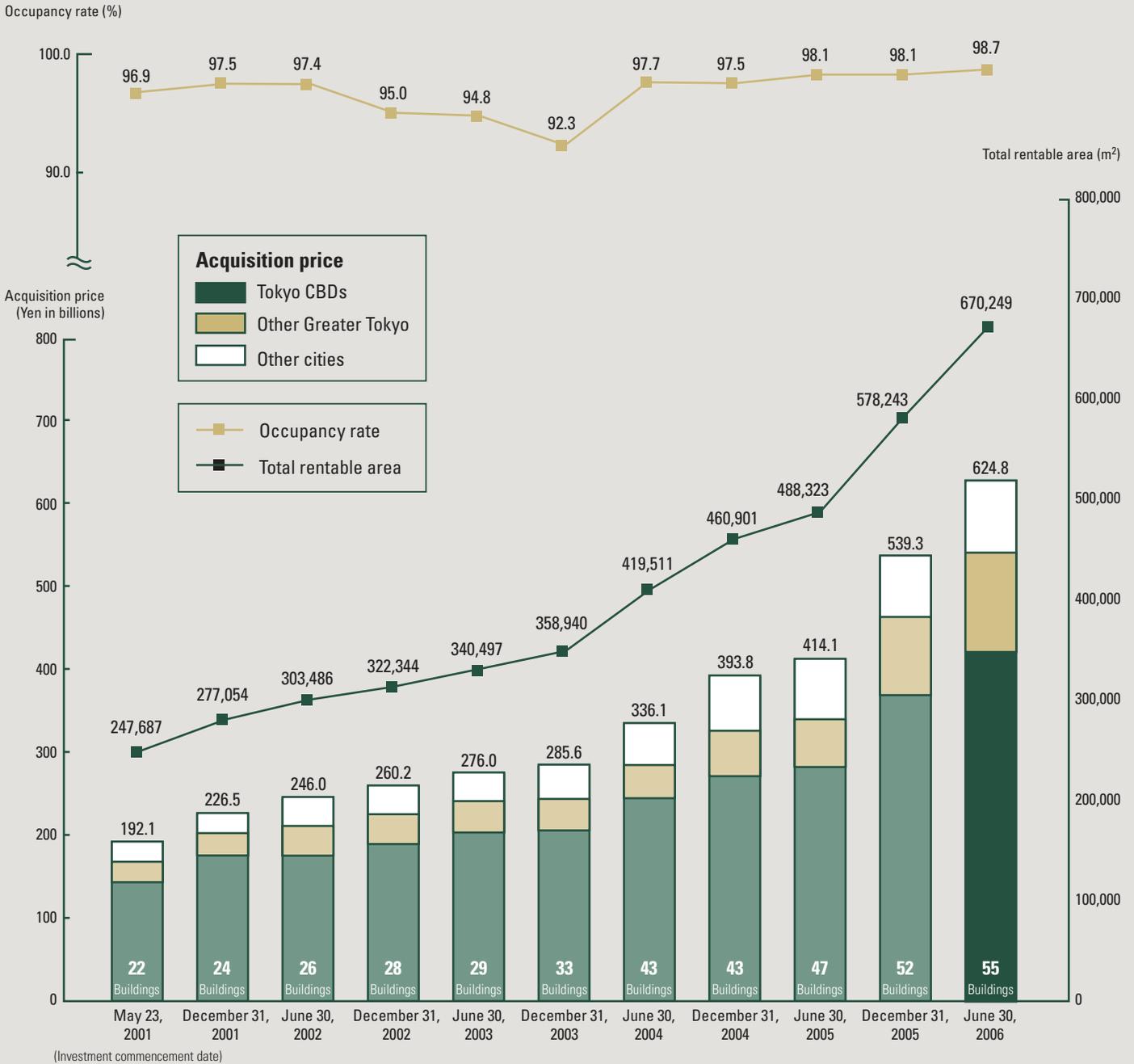
In March 2006, NBF issued new shares through a public offering and a third-party allocation. The 85,300 new shares issued generated proceeds of ¥84,276 million, which NBF used for purposes including the acquisition of the NBF Platinum Tower and other properties and debt repayment.

Ongoing Improvement in Portfolio Quality

Our portfolio has improved in quality as it has increased in asset value. The graphs below compare our portfolio from the end of the 1st period through to the end of the 10th period.



A Track Record of Steady Growth and High Occupancy Rates



New Acquisitions



NBF Platinum Tower

10th period, Tokyo CBDs

This was the company's first development project in which it assumed tenant leasing risk. In March 2006, NBF acquired the property, which continues to be fully occupied, contributing to NBF's profitability.



Shin-Kawasaki Mitsui Building

10th period, Other Greater Tokyo

With highly visible, 31-story twin-tower buildings, these skyscrapers have a favorably configured standard floor area of approximately 1,261m².



Nishi-Shinjuku Mitsui Building

(Additional acquisition)

10th period, Tokyo CBDs

Nishi-Shinjuku Mitsui Building has a standard rentable floor area of approximately 1,576m² providing bright and open space.



Toranomon Kotohira Tower

(Additional acquisition)

10th period, Tokyo CBDs

With the recent completion of improvements to this property, every function required for contemporary offices can be incorporated by means of the latest design technology.



Gate City Ohsaki

10th period, Tokyo CBDs

Gate City Ohsaki is a large-scale, redeveloped complex consisting of the west and east office buildings, as well as commercial and cultural facilities.



Shinanobashi Mitsui Building

10th period, Other cities

Shinanobashi Mitsui Building is a large scale building with a standard floor configuration, providing specifications that meet tenant needs.



Parale Mitsui Building

10th period, Other Greater Tokyo

Parale Mitsui Building is a 22-story building, providing a nicely shaped standard rentable floor area of approximately 919m².



NBF Nagoya Hirokoji Building

(Building expansion)

After 11th period, Other cities

A current expansion plan is expected to make the whole property very competitive in attracting new tenants.

NBF Platinum Tower

10th period, Tokyo CBDs



Acquisition date	March 31, 2006
Ownership status	Fee simple
Acquisition price	¥31,000 million
Acquisition structure	Trust
Location	17-3, Shirokane 1-chome, Minato-ku, Tokyo
Site area	4,373.93m ²
Floor area of building	48,762.65m ²
Structure	26 floors above ground, 2 floors below
Completed	November 21, 2005

Shin-Kawasaki Mitsui Building

10th period, Other Greater Tokyo



Acquisition date	March 31, 2006
Ownership status	Co-ownership
Acquisition price	¥20,300 million
Acquisition structure	Ownership
Location	890-12, Kashimada, Saiwai-ku, Kawasaki, Kanagawa
Site area	19,478.07m ² *
Floor area of building	138,485.98m ² *
Structure	32 floors above ground, 2 floors below
Completed	May 22, 1989

* The figures above for Site area and Floor area of building indicate the total site area and total floor area of this property. NBF owns 35.0% of this property.

Nishi-Shinjuku Mitsui Building (Additional acquisition)

10th period, Tokyo CBDs



Acquisition date	April 24, 2006 (September 30, 2003, for the existing acquisition)
Ownership status	Condominium, co-ownership of condominium
Acquisition price	¥43,300 million (¥44,903 million for the additional and existing acquisition)
Acquisition structure	Ownership
Location	24-1, Nishi-shinjuku 6-chome, Shinjuku-ku, Tokyo
Site area	10,014.02m ² *
Floor area of building	84,634.02m ² *
Structure	27 floors above ground, 2 floors below
Completed	April 28, 1999

* The figure above for Site area indicates the total site area of this property. NBF owns about 76.64% of the land and about 85.11% of the building.

