

Semi-Annual Report

First Half of 2022

(42nd Period – January to June 2022)

Nippon Building Fund Inc.

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Performance Results:

NBF has conducted asset management in accordance with its basic policy of “aim to achieve steady growth of assets under management and secure stable profits on a mid- to long-term basis.”

Even under this challenging environment, NBF enhanced its portfolio by acquiring "Nakanoshima Mitsui Bldg" (real property; acquisition price: 44.0 billion yen) and "IIDABASHI GRAND BLOOM" (real property; acquisition price: 36.1 billion yen (additional acquisition)), in March 2022, and disposed "Sun Mullion NBF Tower" (trust beneficiary interest, disposition price: 14.4 billion yen), in January 2022.

Regarding the existing portfolio, NBF executes market-appropriate, flexible, and timely leasing activities carefully factoring in market trends in order to maximize the level of occupancy rates, which is still in an adjustment phase. With existing tenants, NBF strives to retain and improve rent levels, prevent cancellations based on the fundamental policy of maintaining favorable relationships and enhancing tenant satisfaction. As a result of these activities, occupancy rates and rental revenues remain stable.

In addition, NBF's pursuit to enhance competitiveness of its properties by implementing continuous cost reduction measures through timely renovations will continue.

Furthermore, in order to promote ESG initiatives, a dedicated department has been newly established at the asset management company. Therein, new numerical targets have been set to reduce environmental footprint and promoting initiatives to achieve these goals.

Overview of Performance and Distribution:

As the result of above operations, NBF's performance results during the period under review consisted of operating revenues of ¥52,215 million (an increase of ¥1,880 million, or 3.7%, compared with the previous period), operating income from leasing activities of ¥22,027 million (an decrease of ¥410 million, or 1.8%, compared with the previous period), operating income after asset management, custody and agent fees, etc. of ¥26,806 million (an increase of ¥3,802 million, or 16.5% compared with the previous period), ordinary income of ¥25,440 million (an increase of ¥3,712 million, or 17.1%, compared with the previous period), and net income of ¥25,439 million (an increase of ¥3,712 million, or 17.1%, compared with the previous period). In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥22,922 million, the entire amount arrived at by deducting provision of reserve for advanced depreciation (¥2,517 million) from the sum of retained earnings (¥25,439 million), so that it will be able to deduct the maximum amount of cash distribution of profit from its taxable income through the application of preferential tax measures to investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation). As a result, the distribution per unit was ¥13,476 (an increase of ¥1,628, or 13.7% compared with the previous period).

Summary of Selected Financial Data

		42nd Period from January 1, 2022 to June 30, 2022	41st Period from July 1, 2021 to December 31, 2021	40th Period from January 1, 2021 to June 30, 2021	42nd Period from January 1, 2022 to June 30, 2022
		Yen in millions, except per unit data or where otherwise indicated (Note 1)			U.S. dollars in thousands except per unit data (Note 1, 2)
Operating revenues	Note 3	¥ 52,215	¥ 50,334	¥ 46,213	\$384,817
Revenues from property leasing		45,227	44,333	44,688	333,316
Gains on sales of real estate properties		6,988	6,000	1,524	51,501
Operating expenses		25,408	27,330	23,435	187,257
Rental expenses		23,200	21,896	21,215	170,979
Losses on sales of real estate properties		—	3,273	38	—
Ordinary income		25,440	21,728	21,428	187,492
Net income	(a)	25,439	21,727	21,427	187,485
Funds from operations	Note 4	26,180	26,425	27,340	192,942
Net operating income from property leasing activities	Note 4	29,756	29,862	30,872	219,294
Total amount of cash distribution	(b)	22,922	19,578	19,307	168,933
Depreciation and amortization		7,728	7,424	7,399	56,958
Capital expenditures		8,820	5,664	6,777	65,004
Total assets	(c)	1,367,719	1,306,855	1,305,388	10,079,740
Interest-bearing debt		574,500	550,500	550,500	4,233,915
Net assets	(d)	709,154	672,290	669,870	5,226,285
Total number of units issued (Units)	(e)	1,700,991	1,652,500	1,652,500	
Net assets per unit (Yen/\$)	(d) / (e)	416,906	406,832	405,368	3,072
Distribution per unit (Yen/\$)	(b) / (e)	13,476	11,848	11,684	99
Funds from operations per unit (Yen/\$)	Note 4	15,435	15,991	16,544	113
ROA	Note 4	1.9%	1.7%	1.7%	
(Annual rate)		(3.8%)	(3.3%)	(3.4%)	
ROE	Note 4	3.7%	3.2%	3.2%	
(Annual rate)		(7.4%)	(6.5%)	(6.4%)	
Loan to value (LTV)	Note 4	42.0%	42.1%	42.2%	
Capital ratio	(d) / (c)	51.8%	51.4%	51.3%	
Payout ratio	(b) / (a), Note 5	90.1%	90.1%	90.1%	
Number of days		181	184	181	
Number of real estate properties	Note 6	73	73	75	
Number of tenants	Note 6	1,601	1,567	1,606	
Total rentable area (m ²)		1,237,167	1,197,970	1,216,543	
Occupancy rate (Average)	Note 6	96.3%	96.4%	97.8%	

Notes: 1. The amounts of yen in the annual report are rounded down to the nearest million yen. The amounts of U.S. dollar are

- rounded after the decimal.
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥135.69 = U.S. \$1.00, the approximate exchange rate on June 30, 2022.
 3. Operating revenues do not include consumption tax.
 4. All valuations are calculated through the following formulas. The figures in parentheses after ROA and ROE are annualized based on the six-month figures for the period.
 Funds from operations: Net income (excluding Gains and Losses on sales of real estate properties) + Depreciation and amortization
 Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization
 Funds from operations per unit: (Net income (excluding Gains and Losses on Sales of real estate Properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period
 ROA: Ordinary income / (Initial total assets + Total assets at end of period) ÷ 2
 ROE: Net income / (Initial net assets + Net assets at end of period) ÷ 2
 LTV: Interest-bearing debt / Total assets
 5. Payout ratio figures are calculated to one decimal place only.
 6. Number of real estate properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building. Occupancy rate, end-tenant basis, is the weighted average of month-end occupancy rate on a floor space basis.