Toranomom Kotohira Tower (Additional acquisition)

10th period, Tokyo CBDs



Acquisition date	April 24, 2006 (November 30, 2004, for the existing acquisition)
Ownership status	Condominium
Acquisition price	¥18,500 million (¥24,543 million for the additional and existing acquisition)
Acquisition structure	Ownership
Location	2-8, Toranomom 1-chome, Minato-ku, Tokyo
Site area	3,647.30m ² *
Floor area of building	29,353.21m ² *
Structure	26 floors above ground, 3 floors below
Completed	November 13, 2004

* Condominium interest: 100% of floors 4 through 25
Superficies rights: co-ownership of 1,256.19m²
Superficies rights and easements: 1,035.23m²

Gate City Ohsaki

10th period, Tokyo CBDs



Acquisition date	April 24, 2006
Ownership status	Condominium, co-ownership of condominium
Acquisition price	¥30,100 million
Acquisition structure	Ownership
Location	11-1, 2, 6, Ohsaki 1-chome, Shinagawa-ku, Tokyo
Site area	42,509.31m ² *
Floor area of building	287,349.75m ² *
Structure	24 floors above ground, 4 floors below
Completed	January 6, 1999

* The figures above for Site area and Floor area of building indicate the total site area and total floor area of this property. NBF owns about 12.89% of this property.

Shinanobashi Mitsui Building

10th period, Other Cities



Acquisition date	April 24, 2006
Ownership status	Co-ownership
Acquisition price	¥14,400 million
Acquisition structure	Ownership
Location	11-7, Utsubohonmachi 1-chome, Nishi-ku, Osaka, Osaka
Site area	4,298.26m ² *
Floor area of building	36,301.54m ² *
Structure	12 floors above ground, 2 floors below
Completed	September 29, 1982

* The figures above for Site area and Floor area of building indicate the total site area and total floor area of this property. NBF owns 99.0% of this property.

Parale Mitsui Building

10th period, Other Greater Tokyo



Acquisition date	April 24, 2006
Ownership status	Co-ownership of condominium
Acquisition price	¥3,800 million
Acquisition structure	Ownership
Location	8, Higashidacho, Kawasaki-ku, Kawasaki, Kanagawa
Site area	5,673.25m ² *
Floor area of building	50,934.97m ² *
Structure	22 floors above ground, 1 floor below
Completed	October 16, 1990

* The figures above for Site area and Floor area of building indicate the total site area and total floor area of this property. NBF owns about 72.62% of this property.

NBF Nagoya Hirokoji Building (Building expansion)

After 11th period, Other Cities



Acquisition date	January 2008 (expected)
Ownership status	Fee simple
Acquisition price	¥1,914 million (expected) (Total price ¥7,320 million)
Acquisition structure	Ownership
Location	3-6, Sakae 2-chome, Naka-ku, Nagoya, Aichi
Site area	431.30m ² (expected) (1,683.76m ² for the additional and existing acquisition)
Floor area of building	3,608.00m ² (expected) (14,809.68m ² for the additional and existing acquisition)
Structure	9 floors above ground, 1 floor below (9 floors above ground, 2 floors below acquired in the previous period)
Completion	January 2008 (expected) (Existing portion: October 25, 2000)

Note: On June 9, 2006, NBF concluded a contract for an expansion project for the NBF Nagoya Hirokoji Building.

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

Other Greater Tokyo

- ⑳ IST Building
- ㉘ Nakanosakaue Sunbright Twin



① Yamato Seimei Building



③ Shiba NBF Tower



⑯ Shibuya Garden Front



⑲ Akasaka Sanno Square



㉑ NBF Higashi-Ginza Square

Other Greater Tokyo

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



Other Cities

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



27 IST Building



28 Nakanosakaue Sunbright Twin



35 S-ino Omiya North Wing



45 Aqua Dojima NBF Tower
51 Aqua Dojima East



47 Sun Mullion NBF Tower

Portfolio Overview

NBF's properties as of June 30, 2006 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)
Tokyo CBDs						
① Yamato Seimei Building	Trust	Fee simple	100.0	1984	63,500	64,549
② Nishi-Shinjuku Mitsui Building	Ownership	Condominium	85.1	1999	44,903	37,317
③ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	32,179
④ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	31,807
⑤ Gate City Ohsaki	Ownership	Condominium	12.9	1999	30,100	25,223
⑥ Toranomon Kotohira Tower	Ownership	Condominium	100.0	2004	24,543	21,762
⑦ Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,111
⑧ Nakameguro GT Tower	Ownership	Condominium	93.1	2002	23,856	23,258
⑨ Shinjuku Mitsui Building No.2	Trust	Fee simple	100.0	1983	16,285	15,798
⑩ GSK Building	Trust	Fee simple	100.0	1990	15,616	14,319
⑪ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,653
⑫ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of condominium	83.0	1994	13,217	12,437
⑬ Nippon Steel Building No.2	Ownership	Fee simple	100.0	1989	12,614	12,159
⑭ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,440
⑮ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,848
⑯ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,557
⑰ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,742
⑱ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,304
⑲ Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,314
⑳ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	5,011
㉑ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	5,184
㉒ NBF Ogawamachi Building	Ownership	Condominium	83.8	1986	4,940	4,998
㉓ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,573
㉔ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,489
㉕ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	2,380	2,460
㉖ NBF Ebisu-minami Building	Ownership	Fee simple	100.0	1991	1,000	1,036
Other Greater Tokyo						
㉗ IST Bldg	Trust	Fee simple	100.0	2004	35,200	34,871
㉘ Nakanosakaue Sunbright Twin	Trust	Condominium	31.6	1996	8,979	8,547
㉙ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	20,405
㉚ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,769
㉛ Parale Mitsui Building	Ownership	Co-ownership of condominium	97.5	1990	3,800	3,291
㉜ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,239
㉝ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,875
㉞ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,598
㉟ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	16,542
㊱ Daido Life Omiya Building	Trust	Fee simple	100.0	1991	2,361	2,240
㊲ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	2,006
㊳ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,392
Other Cities						
㊴ Sapporo L-Plaza	Ownership	Condominium	46.2	2003	4,404	4,368
㊵ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,772
㊶ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,477
㊷ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,494
㊸ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,717
㊹ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	5,406	5,405
㊺ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	17,711
㊻ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	12,101
㊼ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	9,493
㊽ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of condominium	49.3	1991	6,500	6,466
㊾ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	2,073
㊿ NBF Tanimachi Building	Trust	Fee simple	100.0	1993	1,944	1,944
㉑ Aqua Dojima East	Trust	Co-ownership of condominium	23.7	1993	1,914	1,914
㉒ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,413
㉓ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,989
㉔ Hiroshima Fukuromachi Building	Ownership	Co-ownership of condominium	10.4	2002	835	795
㉕ NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,416
㉖ JFE Building	—	—	—	—	—	—
㉗ Otemae Center Building	—	—	—	—	—	—
Total					624,839	599,851

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

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

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

Appraisal Value	Rentable Area	Leased Area at End of Period	Occupancy Rate at End of Period	Total Number of Tenants at End of Period	Revenue	Percentage of Total Revenue (Note 1)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)
63,800	27,640	26,756	96.8	65	1,770	7.7
46,200	32,967	32,967	100	1	534	2.3
31,300	24,728	24,728	100	27	1,057	4.6
37,400	33,503	33,503	100	5	511	2.2
30,800	20,315	20,315	100	1	374	1.6
27,100	16,848	16,848	100	1	442	1.9
29,400	16,306	15,911	97.6	14	896	3.9
25,000	21,423	21,423	100	1	1,003	4.4
20,900	14,900	14,747	99.0	42	656	2.9
19,500	22,702	22,702	100	1	Note 2	Note 2
17,600	10,354	10,187	98.4	11	570	2.5
16,400	10,088	10,088	100	2	Note 2	Note 2
14,810	17,338	17,338	100	2	611	2.7
11,100	4,043	4,043	100	9	284	1.2
9,000	7,450	7,450	100	1	269	1.2
14,200	8,258	8,258	100	1	Note 2	Note 2
8,030	7,087	7,087	100	3	Note 2	Note 2
8,020	10,473	10,473	100	5	325	1.4
7,250	5,258	5,258	100	6	243	1.1
5,580	5,978	5,978	100	1	Note 2	Note 2
7,500	4,871	4,871	100	9	231	1.0
5,710	4,805	4,805	100	1	186	0.8
5,660	5,730	5,730	100	12	212	0.9
5,310	5,127	5,127	100	13	179	0.8
2,610	2,971	2,628	88.5	3	111	0.5
1,390	1,595	1,595	100	3	59	0.3
35,800	36,764	36,144	98.3	8	1,126	4.9
11,500	12,074	12,074	100	1	Note 2	Note 2
20,500	27,924	27,924	100	1	476	2.1
18,400	20,070	20,070	100	83	750	3.3
3,960	12,545	12,545	100	1	101	0.4
2,520	5,230	5,059	96.7	20	138	0.6
9,380	16,842	15,265	90.6	66	479	2.1
2,610	6,163	5,977	97.0	33	143	0.6
19,400	20,699	20,650	99.8	34	742	3.2
2,540	3,574	3,574	100	15	120	0.5
2,030	3,455	3,455	100	15	109	0.5
2,670	4,772	4,405	92.3	24	129	0.6
5,360	11,396	11,396	100	12	319	1.4
1,800	5,352	5,352	100	10	127	0.6
4,160	7,567	7,542	99.7	10	220	1.0
4,370	13,479	12,623	93.6	53	284	1.2
4,550	10,221	10,123	99.0	36	270	1.2
5,940	6,873	6,873	100	10	229	1.0
21,200	21,935	21,917	99.9	39	853	3.7
14,500	25,237	25,237	100	1	256	1.1
10,100	14,121	13,347	94.5	26	414	1.8
6,810	11,438	10,551	92.2	41	310	1.4
2,520	5,327	4,852	91.1	17	129	0.6
2,030	4,948	4,948	100	3	Note 2	Note 2
2,080	3,243	3,243	100	20	115	0.5
1,690	3,931	3,447	87.7	16	90	0.4
3,140	5,587	5,346	95.7	28	156	0.7
877	1,310	1,310	100	16	42	0.2
2,620	5,416	5,416	100	8	157	0.7
—	—	—	—	—	1,365	6.0
—	—	—	—	—	22	0.1
696,627	670,249	661,481	98.7	887	22,872	100.0

Management Team and Management Structure

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 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. The fourth General Meeting of Shareholders convened on

March 10, 2005, and the date of the next General Meeting of Shareholders has not been set.

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

Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of June 30, 2006, NBF had two executive directors and four supervisory directors.

Management Team



From left:
Nobutoshi Kozuka
Tomio Hirota
Sadafumi Abe
Koichi Nishiyama
Akira Nishizawa
Hideo Fukazawa

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.

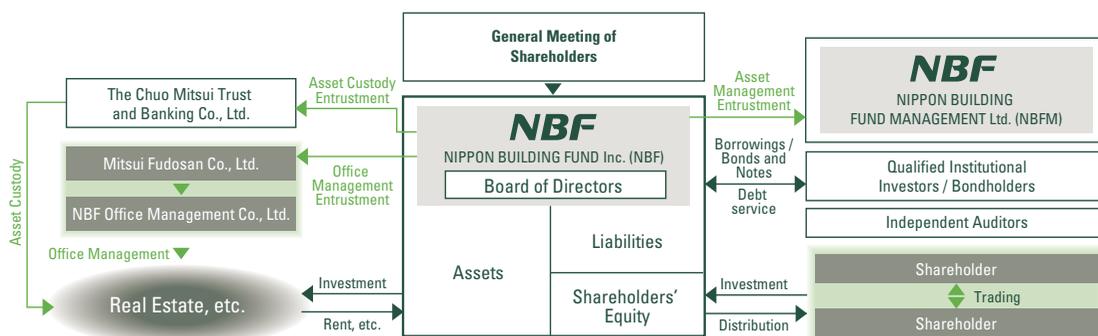
Supervisory directors are responsible for supervising execution by the executive directors.

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.

The bylaws of NBF's Board of Directors stipulate that executive and supervisory directors may not participate in decisions in which they have a financial 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.

Nippon Building Fund Management Ltd.

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



Compliance Initiatives

Nippon Building Fund Management Ltd.'s fundamental compliance policy is to conduct operations honestly and fairly while maintaining a rigorous compliance system based on a high level of corporate ethics.

Nippon Building Fund Management Ltd. considers protecting shareholder interests its first priority, and is especially diligent with respect to conflict of interest.

When acquiring properties from sponsors, Nippon Building Fund Management Ltd. conducts appropriate internal procedures, such as operational review meetings and management meetings, followed by advance reports submitted to the Board of Directors of NBF in order to obtain substantive consent. Moreover, when acquiring such properties, Nippon Building Fund Management Ltd. strictly applies the investment standards, income-based pricing and purchasing conditions used for external acquisitions. In addition, it keeps transaction prices within the bounds of third-party appraisals to avoid arbitrariness.

Nippon Building Fund Management Ltd. has been working to strengthen its compliance system through periodic reviews of internal rules and other measures. With the support of all its shareholders, the company will continue making every effort to raise its compliance system to a higher level.

Name of executive directors and supervisory directors	Title
Sadafumi Abe	Executive Director
Koichi Nishiyama	Executive Director
Tomio Hirota	Supervisory Director, Lawyer
Akira Nishizawa	Supervisory Director, Real Estate Appraiser
Nobutoshi Kozuka	Supervisory Director, Certified Public Accountant, Certified Public Tax Accountant
Hideo Fukazawa	Supervisory Director

Note: Executive Director Koichi Nishiyama is concurrently President & CEO of Nippon Building Fund Management Ltd. No executive or supervisory director directly or indirectly holds any shares in NBF. Further, while some supervisory directors are concurrently officers in other corporations, there exist no conflicts of interest between said corporations and NBF.

Management's Discussion and Analysis

Summary of Selected Financial Data

		10th Period from January 1, 2006 to June 30, 2006	9th Period from July 1, 2005 to December 31, 2005	8th Period from January 1, 2005 to June 30, 2005	10th Period from January 1, 2006 to June 30, 2006
(Yen in millions, except per share data or where otherwise indicated)					U.S. dollars in thousands except per share data (Note 1)
Operating revenue	Note 2	¥24,307	¥19,363	¥16,731	\$ 212,277
Revenue from property leasing		22,872	19,363	16,731	199,744
Revenue from capital gain		1,435	—	—	12,533
Operating expenses		12,622	10,582	9,344	110,230
Rental expenses		11,472	9,694	8,554	100,187
Income before income taxes		9,852	7,206	6,162	86,032
Net income	(a)	9,851	7,205	6,161	86,024
Funds from operations	Note 3	12,951	10,869	9,441	113,099
Net operating income from property leasing activities	Note 3	15,936	13,333	11,457	139,165
Total amount of cash distribution	(b)	9,851	7,205	6,161	86,024
Depreciation and amortization		4,536	3,664	3,280	39,608
Capital expenditures		753	618	702	6,572
Total assets	(c)	633,693	564,902	449,556	5,533,956
Interest-bearing debt		237,500	257,500	199,700	2,074,055
Total shareholders' equity (Net assets)	(d)	356,297	269,376	216,840	3,111,497
Total number of common shares issued (shares)	(e)	508,000	422,700	364,700	—
Net assets per share (Yen)	(d) / (e)	701,373	637,274	594,571	6,125
Distribution per share (Yen)	(b) / (e)	19,391	17,046	16,893	169
Funds from operations per share (Yen)	Note 3	27,395	26,505	25,887	239
Return on total assets	Note 3	1.64%	1.42%	1.40%	
(Annual rate)		(3.29%)	(2.84%)	(2.80%)	
ROE	Note 3	3.15%	2.96%	2.84%	
(Annual rate)		(6.30%)	(5.93%)	(5.68%)	
LTV (Loan to Value)	Note 3	41.0%	48.5%	44.4%	
Capital ratio	(d) / (c)	56.2%	47.7%	48.2%	
Payout ratio	(b) / (a) Note 4	100.0%	99.9%	99.9%	
Number of days		181	184	181	
Number of investment properties	Note 5	55	52	47	
Number of tenants	Note 5	887	868	763	
Total rentable area (m ²)		670,249	578,243	488,323	
Occupancy rate	Note 5	98.7%	98.1%	98.1%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥114.51=U.S. \$1.00, the approximate exchange rate on June 30, 2006.