Management's Discussion and Analysis

1. Distribution for the Current Period

Distribution per unit for the current period was ¥13,476. NBF expects to distribute almost all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of replacing specified assets as stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation to be eligible for special tax treatment (Article 67-15 of the Act on Special Measures Concerning Taxation) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
(Yen in thousands, except per unit amounts)			
Retained earnings	¥25,439,937	¥21,727,769	¥21,427,535
Undistributed earnings	—	—	—
Transfer to reserve for reduction entry	2,517,382	4,170,541	2,119,725
Reversal of reserve for reduction entry	—	2,021,592	—
Total cash distribution	22,922,554	19,578,820	19,307,810
(Cash distribution per unit)	13,476	11,848	11,684
Distribution of accumulated earnings	22,922,554	19,578,820	19,307,810
(Distribution of accumulated earnings per unit)	13,476	11,848	11,684
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

Notes:

1. Above cash distributions were paid after the period end.

2. Changes in Assets, Liabilities and Net Assets

Assets

As of June 30, 2022, total assets increased by ¥60,864 million to ¥1,367,719 million compared with December 31, 2021. Return on average total assets (ROA) for the six months ended June 30, 2022 increased to 1.9 percent from 1.7 percent for the previous six-month period.

Current assets decreased by ¥14,151 million to ¥12,821 million compared with December 31, 2021. Real estate properties increased by ¥74,719 million to ¥1,313,030 million compared with December 31, 2021. Intangible assets decreased by ¥20 million to ¥35,747 million compared with December 31, 2021.

Liabilities

Current liabilities increased by ¥34,739 million to ¥90,484 million compared with December 31, 2021, primarily because of an increase in Long-term debt due within one year compared with December 31, 2021.

Long-term debt decreased by ¥12,000 million to ¥497,500 million compared with December 31, 2021.

As a result, total interest-bearing liabilities increased by ¥24,000 million to ¥574,500 million compared with December 31, 2021. The ratio of long-term debt (for which the redemption period at the time of contract or issuance is more than one year) to total interest-bearing liabilities was 100 percent same as for the previous six-month period.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, decreased to 42.0 percent as of June 30, 2022 from 42.1 percent as of December 31, 2021.

Notes:

1. Interest-bearing liabilities mean "Short-term loans", "Long-term debt due within one year" and "Long-term Debt".

Net assets

Net assets increased by ¥36,864 million to ¥709,154 million compared with December 31, 2021.

3. 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, 2022, NBF had issued 1,700,991 units out of 4,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

Issue date	Remarks	Units issued and outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(units)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3
July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4
August 11, 2004	Third party allocation	4,000	364,700	2,941	210,678	Note 5
August 10, 2005	Public offering	58,000	422,700	51,491	262,170	Note 6
March 16, 2006	Public offering	80,000	502,700	79,040	341,210	Note 7
March 29, 2006	Third party allocation	5,300	508,000	5,236	346,446	Note 8
February 4, 2008	Public offering	31,800	539,800	37,158	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,570	386,175	Note 10
January 26, 2011	Public offering	34,000	576,000	26,957	413,132	Note 11
February 22, 2011	Third party allocation	2,500	578,500	1,982	415,114	Note 12
January 25, 2012	Public offering	30,000	608,500	18,172	433,287	Note 13
February 21, 2012	Third party allocation	4,500	613,000	2,725	436,013	Note 14

January 23, 2013	Public offering	74,000	687,000	63,973	499,986	Note 15
January 31, 2013	Third party allocation	5,000	692,000	4,322	504,308	Note 16
January 1, 2014	Unit split	692,000	1,384,000	—	504,308	Note 17
March 19, 2014	Public offering	26,500	1,410,500	14,022	518,331	Note 18
March 28, 2014	Third party allocation	1,500	1,412,000	793	519,124	Note 19
October 26, 2020	Public offering	229,000	1,641,000	117,041	636,166	Note 20
November 6, 2020	Third party allocation	11,500	1,652,500	5,877	642,044	Note 21
January 19, 2022	Public offering	47,500	1,700,000	30,369	672,413	Note 22
January 28, 2022	Third party allocation	991	1,700,991	633	673,047	Note 23

Notes: 1. NBF was established with initial capital of ¥500,000 per unit.