2. Operating revenue does 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.

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

ROE: Net income / (Initial shareholders' equity + Shareholders' equity 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, 2006 (the "10th Period"), Japan's economic recovery came into a sharper focus. Employment conditions and household income improved as a result of better corporate performance. These factors in turn spurred corporate capital investment.

In the office building leasing market, the trend toward consolidation in larger floor space continued as corporate performance improved. In particular, occupancy rates improved substantially in Tokyo's central business districts, centered on newly constructed large-scale buildings. The lease rates for new contracts continued to increase due to the shortage of space in large buildings.

In the real estate acquisition market, the perception spread that land prices have stopped falling. Acquisitions became more challenging in central business districts and other areas where prices have been rising because participants including private funds and J-REITs aggressively invested against a backdrop of solid demand for office space.

Given these conditions, NBF continued to invest in and manage its portfolio according to a fundamental policy of investing in outstanding office buildings that are highly competitive in terms of infrastructure because of their location, scale and facilities and that carry little risk of decline in value because of their stable cash flow from leasing.

In March 2006, NBF acquired two buildings: the NBF Platinum Tower, acquired for ¥31,000 million; and the Shin-Kawasaki Mitsui Building, acquired for ¥20,300 million. In February 2006, NBF transferred the Otemae Center Building, valued at ¥2,370 million, out of its portfolio based on considerations including asset composition and its portfolio structuring policy. In addition, after accepting a lease termination notice effective March 31, 2007 from JFE Steel Corporation, the sole tenant of the JFE Building, NBF transferred the JFE Building to Mitsui Fudosan Co., Ltd. and in return received five buildings, including the Nishi-Shinjuku Mitsui Building, in April 2006. This exchange transaction allowed NBF to quickly resolve the departure of the tenant of the JFE Building, secure stable cash flow from the five properties received in exchange, and further strengthen the quality of its portfolio.

As a result of the above initiatives, as of June 30, 2006 NBF's overall real estate portfolio increased by a net three buildings from six months earlier to 55, and total investment on an acquisition price basis increased 15.9 percent from the previous period to ¥624,839 million. Total rentable area increased 15.9 percent from the previous period to 670 thousand square meters.

At the same time, NBF continued to conduct tenant surveys to strengthen its ability to collect information on tenant needs and other issues with the objective of maintaining and increasing the profitability of its existing portfolio. NBF also continuously conducted hospitality training as a measure to increase customer satisfaction with its property management company, which has many opportunities to communicate directly with tenants. Moreover, NBF energetically attracted new tenants, with the result that the occupancy rate of its overall real estate portfolio remained high at 98.7 percent, up from 98.1 percent six months earlier.

Overview of Performance

For the six months ended June 30, 2006, operating revenue increased 25.5 percent, or ¥4,944 million, compared with the previous six-month period to ¥24,307 million. Net operating income from property leasing activities increased 19.5 percent, or ¥2,603 million, compared with the previous six-month period to ¥15,936 million. Operating income increased 33.1 percent, or ¥2,904 million, compared with the previous six-month period to ¥11,685 million.

Operating revenue increased because of the contribution from seven newly acquired properties, including additional acquisition of jointly owned properties. The full-period contribution of the seven properties acquired during the six months ended December 31, 2005, including additional acquisition of jointly owned properties, also supported the increase in operating revenue. In addition, the exchange of the JFE Building for five properties and strategic portfolio acquisitions and disposals generated income including gain on sale of investment properties.

Cash Dividends

Distribution per share for the current period was ¥19,391. 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, 2006	December 31, 2005	June 30, 2005
	(Yen in thousands, except per share amounts)		
Retained earnings	¥ 9,850,811	¥ 7,205,589	¥ 6,161,091
Undistributed earnings	183	245	214
Total cash distribution	9,850,628	7,205,344	6,160,877
(Total cash distribution per share)	19,391	17,046	16,893
Distribution of accumulated earnings	9,850,628	7,205,344	6,160,877
(Distribution of accumulated earnings per share)	19,391	17,046	16,893
Cash distribution in excess of accumulated earnings (per share)	—	—	—

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

Changes in Assets, Liabilities and Shareholders' Equity

Assets

As of June 30, 2006, total assets increased ¥68,791 million compared with December 31, 2005 to ¥633,693 million. Return on average total assets (ROA) for the six months ended June 30, 2006 improved to 1.64 percent from 1.42 percent for the previous six-month period.

Current assets increased ¥385 million compared with December 31, 2005 to ¥31,720 million.

Investment properties increased ¥67,753 million compared with December 31, 2005 to ¥599,796 million. Factors such as the acquisition of new properties resulted in an increase of ¥4,444 million in land including trust accounts. Buildings and improvements including trust accounts increased ¥54,747 million.

Liabilities

Current liabilities decreased ¥38,469 million compared with December 31, 2005 to ¥32,522 million. NBF used capital procured through the issue of new shares and long-term debt to repay short-term loans, which decreased ¥38,000 million compared with December 31, 2005.

Long-term debt increased ¥19,000 million compared with December 31, 2005 to ¥212,000 million. NBF increased long-term debt to raise the ratio of fixed-rate long-term debt.

As a result, total interest-bearing liabilities decreased ¥20,000 million compared to December 31, 2005 to ¥237,500 million. The ratio of fixed-rate long-term debt to total interest-bearing liabilities increased to 89.3 percent from 75.0 percent as of December 31, 2005. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 41.0 percent from 48.5 percent as of December 31, 2005.

In addition, NBF worked to diversify funding sources. In January 2005, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of June 30, 2006, NBF had issued bonds totaling ¥60,000 million under this shelf registration.

Shareholders' Equity

Shareholders' equity increased ¥86,922 million compared with December 31, 2005 to ¥356,297 million. The increase in common shares as a result of the issue of new shares in March 2006 accounted for ¥84,276 million of the increase.

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, 2006, 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	79,044	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 raise funds.

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 raise funds.

7. Public offering of new units for ¥1,019,200 per share (excluding underwriting fee: ¥988,000) to repay debt and to raise funds.

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, 2006	December 31, 2005	June 30, 2005
(Yen)			
High	¥1,170,000	¥1,020,000	¥ 1,000,000
Low	995,000	891,000	849,000

Borrowings

Borrowings by financial institution as of June 30, 2006 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 Hachijuni Bank, Ltd.	¥ 2,000	0.6%	September 29, 2006	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu (Note 3) Floating rate
The Bank of Fukuoka, Ltd.	2,000	0.4%	July 31, 2006			
Mizuho Corporate Bank, Ltd.	1,000	0.4%	August 31, 2006			
Shinkin Central Bank	1,000	0.5%	August 31, 2006			
The Chugoku Bank, Ltd.	1,000	0.5%	August 31, 2006			
The Gunma Bank, Ltd.	1,000	0.4%	July 31, 2006			
The Kagoshima Bank, Ltd.	1,000	0.4%	July 31, 2006			
The Yamaguchi Bank, Ltd.	1,000	0.4%	July 31, 2006			
The Shizuoka Bank, Ltd.	1,000	0.5%	August 31, 2006			
The Yamanashi Chuo Bank, Ltd.	500	0.6%	September 29, 2006			
Total short-term debt	¥11,500					

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 (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., Ltd.	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, Ltd.	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			

Long-term debt (Continued)

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Norinchukin Bank	¥ 8,000	1.1%	November 20, 2008	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu (Note 3) Fixed rate
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 Co., Ltd.	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			
Sumitomo Mitsui Banking Corporation	1,000	1.2%	March 12, 2007			
	1,000	1.2%	March 12, 2007			
	1,000	1.5%	June 30, 2009			
The Dai-ichi Mutual Life Insurance Company	2,000	0.8%	February 13, 2008			
	1,000	0.9%	September 29, 2006			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	0.7%	September 28, 2007			
Taiyo Life Insurance Company	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
The Joyo Bank, Ltd.	1,000	1.4%	May 23, 2008			
The Iyo Bank, Ltd.	1,000	0.7%	February 2, 2007			
Total long-term debt	¥166,000					
Total borrowings (Note 4)	¥177,500					

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

2. 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	¥32,000	¥10,000	¥18,000	¥8,000

NBF Bonds

Issue	Issue date	Balance as of June 30, 2006 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 2 Unsecured Bonds	February 10, 2003	¥10,000	0.75%	February 9, 2007	Bullet Payment	Note 1	Note 2
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet Payment	Note 1	Note 2
No. 4 Unsecured Bonds	September 22, 2004	¥10,000	1.04%	September 22, 2009	Bullet Payment	Note 1	Note 2
No. 5 Unsecured Bonds	September 22, 2004	¥10,000	1.60%	September 22, 2011	Bullet Payment	Note 1	Note 2
No. 6 Unsecured Bonds	March 9, 2005	¥10,000	0.80%	March 9, 2010	Bullet Payment	Note 1	
No. 7 Unsecured Bonds	November 9, 2005	¥10,000	1.85%	November 9, 2015	Bullet Payment	Note 1	
Total (Note 3)		¥60,000					

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

2. The bonds are limited to qualified institutional investors and rank pari passu with other debts issued.

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

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

Others

NBF has security deposits totaling ¥32,823 million as of June 30, 2006.

Capital Expenditures

Planning

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, 2006 to June 30, 2006)	Cumulative amount paid
NBF Toranomon Building	Renovation of 8th floor	From March 2006 to September 2006	¥ 295	¥ —	¥ —
Parale Mitsui Building	Installation of security equipment	From April 2006 to July 2006	53	—	—
NBF Sendai Honcho Building	Rework of air-conditioning (Phase 2)	From July 2006 to December 2006	116	—	—
NBF Sendai Honcho Building	Rework of air-conditioning (Phase 3)	From January 2007 to June 2007	108	—	—

Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥753 million in capital expenditures together with ¥474 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Sendai Honcho Building	Rework of air-conditioning (Phase 1), Exhaust equipment renovation	From January 2006 to June 2006	¥ 98
NBF Niigata Telecom Building	Renovation of Central Monitoring system, Property maintenance including dismantling of fan coil units		41
Other buildings	Property maintenance, Renovations intended to improve the level of tenant satisfaction		614
Total			¥753

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, 2006	As of December 31, 2005
	(Yen in millions)	
Reserve balance at beginning of period	¥1,166	¥1,654
Amount accumulated in current period	1,453	1,013
Withdrawal from reserves in current period	1,206	1,501
Amount carried forward	¥1,413	¥1,166

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 ¥1,700 million as of June 30, 2006 for repairs 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 fees and other operating expenses paid by NBF.

Item	For the six months ended		
	June 30, 2006	December 31, 2005	June 30, 2005
	(Yen in millions)		
Asset management fees	¥ 877	¥707	¥609
Asset custody fees	26	21	19
Agent fees (stock transfer, accounting and administrative)	67	57	56
Directors' remuneration	11	11	11
Auditor's fees	12	12	12
Other expenses	157	80	83
Total	¥1,150	¥888	¥790

Note: In addition to the amounts stated above, there are asset management fees of ¥493 million for the period from January 1, 2006 to June 30, 2006, ¥325 million for the period from July 1, 2005 to December 31, 2005 and ¥102 million for the period from January 1, 2005 to June 30, 2005 related to investment in properties which were booked on each property.

Trading Activities during Current Period

Trading of Real Estate and Real Estate Held in Trust

(Yen in millions)		
Name of building	Acquisitions	
	Date	Acquisition price (Note 1)
NBF Platinum Tower	March 31, 2006	¥ 31,000
Shin-Kawasaki Mitsui Building	March 31, 2006	20,300
Nishi-Shinjuku Mitsui Building	April 24, 2006	43,300
Gate City Ohsaki	April 24, 2006	30,100
Toranomon Kotohira Tower	April 24, 2006	18,500
Parale Mitsui Building	April 24, 2006	3,800
Shinanobashi Mitsui Building	April 24, 2006	14,400
Total		¥161,400

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

(Yen in millions)		
Name of building	Disposals	
	Date	Disposal price
Otemae Center Building	February 1, 2006	¥ 2,370
JFE Building	April 24, 2006	91,000
Total		¥93,370

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.

Related Party Transactions

Ongoing Transactions

None.

Fees Paid for Period from January 1, 2006 to June 30, 2006

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 commissions	¥ 710	Mitsui Fudosan Co., Ltd.	¥700	98.6%
		Mitsui Fudosan Housing Lease Co., Ltd.	10	1.4%
Office management fees, etc. (Note 3)	998	Mitsui Fudosan Co., Ltd.	970	97.2%
		NBF Office Management Co., Ltd.	22	2.2%
Property transfer fees	24	Mitsui Fudosan Co., Ltd.	24	100.0%
Property maintenance fees	1,801	First Facilities Co., Ltd.	274	15.2%
		Mitsui Fudosan Co., Ltd.	155	8.6%
		First Facilities West Co., Ltd.	128	7.1%
		Mitsui Fudosan Building Management Co., Ltd.	78	4.3%
		First Facilities Yokohama Co., Ltd.	11	0.6%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.1%
		NBF Office Management Co., Ltd.	0	0.0%
Leasing related service fees	82	NBF Office Management Co., Ltd.	27	33.0%
		Mitsui Fudosan Co., Ltd.	11	14.1%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.2%
		Repark Co., Ltd.	0	0.1%

Notes: 1. "Related parties" mean parties defined in Article 20 of the government ordinance regarding the Investment Trust Law of Japan, principally, parties related to an asset management company.

2. Figures indicate percentages of total prices.

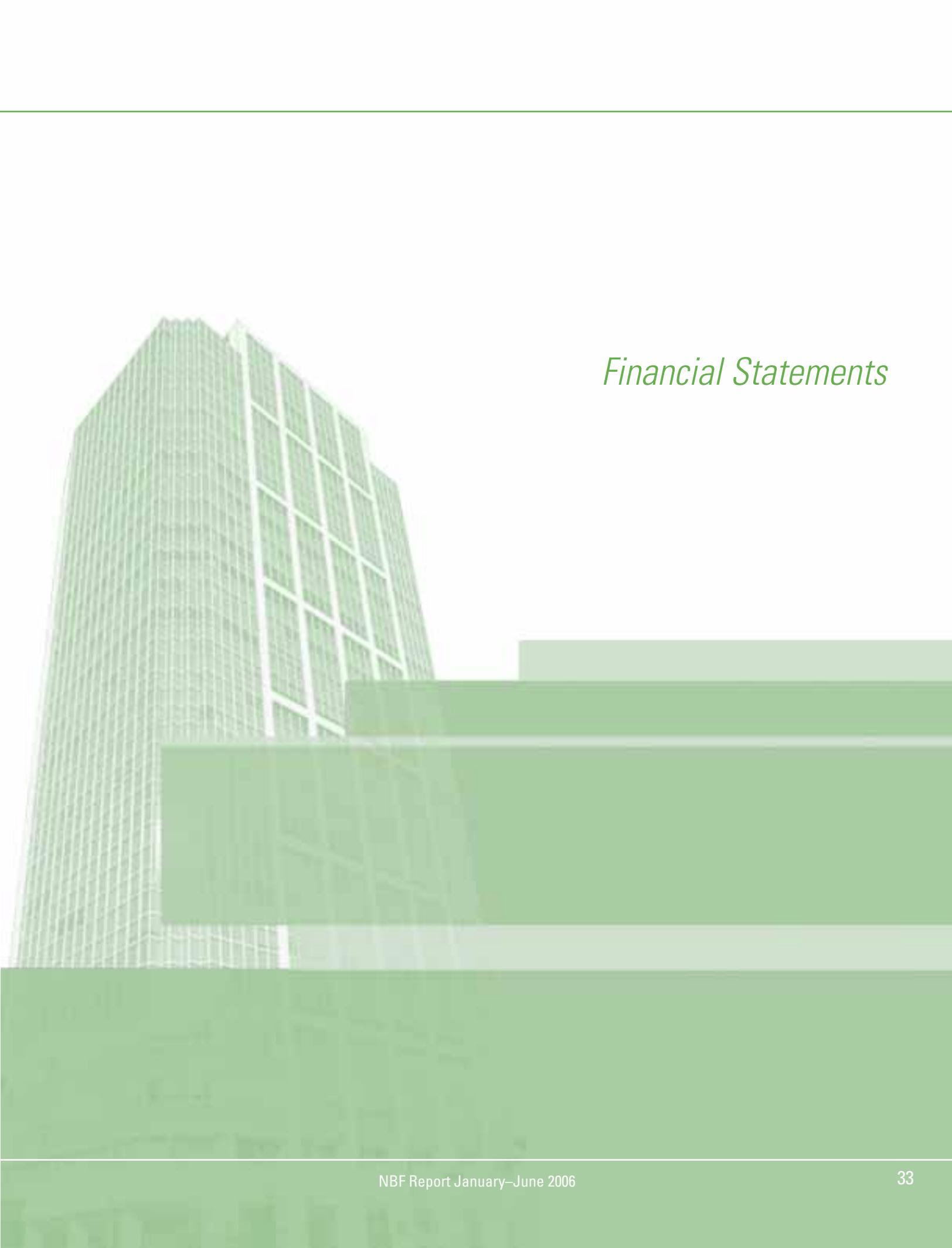
3. NBF leases the Naka-Meguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Building and the Nishi-Shinjuku Mitsui Building to Mitsui Fudosan Co., Ltd., which sub-leases them to sub-lessees. Further, Sumitomo Trust & Banking Co., Ltd., as trustee, also leases the Yotsuya Medical Building to Mitsui 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 No. 6 NBF Bond was paid to Nomura Securities Co., Ltd.