2. Follow-on private offering at ¥500,000 per unit to raise funds for acquisition of 22 properties.
3. Public offering of new units for ¥625,000 per unit (excluding underwriting fee: ¥603,125) to repay debt and to fund property acquisition.
4. Public offering of new units for ¥759,500 per unit (excluding underwriting fee: ¥735,475) to repay debt, etc.
5. Additional issue of new units (third party allocation) for ¥735,475 per unit undertaken pursuant to the public offering in Note 4.
6. Public offering of new units for ¥916,300 per unit (excluding underwriting fee: ¥887,782) to repay debt and to fund property acquisition.
7. Public offering of new units for ¥1,019,200 per unit (excluding underwriting fee: ¥988,000) to repay debt and to fund property acquisition.
8. Additional issue of new units (third party allocation) for ¥988,000 per unit undertaken pursuant to the public offering in Note 7.
9. Public offering of new units for ¥1,205,400 per unit (excluding underwriting fee: ¥1,168,500) to repay debt and to fund property acquisition.
10. Additional issue of new units (third party allocation) for ¥1,168,500 per unit undertaken pursuant to the public offering in Note 9.
11. Public offering of new units for ¥818,025 per unit (excluding underwriting fee: ¥792,855) to repay debt and to fund property acquisition.
12. Additional issue of new units (third party allocation) for ¥792,855 per unit undertaken pursuant to the public offering in Note 11.
13. Public offering of new units for ¥624,975 per unit (excluding underwriting fee: ¥605,745) to repay debt and to fund property acquisition.
14. Additional issue of new units (third party allocation) for ¥605,745 per unit undertaken pursuant to the public offering in Note 13.
15. Public offering of new units for ¥891,800 per unit (excluding underwriting fee: ¥864,500) to repay debt and to fund property acquisition.
16. Additional issue of new units (third party allocation) for ¥864,500 per unit undertaken pursuant to the public offering in Note 15.
17. Effective January 1, 2014, NBF implemented a 2-for-1 unit split of its investment units.
18. Public offering of new units for ¥545,860 per unit (excluding underwriting fee: ¥529,150) to repay debt and to fund property acquisition.
19. Additional issue of new units (third party allocation) for ¥529,150 per unit undertaken pursuant to the public offering in Note 18.
20. Public offering of new units for ¥527,240 per unit (excluding underwriting fee: ¥511,100) to fund property acquisition.
21. Additional issue of new units (third party allocation) for ¥511,100 per unit undertaken pursuant to the public offering in Note 20.
22. Public offering of new units for ¥659,540 per unit (excluding underwriting fee: ¥639,350) to fund property acquisition.

23. Additional issue of new units (third party allocation) for ¥639,350 per unit undertaken pursuant to the public offering in Note 22.

Market Price of Units

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

	For the six months ended June 30, 2022	For the six months ended December 31, 2021 (Yen)	For the six months ended June 30, 2021
High	¥723,000	¥746,000	¥731,000
Low	627,000	670,000	572,000

Borrowings

Borrowings from financial institutions as of June 30, 2022 are shown below.

Short-term loans

Lender	Balance	Interest rate (%) (Note 2)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Sumitomo Mitsui Banking Corporation	¥10,000	0.111%	July 4, 2022	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)
Sumitomo Mitsui Trust Bank, Limited	4,000	0.111%	July 4, 2022			
Total short-term loans	¥14,000					

Long-term loans

Lender	Balance	Interest rate (%) (Note 2)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan Inc.	¥10,000	1.263%	July 2, 2023	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)
	13,000	0.747%	September 10, 2027			
	10,000	0.357%	February 15, 2028			
	10,000	0.256%	April 8, 2026			
	5,000	0.250%	June 1, 2026			
	5,000	0.387%	September 14, 2028			
	10,000	0.491%	September 27, 2029			
	6,000	0.230%	May 30, 2024			
	2,500	0.417%	May 23, 2029			
	5,000	0.400%	August 3, 2029			
	3,000	0.450%	January 7, 2031			
	7,000	0.358%	June 1, 2028			
	4,000	0.180%	March 1, 2027			
	3,000	0.104%	February 28, 2025			
MUFG Bank, Ltd.	3,000	0.138%	February 27, 2026			
	5,000	0.400%	July 2, 2029			
	8,000	0.400%	February 28, 2030			
	2,000	0.270%	February 26, 2027			
	7,000	0.270%	May 31, 2027			
	6,000	0.150%	July 31, 2024			
	4,000	0.400%	July 31, 2030			
	5,000	0.320%	January 7, 2028			
	5,000	0.400%	January 7, 2030			
	5,000	0.450%	January 7, 2031			
	6,000	0.450%	February 28, 2031			
	4,000	0.180%	February 27, 2026			
	3,000	0.400%	June 28, 2030			
	2,000	0.335%	January 31, 2029			

Sumitomo Mitsui Banking Corporation	4,000	1.123%	December 30, 2022		
	10,000	0.982%	February 28, 2023		
	5,000	0.958%	April 28, 2023		
	11,000	0.201%	June 1, 2029		
	(Note 5)				
	6,000	0.150%	April 26, 2024		
	20,000	0.450%	January 7, 2031		
	10,000	0.320%	January 7, 2028		
	1,000	0.350%	June 29, 2029		
	6,000	0.223%	May 31, 2024		
Sumitomo Mitsui Trust Bank, Limited	4,000	0.129%	May 31, 2024		
	(Note 5)				
	5,000	0.090%	January 25, 2024		
	3,000	0.100%	September 9, 2022		
	3,000	0.270%	September 11, 2026		
	10,000	0.210%	December 30, 2025		
	3,000	0.270%	January 27, 2027		
	10,000	0.400%	January 7, 2030		
	5,000	0.450%	March 30, 2032		
	8,000	1.070%	July 29, 2022		
Mizuho Bank, Ltd.	7,000	0.136%	November 30, 2025		
	(Note 5)				
	10,000	0.450%	January 7, 2031		
	5,000	0.425%	July 7, 2030		
	10,000	0.181%	May 27, 2032		
	(Note 5)				
	3,000	0.300%	February 3, 2026		
	5,000	0.250%	May 22, 2026		
	5,000	0.655%	July 16, 2032		
	5,000	0.646%	April 28, 2033		
Sumitomo Life Insurance Company	2,000	0.403%	April 28, 2028		
	2,000	0.364%	March 31, 2032		
	3,000	0.650%	May 23, 2034		
	5,000	0.500%	January 7, 2032		
	5,000	0.700%	January 7, 2036	Bullet payment	Unsecured /unguaranteed
	5,000	0.700%	July 16, 2036		(Note 3) /pari passu,
	5,000	0.250%	September 14, 2026		See (Note 4)
	3,000	0.381%	December 30, 2026		
	3,000	0.356%	June 1, 2027		
	4,000	0.433%	July 12, 2027		
Shinkin Central Bank	4,000	0.219%	March 29, 2024		
	3,000	0.100%	December 30, 2025		
	2,000	0.188%	April 28, 2028		
	6,000	0.307%	June 22, 2029		
	5,000	0.450%	January 7, 2031		
	3,000	0.300%	June 21, 2027		
	2,000	0.270%	June 19, 2026		
	2,000	0.300%	March 24, 2028		
	5,000	0.270%	September 30, 2027		
	5,000	0.320%	January 7, 2028		
The Norinchukin Bank	10,000	0.982%	February 28, 2023		
	4,000	0.947%	September 30, 2022		
	3,000	0.947%	September 30, 2022		
	2,000	0.400%	May 23, 2029		
	2,000	0.200%	May 29, 2026		
	2,000	0.450%	December 27, 2030		
	5,000	0.425%	January 30, 2032		
	2,000	1.033%	November 1, 2022		
	2,000	1.486%	May 30, 2025		
	2,000	1.047%	December 13, 2023		
Mizuho Trust & Banking Co., Ltd.	1,000	0.084%	March 31, 2025		
	1,000	0.416%	January 31, 2030		
	1,000	0.400%	February 13, 2030		
	2,000	0.491%	January 30, 2032		
	2,000	0.548%	June 30, 2023		
	2,000	0.238%	May 31, 2024		
	2,000	0.300%	May 21, 2027		
	2,000	0.400%	January 7, 2030		
	2,000	0.710%	June 30, 2032		
	2,000	0.257%	March 1, 2024		
TAIJU LIFE INSURANCE COMPANY LIMITED	2,000	0.245%	June 28, 2024		
THE BANK OF FUKUOKA, Ltd.					
Daishi Hokuetsu Bank, Ltd.					