5. A public offering of new investment shares, the payment date for which was March 16, 2006, was conducted through a firm commitment underwriting agreement, under which an underwriting securities company underwrote shares at an issue price and sold them at an offering price different from such issue price to general investors ("spread method"). In addition to the fees listed in the above table, a portion of ¥2,496 million, which is the difference between the offering price and the issue price, comprises actual underwriting fees for Nomura Securities Co., Ltd. and Daiwa Securities SMBC Co., Ltd.

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

(Yen in millions)	
First Facilities Co., Ltd.	¥155
First Facilities West Co., Ltd.	108
Mitsui Fudosan Building Management Co., Ltd.	99
Mitsui Designtech Co., Ltd.	51
Mitsui Fudosan Co., Ltd.	17
First Facilities Yokohama Co., Ltd.	7
Mitsui Fudosan Housing Lease Co., Ltd.	4



Financial Statements

Balance Sheets

NIPPON BUILDING FUND INC.
As of June 30, 2006 and December 31, 2005

	As of June 30, 2006	As of December 31, 2005
(Yen in millions)		
Assets		
Current assets:		
Cash and cash equivalents	¥ 28,769	¥ 29,713
Tenant receivables	340	238
Consumption tax refund receivables and other current assets	2,611	1,384
Total current assets	31,720	31,335
Investment properties:		
Land including trust accounts	356,950	352,506
Building and improvements including trust accounts	233,163	178,416
Other tangible assets	5,688	4,126
Less: accumulated depreciation	(24,715)	(22,849)
Leasehold rights in trust accounts and other intangible assets	28,710	19,844
Total investment properties, net	599,796	532,043
Other assets	2,177	1,524
Total Assets	¥633,693	¥564,902
Liabilities		
Current liabilities:		
Short-term loans	¥ 11,500	¥ 49,500
Long-term debt due within one year	4,000	15,000
Bonds due within one year	10,000	—
Accounts payable	2,669	2,234
Rents received in advance	2,956	3,153
Accrued expenses and other liabilities	1,397	1,104
Total current liabilities	32,522	70,991
Long-term debt	212,000	193,000
Tenant security deposits	32,823	31,489
Other liabilities	51	47
Total Liabilities	277,396	295,527
Net Assets		
Common shares, non-par value	346,446	262,170
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 508,000 shares		
Retained earnings	9,851	7,205
Total Net Assets	356,297	269,375
Total Liabilities and Net Assets	¥633,693	¥564,902

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, 2006, December 31, 2005 and June 30, 2005

	For the six months ended		
	June 30, 2006	December 31, 2005	June 30, 2005
	(Yen in millions)		
Revenue:			
Rental	¥20,799	¥17,429	¥15,114
Other revenue related to property leasing	2,073	1,934	1,617
Gain on sale of investment properties	685	—	—
Gain on exchange of investment properties	750	—	—
Total Revenue	24,307	19,363	16,731
Operating Expenses:			
Property management fees	2,832	2,373	2,050
Real estate taxes	1,923	1,593	1,579
Insurance	37	30	27
Repairs and maintenance	474	462	383
Other rental expenses	1,670	1,572	1,235
Depreciation and amortization	4,536	3,664	3,280
Asset management fees	877	707	609
Other expenses	273	181	181
Total Operating Expenses	12,622	10,582	9,344
Operating Income	11,685	8,781	7,387
Interest income	0	1	10
Interest expense	(1,642)	(1,366)	(1,163)
New investment shares issue costs	(141)	(103)	—
Amortization of bond issue costs	(36)	(57)	(47)
Other expenses, net	(14)	(50)	(25)
Income Before Income Taxes	9,852	7,206	6,162
Current and deferred income taxes	(1)	(1)	(1)
Net Income	¥ 9,851	¥ 7,205	¥ 6,161

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, 2006, December 31, 2005, June 30, 2005 and December 31, 2004

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of June 30, 2004	280,700	¥148,899	¥ 4,262	¥153,161
Cash dividends declared	—	—	(4,262)	(4,262)
Issuance of new shares through public offering as of July 14, 2004	80,000	58,838	—	58,838
Issuance of new shares through allocation to a third party as of August 11, 2004	4,000	2,942	—	2,942
Net income	—	—	6,306	6,306
Balance as of December 31, 2004	364,700	210,679	6,306	216,985
Cash dividends declared	—	—	(6,306)	(6,306)
Net income	—	—	6,161	6,161
Balance as of June 30, 2005	364,700	210,679	6,161	216,840
Cash dividends declared	—	—	(6,161)	(6,161)
Issuance of new shares through public offering as of August 10, 2005	58,000	51,491	—	51,491
Net income	—	—	7,205	7,205
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

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, 2006, December 31, 2005 and June 30, 2005

	For the six months ended		
	June 30, 2006	December 31, 2005	June 30, 2005
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 9,852	¥ 7,206	¥ 6,162
Depreciation and amortization	4,536	3,664	3,280
Amortization of bond issue costs	36	57	47
Interest expense	1,642	1,366	1,163
(Increase) Decrease in tenant receivables	(102)	42	(96)
Gain on exchange of investment properties	(774)	—	—
Increase (Decrease) in accounts payable	525	(83)	426
Increase (Decrease) in rents received in advance	(197)	373	191
Decrease in investment properties in trust accounts due to sale	1,677	—	—
Cash payments of interest expense	(1,553)	(1,191)	(1,142)
(Increase) Decrease in consumption tax refund receivable	(1,145)	(1,074)	517
Other, net	274	11	108
Net Cash Provided by Operating Activities	14,771	10,371	10,656
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(64,419)	(127,850)	(22,828)
Payments for purchases of intangible assets	(8,871)	(0)	(1,123)
Proceeds from tenant security deposits	10,212	5,368	2,271
Payments for tenant security deposits	(8,879)	(928)	(1,407)
Refunds from security deposits paid to lessors	4	1	4
Payments for security deposits paid to lessors	(3)	(5)	(7)
Payments for purchases of other assets	(695)	(66)	(40)
Net Cash Used in Investing Activities	(72,651)	(123,480)	(23,130)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	168,000	184,200	159,000
Repayment of short-term loans	(206,000)	(168,400)	(150,800)
Proceeds from long-term debt	18,000	42,000	12,000
Payments for bond issue costs	—	(63)	(56)
Proceeds from issuance of common shares	84,135	51,388	—
Payment of dividends	(7,199)	(6,160)	(6,302)
Net Cash Provided by Financing Activities	56,936	102,965	13,842
Net Change in Cash and Cash Equivalents	(944)	(10,144)	1,368
Cash and cash equivalents at beginning of period	29,713	39,857	38,489
Cash and Cash Equivalents at End of Period	¥ 28,769	¥ 29,713	¥ 39,857