	2,000	0.400%	January 7, 2030		
	2,000	0.320%	April 27, 2029		
The Yamaguchi Bank, Ltd.	1,000	0.477%	January 10, 2029		
	2,000	0.400%	May 23, 2029		
	1,000	0.500%	August 31, 2032		
	1,000	0.500%	January 7, 2032		
The Hachijuni Bank, Limited	2,000	0.270%	June 26, 2027		
	1,000	0.270%	December 2, 2027		
	1,000	0.320%	January 7, 2028		
DAIDO LIFE INSURANCE COMPANY	1,000	0.417%	September 11, 2023		
	1,000	0.302%	March 7, 2029		
	1,000	0.400%	October 2, 2030		
	1,000	0.716%	June 30, 2034		
TAIYO LIFE INSURANCE COMPANY	1,000	0.650%	May 31, 2035		
	1,500	0.350%	July 9, 2029		
	1,500	0.500%	July 9, 2032		
The 77 Bank, Ltd.		0.023%			
	2,000	(Note 5)	June 30, 2023		
	1,000	0.400%	May 23, 2029		
	1,000	0.400%	March 25, 2030	Bullet payment	Unsecured /unguaranteed
The Yamanashi Chuo Bank, Ltd.	1,000	0.272%	October 11, 2024	(Note 3)	/pari passu, See (Note 4)
	1,000	0.275%	May 14, 2025		
	1,000	0.322%	March 28, 2031		
The Chugoku Bank, Limited	1,000	0.270%	May 19, 2027		
	2,000	0.320%	May 26, 2028		
The Iyo Bank, LTD.		0.043%			
	1,000	(Note 5)	June 30, 2025		
	1,000	0.320%	April 28, 2028		
	1,000	0.320%	January 26, 2029		
The Joyo Bank, Ltd.	1,000	0.386%	March 3, 2027		
	1,000	0.300%	February 28, 2028		
Shinsei Bank, Limited	1,000	1.533%	May 30, 2025		
	1,000	0.450%	January 31, 2031		
The Chiba Bank, Ltd.	1,000	0.258%	June 27, 2025		
	1,000	0.270%	May 22, 2026		
The Gunma Bank, Ltd.	1,000	0.320%	January 7, 2028		
Resona Bank, Limited.	1,000	0.161%	June 1, 2027		
		(Note 5)			
Mitsui Sumitomo Insurance Company, Limited	1,000	0.320%	January 7, 2028		
The Keiyo Bank, Ltd.	1,000	0.450%	April 27, 2032		

Total long-term loans (Note 6)	¥503,500
Total borrowings	¥517,500

Notes:

1. With respect to the date of repayment in case of more than one short-term loan from the same lender, the earliest date of repayment for all such loans coming due is given.
2. Interest Rate is rounded down to the 3rd decimal point.
3. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital, etc.
4. A special agreement attached to "Loan Agreement" entered into between NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.
5. This loan is a floating rate loan. Other long-term loans are all fixed rate loans.
6. The total amount of long-term loans (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows:

(Yen in millions)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥50,000	¥17,000	¥55,000	¥40,000

NBF Bonds

Issue	Issue date	Balance as of June 30, 2022 (Yen in millions)	Coupon (Note 1)	Maturity date	Redemption	Use of funds	Notes
No. 13 Unsecured Bonds	June 26, 2013	¥10,000	1.168%	June 26, 2023	Bullet payment	Note 2	Notes 3 and 4
No. 14 Unsecured Bonds	June 9, 2016	5,000	1.000%	June 8, 2046	Bullet payment	Note 2	Notes 3 and 4
No. 15 Unsecured Bonds	May 22, 2017	5,000	0.914%	May 22, 2037	Bullet payment	Note 2	Notes 3 and 4
No. 16 Unsecured Bonds	May 23, 2018	5,000	0.220%	May 23, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 17 Unsecured Bonds	May 23, 2018	5,000	0.888%	May 21, 2038	Bullet payment	Note 2	Notes 3 and 4
No. 18 Unsecured Bonds	December 19, 2018	7,000	0.200%	January 10, 2024	Bullet payment	Note 2	Notes 3 and 4
No. 19 Unsecured Bonds	August 14, 2020	15,000	0.180%	August 14, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 20 Unsecured Bonds (Green Bonds)	March 22, 2021	5,000	0.150%	March 19, 2026	Bullet payment	Note 2	Notes 3 and 4
Total (Note 5)		¥57,000					