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

June 30, 2006, December 31, 2005 and June 30, 2005

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 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, 2006, NBF had ownership or beneficiary interests in 55 office properties containing approximately 670,249 rentable square meters of office space. As of June 30, 2006, NBF had leased office space to 887 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 98.7%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan and the Japanese 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

Investments 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

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 an underwriting agreement under which an underwriting 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"). Since, pursuant to such spread method, the difference between an offering price and an issue price is earned by an underwriting securities company as substantial underwriting fees, there were no underwriting fees paid by NBF 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 issue costs of new investment shares of NBF if it had been conducted through an underwriting agreement under which an underwriting securities company underwrites shares at an issue price and sells them at an offering price which is the same as such issue price ("conventional method"). Therefore, under the spread method, the issue costs of new investment shares were ¥2,496 million lower, and the operating income and the income before income taxes were ¥2,496 million higher than the case if the conventional method was 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. NBF is allocated the portion of the real estate taxes related to the period following the purchase date of each property through the end of the year and the equivalent amounts of those allocated portions are capitalized as part of the acquisition costs of the relative properties. Capitalized real estate taxes amounted to ¥105 million for the period ended June 30, 2006, ¥197 million for the period ended December 31, 2005 and ¥71 million for the period ended June 30, 2005, respectively.

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.

Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective for the year ended June 30, 2006, NBF adopted new accounting standards, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005), (collectively, the "New Accounting Standards"). Shareholders' equity calculated using the former standard would have been ¥356,297 million.

Accounting Standards for Impairment of Fixed Assets

Effective July 1, 2005, NBF adopted accounting standards for impairment of fixed assets ("Opinion on Establishment of Accounting Standards for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the guidance on accounting standards for impairment of fixed assets (the "Financial Accounting Standard Guidance No. 6" issued by the Accounting Standards Board of Japan on October 31, 2003).

The adoption of the standard had no effect on the statements of income for the fiscal period ended December 31, 2005.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended June 30, 2006.

Note 3—Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2006 and December 31, 2005 consisted of the following:

	As of June 30, 2006			As of December 31, 2005		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
	(Yen in millions)					
Land	¥114,032	¥ —	¥114,032	¥ 57,979	¥ —	¥ 57,979
Land in trust	242,918	—	242,918	294,527	—	294,527
Land including trust total	356,950	—	356,950	352,506	—	352,506
Buildings and improvements	102,448	(5,461)	96,987	55,303	(3,895)	51,408
Buildings and improvements in trust	130,715	(18,139)	112,576	123,113	(18,000)	105,113
Building and improvements including those in trust	233,163	(23,600)	209,563	178,416	(21,895)	156,521
Structures	1,494	(196)	1,298	890	(141)	749
Machinery and equipment	765	(116)	649	540	(82)	458
Tools, furniture and fixtures	299	(46)	253	116	(27)	89
Structures in trust	1,313	(233)	1,080	1,158	(214)	944
Machinery and equipment in trust	1,225	(337)	888	925	(288)	637
Tools, furniture and fixtures in trust	590	(187)	403	492	(202)	290
Construction in process in trust	2	—	2	5	—	5
Other tangible assets total	5,688	(1,115)	4,573	4,126	(954)	3,172
Total	¥595,801	¥(24,715)	¥571,086	¥535,048	¥(22,849)	¥512,199

Note 4—Shareholders' Equity

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, 2006 and December 31, 2005 ranged from 0.41% to 0.61% and from 0.24% to 0.37%, respectively. Long-term debt is at fixed rates and as of June 30, 2006 and December 31, 2005 consisted of the following:

	(Yen in millions)	
	As of June 30, 2006	As of December 31, 2005
Unsecured loans due 2006 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.4%	¥166,000	¥148,000
0.75% unsecured bonds due 2007	10,000	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
1.85% unsecured bonds due 2015	10,000	10,000
2.00% unsecured bonds due 2018	10,000	10,000
	226,000	208,000
Less: amount due within one year	14,000	15,000
	¥212,000	¥193,000

The annual maturities of long-term debt as of June 30, 2006 were as follows:

	(Yen in millions)
2006	¥ 1,000
2007	20,000
2008	23,000
2009	10,000
2010	12,000
Thereafter	100,000

During the period ended June 30, 2006, 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, 2006.

Note 6—Rental Revenue and Expenses

Rental revenue and expenses for the periods ended June 30, 2006, December 30, 2005, and June 30, 2005 were as follows:

	For the six months ended		
	June 30, 2006	December 31, 2005	June 30, 2005
	(Yen in millions)		
Revenue from Property Leasing:			
Rental:			
Rental revenue	¥18,198	¥15,356	¥13,291
Common area charges	2,467	1,966	1,741
Others	134	107	82
Subtotal	20,799	17,429	15,114
Other revenue related to property leasing:			
Parking lots	531	459	412
Facility charge	76	70	68
Incidental income	1,325	1,331	1,025
Cancellation fees	81	49	100
Miscellaneous income	60	25	12
Subtotal	2,073	1,934	1,617
Total revenue from property leasing	22,872	19,363	16,731
Rental Expenses:			
Property management fees	2,832	2,373	2,050
Real estate taxes	1,923	1,593	1,579
Repairs and maintenance	474	462	383
Insurance	37	30	27
Other rental expenses	1,670	1,572	1,235
Depreciation and amortization	4,536	3,664	3,280
Total rental expenses	11,472	9,694	8,554
Operating Income from Property Leasing Activities	¥11,400	¥ 9,669	¥ 8,177

Note 7—Breakdown of Gain on Sale of Investment Properties

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

	(Yen in millions)		(Yen in millions)
Otemae Center Building		JFE Building	
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)		
Total			
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, 2006 and December 31, 2005 respectively, and 0.02% for the period ended June 30, 2005. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	June 30, 2006	For the six months ended	
		December 31, 2005	June 30, 2005
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible dividends paid	(39.39)	(39.39)	(39.38)
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.02%

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, 2006, December 31, 2005 and June 30, 2005 and net assets per share as of June 30, 2006 and December 31, 2005 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.

	June 30, 2006	For the six months ended	
		December 31, 2005	June 30, 2005
		(Yen)	
Earnings per Share of Common Stock:			
Net income	¥ 20,836	¥ 17,570	¥ 16,893
Weighted average number of common shares outstanding	472,745	410,091	364,700
	As of June 30, 2006	As of December 31, 2005	
Net Assets per Share	¥701,373	¥637,274	

Note 10—Leases

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2006 and December 31, 2005 the future lease revenue under the non-cancelable operating leases are as follows:

	As of June 30, 2006	As of December 31, 2005
	(Yen in millions)	
Due within one year	¥ 7,009	¥ 6,145
Due after one year	13,256	6,291
Total	¥20,265	¥12,436

Note 11—Significant Non-cash Transaction

On February 24, 2006, NBF concluded a contract for an exchange of properties with Mitsui Fudosan Co., Ltd., and consummated this transaction on April 24, 2006. The non-cash component of this transaction is outlined below.

	(Yen in millions)
Value of properties acquired through exchange	¥(110,100)
Value of properties exchanged	91,000
Payments for purchases of tangible and intangible assets	¥ (19,100)

Note 12—Transactions with Related Parties

(January 1, 2006 - June 30, 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)	¥1,369 (Notes 2 and 4)	Accounts payable	¥327 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 3)	¥2 (Note 4)	Accounts payable	¥1 (Note 4)

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

2. The amount of asset management fees includes ¥493 million for management related to acquisition of properties included in the book value of each investment property, etc.

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

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

(3) Subsidiaries: Not applicable, because the Company has no subsidiaries in which it has invested.