Notes:

- Interest Rate is rounded down to the 3rd decimal point.
- Use of funds includes repayment of borrowings and investment corporation bonds, etc.
- Rank pari passu with all other publicly and privately issued bonds.
- Subject to provision of collateral restrictions.
- The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows:

(Yen in millions)					
	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Investment corporation bonds	¥10,000	¥7,000	¥5,000	¥20,000	—

Others

NBF has security deposits totaling ¥70,417 million as of June 30, 2022.

■ Capital Expenditures

1. Planning

As of June 30, 2022, 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	Cumulative amount paid
				current period (from January 1, 2022 to June 30, 2022)	
(Yen in millions)					
For the six months ending December 31, 2022 (the 43rd fiscal period from July 1, 2022 to December 31, 2022)					
Shinjuku Mitsui Bldg.	Renovation of air conditioning	From February 2022 to September 2022	¥359	¥—	¥—
NBF COMODIO Shiodome	Renovation of air conditioning	From July 2022 to December 2022	195	—	—
Shinjuku Mitsui Bldg.	Renovation of security system	From September 2022 to December 2022	159	—	—
Aqua Dojima NBF Tower	Reinstatement	From July 2022 to December 2022	150	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2022 to December 2022	140	—	—
Tsukuba Mitsui Bldg.	Earthquake resistance improvement of specific ceiling	From July 2022 to December 2022	125	—	—
Shiba NBF Tower	Renovation of elevator	From July 2022 to December 2022	117	—	—
Hiroshima Fukuromachi Bldg.	Renovation of air conditioning	From June 2022 to December 2022	110	—	—
Shinjuku Mitsui Bldg.	Renovation of central monitoring facilities	From January 2021 to September 2022	110	—	44
Sumitomo Mitsui Banking Nagoya Bldg.	Renovation of lighting equipment	From July 2022 to November 2022	104	—	—
River City M-SQUARE	Renovation of emergency power equipment	From February 2022 to December 2022	102	4	4
NBF ALLIANCE	Reinstatement	From September 2022 to December 2022	100	—	—
Jingumae M-SQUARE	Earthquake resistance improvement of specific ceiling	From July 2022 to December 2022	73	—	—
Ryukakusan Bldg.	Renovation of security system	From July 2022 to December 2022	41	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of elevator	From July 2022 to December 2022	39	—	—
For the six months ending June 30, 2023 (the 44th fiscal period from January 1, 2023 to June 30, 2023)					

Shinjuku Mitsui Bldg.	Renovation of automatic fire information facilities	From April 2022 to June 2023	¥278	¥—	¥—
River City M-SQUARE	Renovation of emergency power equipment	From January 2023 to June 2023	255	4	4
Shiba NBF Tower	Renovation of emergency power equipment	From February 2022 to June 2023	243	—	—
Shiba NBF Tower	Renovation of lighting equipment	From August 2022 to June 2023	235	—	—
NBF ALLIANCE	Leasehold improvement	From November 2022 to March 2023	200	—	—
NBF Ikebukuro Tower	Renovation of restroom	From January 2023 to June 2023	170	—	—
Shinjuku Mitsui Bldg.	Renovation of security system	From January 2023 to June 2023	166	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning	From October 2022 to March 2023	158	—	—
Celestine Shiba Mitsui Bldg.	Renovation of emergency power equipment	From January 2023 to June 2023	155	—	—
Gate City Ohsaki	Renovation of air conditioning	From April 2022 to March 2023	154	—	—
Ryukakusan Bldg.	Renovation of restroom	From January 2023 to June 2023	147	—	—
NBF COMODIO Shiodome	Renovation of security system	From January 2023 to June 2023	142	—	—
Parale Mitsui Bldg.	Renovation of lighting equipment	From April 2023 to June 2023	136	—	—
Yokohama ST Bldg.	Renovation of access control system	From January 2023 to June 2023	130	—	—
Gate City Ohsaki	Renovation of automatic fire information facilities	From July 2022 to February 2023	126	—	—
Nagoya Mitsui Main Bldg.	Renovation of air conditioning	From August 2022 to June 2023	105	—	—
Roppongi T-CUBE	Renovation of air conditioning	From May 2023 to June 2023	100	—	—
NBF Takanawa Bldg.	Renovation of lighting equipment	From January 2023 to June 2023	90	—	—
NBF Ikebukuro City Bldg.	Renovation of exterior wall	From February 2023 to May 2023	78	—	—
NBF Ikebukuro City Bldg.	Renovation of lighting equipment	From January 2023 to June 2023	77	—	—
Sumitomo Densetsu Bldg.	Renovation of elevator	From March 2023 to June 2023	54	—	—
Hiroshima Fukuromachi Bldg.	Renovation of air conditioning	From January 2023 to June 2023	46	—	—
NBF Higashi-Ginza Square	Renovation of exterior wall	From January 2023 to June 2023	45	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of parking facilities	From January 2023 to June 2023	34	—	—
Hiroshima Fukuromachi Bldg.	Renovation of lighting equipment	From January 2023 to June 2023	21	—	—
For the six months ending December 31, 2023 (the 45th fiscal period from July 1, 2023 to December 31, 2023)					
Shiba NBF Tower	Renovation of lighting equipment	From July 2023 to December 2023	¥235	¥—	¥—

River City M-SQUARE	Renovation of emergency power equipment	From July 2023 to September 2023	196	4	4
Ryukakusan Bldg.	Renovation of restroom	From July 2023 to December 2023	173	—	—
NBF Ikebukuro Tower	Renovation of restroom	From July 2023 to December 2023	145	—	—
Parale Mitsui Bldg.	Renovation of lighting equipment	From July 2023 to December 2023	136	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2023 to December 2023	124	—	—
NBF Takanawa Bldg.	Renovation of lighting equipment	From July 2023 to December 2023	107	—	—
Nagoya Mitsui Main Bldg.	Renovation of air conditioning	From July 2023 to December 2023	105	—	—
Sumitomo Densetsu Bldg.	Renovation of elevator	From July 2023 to December 2023	85	—	—
For the six months ending June 30, 2024 (the 46th fiscal period from January 1, 2024 to June 30, 2024)					
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2024 to June 2024	¥200	¥—	¥—
Nagoya Mitsui Main Bldg.	Renovation of air conditioning	From January 2024 to June 2024	105	—	—
For the six months ending December 31, 2024 (the 47th fiscal period from July 1, 2024 to December 31, 2024)					
Nakanoshima Mitsui Bldg.	Renovation of air conditioning	From June 2022 to July 2024	¥751	¥—	¥—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2024 to December 2024	150	—	—
Nagoya Mitsui Main Bldg.	Renovation of air conditioning	From July 2024 to December 2024	105	—	—
For the six months ending June 30, 2025 (the 48th fiscal period from January 1, 2025 to June 30, 2025)					
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2025 to June 2025	¥185	¥—	¥—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥10,514 million in capital expenditures together with ¥1,693 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Shibuya Garden Front	Renewal construction to improve competitiveness, etc.	From January 2022 to June 2022	¥2,648
NBF Shinagawa Tower	Renewal construction to improve competitiveness, renovation of security system, renovation of water supply and drainage equipment, etc.		1,025
Shinjuku Mitsui Bldg.	Renovation of security system, renovation of air conditioning, renovation of restroom, etc.		533

Nagoya Mitsui Main Bldg.	Renovation of incoming and transforming facilities, construction of flood control, renovation of electric lock, etc.		418
Shin-Kawasaki Mitsui Bldg.	Renovation of elevator, renovation of air conditioning, construction of flood control, etc.		405
Shiba NBF Tower	Renovation of incoming and transforming facilities, renovation of elevator, renovation of security system, etc.		343
Gate City Ohsaki	Renovation of air conditioning, renovation of automatic fire information facilities, renovation of lighting equipment, etc.		328
NBF Toyosu Canal Front	Renovation of air conditioning, leasehold improvement, renovation of electric energy meter, etc.		271
Toyo-cho Center Bldg.	Renovation of air conditioning, etc.		253
Sumitomo Mitsui Banking Nagoya Bldg.	Renovation of lighting equipment, renovation of air conditioning, renovation of water supply and drainage equipment, etc.		231
NBF COMODIO Shiodome	Renovation of air conditioning, leasehold improvement, renovation of parking facilities, etc.		206
Shinanobashi Mitsui Bldg.	Renovation of emergency power equipment, renovation of air conditioning, construction of flood control, etc.		186
Celestine Shiba Mitsui Bldg.	Renovation of lighting equipment, renovation of air conditioning, repair of side ditch, etc.		157
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning, renovation of housing facilities, renovation of parking facilities, etc.		154
Yokohama ST Bldg.	Renovation of incoming and transforming facilities, renovation of fire extinguishing facilities, renovation of water supply and drainage equipment, etc.		125
NBF Urawa Bldg.	Renovation of restroom, renovation of elevator, renovation of air conditioning, etc.		125
River City M-SQUARE	Renovation of lighting equipment, renovation of parking facilities, renovation of air conditioning, etc.		122

Roppongi T-CUBE	Renovation of air conditioning, renovation of automatic door equipment, renovation of housing facilities, etc.		120
Sumitomo Densetsu Bldg.	Renovation of restroom, renovation of water heater, renovation of outdoor stairs, etc.		91
NBF Sapporo Minami Nijo Bldg.	Renovation of restroom, renovation of water supply and drainage equipment, renovation of air conditioning, etc.		49
NBF Matsuyama Nichigin-mae Bldg.	Renovation of air conditioning, renovation of incoming and transforming facilities, renovation of watt-hour meter , etc.		45
Hiroshima Fukuromachi Bldg.	Renovation of air conditioning, leasehold improvement, renovation of electricity meter, etc.		32
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction, etc.		942
Total			¥8,820

■ Expenses regarding Entrustment, etc.

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

Item	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
	(Yen in millions)		
Asset management fees	¥1,917	¥1,780	¥1,779
Asset custody fees	60	61	51
Agent fees (stock transfer, accounting and administrative)	48	49	60
Directors' remuneration	12	12	12
Auditor's fees	15	15	15
Other expenses	154	242	262
Total	¥2,208	¥2,161	¥2,181

■ Trading Activities during the Current Period

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

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

Name of building	Date	(Yen in millions)
		Acquisition
		Acquisition price (Note 1)
IIDABASHI GRAND BLOOM(additional acquisition)	March 31, 2022	¥36,104
Nakanoshima Mitsui Bldg.	March 31, 2022	¥44,000
Total		¥80,104

Name of building	Date	(Yen in millions)
		Sale
		Sale price
Sun Mullion NBF Tower	January 31, 2022	¥14,400
Total		¥14,400

Notes: 1. "Acquisition price" does not include national consumption tax, local consumption tax and miscellaneous costs of acquisition.