(4) Sister Companies: None applicable

(July 1, 2005 - December 31, 2005)

(1) Parent Company and Major Corporate Shareholders: None applicable

(2) Directors and Major Individual Shareholders: None applicable

(3) Subsidiaries: Not applicable, because the Company has no subsidiaries in which it has invested.

(4) Sister Companies: 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, 2006 and December 31, 2005, and the related statements of income, shareholders' equity and cash flows for each of the six months ended June 30, 2006, December 31, 2005 and June 30, 2005 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, 2006 and December 31, 2005, and the results of its operations and its cash flows for each of the six months ended June 30, 2006, December 31, 2005 and June 30, 2005 in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Tokyo, Japan
September 19, 2006

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, 2006, 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, 2004 of the amount of the revenue arising from Real Estate, etc. as calculated on each closing date (provided, however, that revenue 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 trans-actions 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, 2003	Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")

List of Shareholders (as of June 30, 2006)

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

Directors and Staff

As of June 30, 2006, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is composed of 17 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Hiroyuki Sawa	Director, Head of Investment & Finance Group (standing)
Riichi Morihiro	Director, Head of Administration Group (standing)
Yuri Giga	Director
Tamotsu Shinyama	Director
Yoshinori Nishitsuji	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:

Current as of May 31, 2006	(Yen in thousands)
Total Assets	1,799,163
Total Liabilities	377,888
Shareholders' Equity	1,421,275

Profit and loss for the most recent fiscal year:

First Fiscal Year From: April 1, 2005 To: March 31, 2006	(Yen in thousands)
Operating Income	¥1,867,641
Ordinary Profit	1,284,785
Net Income	742,444

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

Total of above two areas: 70% or more

Other Cities Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto, etc.	<ul style="list-style-type: none"> Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs. Also, scale of market is relatively small and growth rates relatively low. Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
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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, 2006, 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 measures 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"> Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m² (approximately 500 <i>tsuba</i>) or more. Standard net rentable area per floor is 330m² (approximately 100 <i>tsuba</i>) or more.
Construction type and specifications of facilities	<ul style="list-style-type: none"> Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.
Earthquake resistance	<ul style="list-style-type: none"> Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.

Measures regarding status of legal title	<ul style="list-style-type: none"> In cases such as co-ownership, divided condominium ownership, a building erected on leased land etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated. measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans; appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner's interest, etc;
Tenancy characteristics	<ul style="list-style-type: none"> Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.
Environmental; condition of land, etc.	<ul style="list-style-type: none"> Absence of harmful substances such as asbestos, (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.

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, 2006, foreseen reserves provided from January to December 2006 are as follows:

Item	Reason
Reserves for long-term renovations	■ Average annual amount over an approximately 10-year period based on engineering reports
Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)	■ Expenses of providing "free access floor" (or raised floor); expenses for other move-in construction costs (partitions, etc.)

Total Foreseen Amount: (annual basis) ¥2,434 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 2006.

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 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 15.2 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 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) above).

B. Other Investment Objectives among Designated Assets

NBF may, for the purpose of efficiently managing surplus funds, 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 (excluding those subject to the provisions of Paragraphs 1, 12 and 14 of Article 3 of the government ordinance regarding the Investment Trust Law of Japan).
- (8) Beneficiary Certificates of Money Trust invested and managed for the purpose of any of the foregoing items.

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.

C. Assets Other than Designated Assets

NBF may, for the purpose of efficiently managing surplus funds, invest in Certificates of Deposit issued by Japanese legal entities. In addition, NBF may invest in equity interests of partnerships defined under Article 667 of the Civil Code (but 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) as well as trademark rights to the extent that such investment is incidental to NBF's investment in the principal Designated Assets.

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 and B 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, 2006

Corporate Office:	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan +81-3-3281-8810 http://www.nbf-m.com/nbf_e
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding. ¥346,447 million 508,000 shares
Shareholders:	22,258
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 20, 2006 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2006 to June 30, 2006, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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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, 2006

Fiscal Period

Six months ending June 30 and December 31

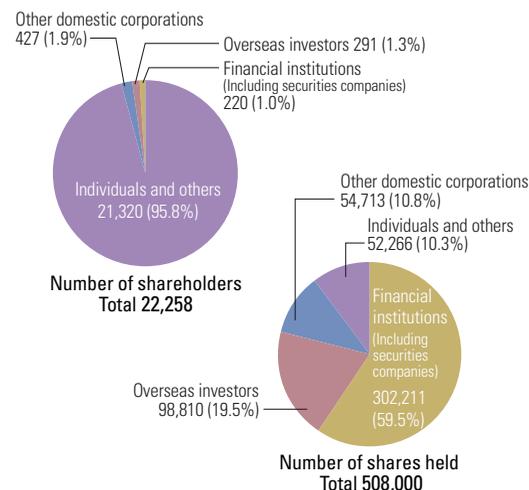
Total Number of Common Shares Issued

10th Period (From January 1, 2006 to June 30, 2006)	508,000 shares
9th Period (From July 1, 2005 to December 31, 2005)	422,700 shares

Distributions

Confirmed distribution for the 10th Period (ended June 2006)	
For the operating period from January 1, 2006 to June 30, 2006 (6 months)	¥19,391 per share
Expected distribution for the 11th Period (ending December 2006)	
For the operating period from July 1, 2006 to December 31, 2006 (6 months)	¥18,500 per share

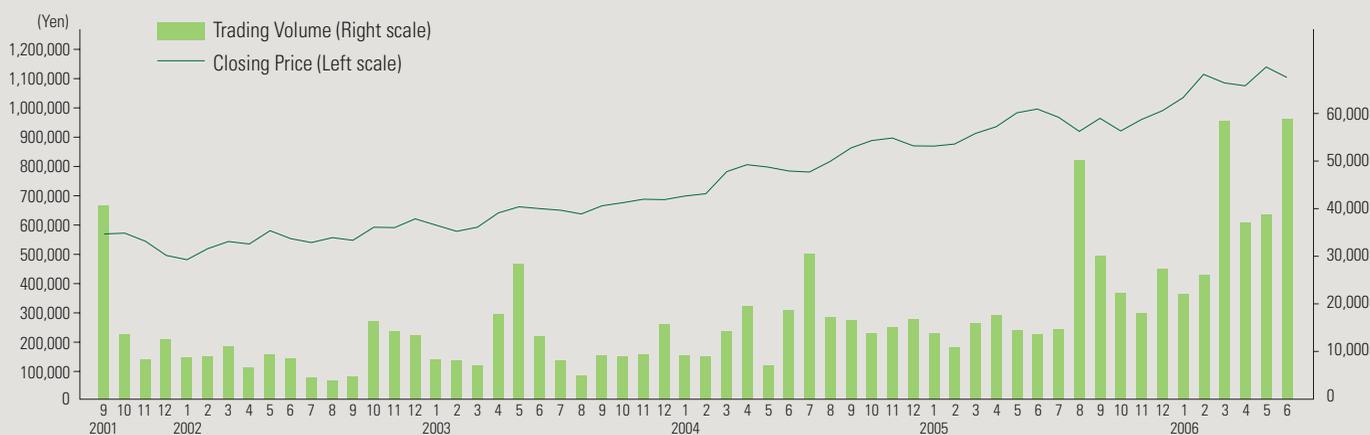
Shareholders



Major Shareholders

Name	Number of Shares Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	35,688	7.03%
NikkoCiti Trust and Banking Corporation (Trust Account)	34,186	6.73
The Master Trust Bank of Japan, Ltd. (Trust Account)	25,758	5.07
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	19,925	3.92
Mitsui Fudosan Co., Ltd.	19,735	3.88
Sumitomo Life Insurance Company	11,256	2.22
Nomura Securities Co., Ltd.	10,485	2.06
The Bank of New York, Treaty JASDEC Account	10,472	2.06
The Chugoku Bank, Ltd.	10,415	2.05
The Nomura Trust and Banking Co., Ltd. (Trust Account)	9,555	1.88

Stock Price Range and Trading Volume



NBF
Nippon Building Fund



Nippon Building Fund Inc.

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

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