2. Trading of Other Assets Including Total Amount and Transactions

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

3. Transactions with Related Parties of Asset Management Company

(1) Ongoing Transactions

Category	Amount of purchase price, etc. (Note 2)(Note 3)	
	Purchase price, etc. (Yen in millions)	Sale price, etc. (Yen in millions)
	¥80,104 (100%)	¥14,400 (100%)
Total amount	Amount of purchases from related parties, etc.	Amount of sales from related parties, etc.
	80,104 (100.0%)	— (—)
Breakdown of transactions with related parties, etc.		
Mitsui Fudosan Co., Ltd.	80,104 (100.0%)	— (—)
Total	¥80,104 (100.0%)	— (—)

(2) Fees Paid for the Period from January 1, 2022 to June 30, 2022

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A
		Paid to	Amount of payment (B) (Yen in millions)	
Office management fees, etc. (Note 4)	¥1,472	Mitsui Fudosan Co., Ltd.	¥1,411	95.8%
		NBF Office Management Co., Ltd.	61	4.2%
Property maintenance fees	4,651	Mitsui Fudosan Co., Ltd.	1,306	28.1%
		Mitsui Fudosan Facilities Co., Ltd.	576	12.4%
		Mitsui Fudosan Building Management Co., Ltd.	228	4.9%
		Mitsui Fudosan Facilities West Co., Ltd.	214	4.6%
		Mitsui Fudosan Residential Lease Co., Ltd.	0	0.0%
Leasing related service fees	91	Mitsui Fudosan Co., Ltd.	57	62.7%
		NBF Office Management Co., Ltd.	11	13.1%

Notes:

1. "Related parties" are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. During the period from January 1, 2022 to June 30, 2022, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., Mitsui Fudosan Facilities Co., Ltd., Mitsui Fudosan Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd. and Mitsui Fudosan Residential Lease Co., Ltd. which meet either of the said definitions, are as described above.
2. Figures indicate contractual sales prices.
3. Figures indicate percentages of total prices.
4. In terms of properties for which NBF has not entrusted office management businesses to Mitsui Fudosan Co., Ltd. due to its master leasing (20 properties: Shinjuku Mitsui Bldg., IIDABASHI GRAND BLOOM, Roppongi T-CUBE, Nishi-Shinjuku Mitsui Bldg., Celestine Shiba Mitsui Bldg., Toranomon Kotohira Tower, Yotsuya Medical Bldg., NBF Ogawamachi Bldg., Panasonic Tokyo Shiodome Bldg., Gate City Ohsaki, Osaki Bright Core – Bright Plaza, Nakameguro GT Tower, OSAKI BRIGHT TOWER, Higashi Gotanda Square, Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Nagoya Mitsui New Bldg., Nagoya Mitsui Main Bldg., Nakanoshima Mitsui Bldg., and Shinanobashi Mitsui Bldg.), NBF has entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
5. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work, etc.

(Yen in millions)	
Mitsui Fudosan Co., Ltd.	¥1,920
Mitsui Fudosan Building Management Co., Ltd.	516
MITSUI Designtec Co., Ltd.	35
Mitsui Fudosan Facilities West Co., Ltd.	33
Mitsui Fudosan Facilities Co., Ltd.	31
Harajuku-no-mori Co., Ltd.	4

NIPPON BUILDING FUND INC.

STATEMENTS OF INCOME

For the six months ended June 30, 2022, December 31, 2021 and June 30, 2021

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
	(Yen in millions)		
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenue (Note 7)	¥41,113	¥40,880	¥41,571
Other revenues related to property leasing (Note 7)	4,114	3,453	3,117
Gains on sales of real estate properties (Note 8)	6,988	6,000	1,524
Total Operating Revenues	52,215	50,334	46,213
Operating Expenses:			
Property management fees (Note 7)	5,971	6,385	6,031
Real estate taxes (Note 7)	4,285	3,443	3,615
Repairs and maintenance (Note 7)	1,693	1,184	1,364
Insurance (Note 7)	38	39	38
Other rental expenses (Note 7)	3,481	3,418	2,766
Depreciation and amortization (Note 7)	7,728	7,424	7,399
Losses on sales of real estate properties (Note 8)	—	3,273	38
Asset management fees	1,917	1,780	1,779
Other operating expenses	291	381	401
Total Operating Expenses	25,408	27,330	23,435
Operating Income	26,806	23,004	22,778
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	0	0	0
Property tax refund and interest on refund	0	0	0
Other non-operating revenues	5	63	6
Non-Operating Expenses:			
Interest expense	(1,264)	(1,294)	(1,306)
Amortization of bond issuance costs	(20)	(20)	(19)
New investment units issuance costs	(50)	—	—
Other non-operating expenses	(37)	(25)	(32)
Ordinary Income	25,440	21,728	21,428
Income before Income Taxes	25,440	21,728	21,428
Current and deferred income taxes (Note 9)	(0)	(0)	(0)
Net Income	¥ 25,439	¥ 21,727	¥ 21,427

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

NIPPON BUILDING FUND INC.

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30, 2022, December 31, 2021 and June 30, 2021

	(Yen in millions)				
	Number of Units	Unitholders' Capital	Reserve for reduction entry	Retained Earnings	Total
Balance as of December 31, 2020.	1,652,500	¥ 642,044	¥ 7,302	¥ 17,274	¥ 666,620
Reversal of reserve for reduction entry	—	—	(903)	903	—
Cash dividends declared	—	—	—	(18,177)	(18,177)
Net income	—	—	—	21,427	21,427
Balance as of June 30, 2021	1,652,500	642,044	6,398	21,427	669,870
Transfer to reserve for reduction entry	—	—	2,119	(2,119)	—
Cash dividends declared	—	—	—	(19,307)	(19,307)
Net income	—	—	—	21,727	21,727
Balance as of December 31, 2021.	1,652,500	642,044	8,518	21,727	672,290
Issuance of new units through public offering as of January 19, 2022.	47,500	30,369	—	—	30,369
Issuance of new units through allocation to a third party as of January 28, 2022	991	633	—	—	633
Transfer to reserve for reduction entry	—	—	4,170	(4,170)	—
Reversal of reserve for reduction entry	—	—	(2,021)	2,021	—
Cash dividends declared	—	—	—	(19,578)	(19,578)
Net income	—	—	—	25,439	25,439
Balance as of June 30, 2022.	1,700,991	¥ 673,047	¥ 10,667	¥ 25,439	¥ 709,154

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

NIPPON BUILDING FUND INC.

STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2022, December 31, 2021 and June 30, 2021

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 25,440	¥ 21,728	¥ 21,428
Depreciation and amortization	7,728	7,424	7,399
Amortization of bond issuance costs	20	20	19
Interest expense	1,264	1,294	1,306
(Increase) Decrease in tenant receivables	(14)	36	(53)
Increase (Decrease) in accounts payable	(283)	856	(1,857)
Increase (Decrease) in rents received in advance	(236)	(345)	80
Decrease in real estate properties due to sales	7,313	57,880	35,759
Cash payments of interest expense	(1,218)	(1,363)	(1,096)
Increase in consumption tax refund receivable	(430)	—	—
Others, net	(768)	224	714
Net Cash Provided by Operating Activities	38,814	87,756	63,700
Cash Flows from Investing Activities:			
Payments for purchases of real estate properties	(89,347)	(88,849)	(238,885)
Proceeds from tenant security deposits	6,018	6,018	15,605
Payments for tenant security deposits	(4,750)	(6,151)	(2,389)
Payments for security deposits paid to lessors	(7)	(51)	(8)
Refunds from security deposits paid to lessors	3	218	4
Others, net	(654)	2,273	(478)
Net Cash Used in Investing Activities	(88,739)	(86,541)	(226,152)
Cash Flows from Financing Activities:			
Net proceeds from (repayment of) short-term loans	14,000	—	(10,000)
Proceeds from long-term debt	27,000	8,000	128,000
Repayment of long-term debt	(17,000)	(8,000)	(27,000)
Proceeds from issuance of new units	30,951	—	—
Payments for bond issuance costs	—	—	(29)
Payment of dividends	(19,577)	(19,308)	(18,174)
Net Cash Provided by (Used in) Financing Activities	35,374	(19,308)	72,795
Net Change in Cash and Cash Equivalents	(14,551)	(18,094)	(89,655)
Cash and Cash Equivalents at the Beginning of Period	25,981	44,075	133,731
Cash and Cash Equivalents at the End of Period	¥ 11,430	¥ 25,981	¥ 44,075

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

NIPPON BUILDING FUND INC.

Notes To Financial Statements

For the six months ended June 30, 2022, December 31, 2021 and June 30, 2021

Note 1 – Organization and Basis of Presentation

Organization

Nippon Building Fund Inc. (hereinafter "NBF") was formed on March 16, 2001 as an investment corporation under the Law Concerning Investment Trusts and Investment Corporations of Japan (hereinafter the Investment Trust Law of Japan) with Mitsui Fudosan Co., Ltd., Sumitomo Mitsui Trust Bank, Limited., 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 46% of NBFM while Sumitomo Life Insurance Company owns 35% and the remaining 19% is mainly owned by financial institutions.

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

As of June 30, 2022, NBF had ownership or beneficiary interests in 73 office properties containing approximately 1,237,167 square meters of rentable office space. As of June 30, 2022, NBF had leased office space to 1,601 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 96.6%.

Basis of Presentation

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

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

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Real Estate Properties

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

Buildings and improvements including trust accounts	
Buildings and improvements	2-50 years
Other tangible assets	
Structures	2-50 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-20 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 when incurred.

Investment Corporation Bond Issuance Costs

Deferred investment corporation bond issuance costs are amortized using the straight-line method over the respective terms of the bonds.

New Investment Units Issuance Costs

The issuance costs of new investment units are expensed when incurred.

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.

Revenue Recognition

The main performance obligations related to revenue arising from contracts with customers of NBF and the normal time for satisfying such performance obligations (the normal time for recognizing revenue) are as follows:

(1) Sales of real estate properties

NBF recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the real estate property by fulfilling the delivery obligations stipulated in the contract for the sale of real estate property. In the statements of income, “Gains on sales of real estate properties” or “Losses on sales of real estate properties” is presented as the amount obtained by deducting “Cost of sale of real estate property” which is the book value of the real estate sold, and “Other related sale expenses” which are various costs directly incurred in the sale, from “Proceeds from sale of real estate property” which is the proceeds from the sale of real estate.

(2) Utilities income

NBF recognizes utilities income based on the supply of electricity, water, etc. to the lessee as the customer in accordance with the terms of the real estate lease contract and related agreements. In the income statement, it is presented as “Other revenues related to property leasing”, and it is presented as “Incidental income” in the notes to the statements of income.

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥277 million for the period ended June 30, 2022, ¥55 million for the period ended December 31, 2021 and ¥1,330 million for the period ended June 30, 2021.

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.

Note 3 – Financial Instruments

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

Floating rate loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the ratio of interest-bearing liabilities to total assets low and the level of long-term fixed-rate debt high.

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

Supplemental Explanation regarding Fair Values of Financial Instruments

Since the fair value of financial instruments is calculated based on certain assumptions, different assumptions and factors could result in a different value.

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of June 30, 2022 are as follows.

Since "Cash and deposits", "Cash and deposits in trust" and "Short-term loans" are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(For the six months ended June 30, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥ 63,000	¥ 63,283	¥ 283
(2) Long-term debt	497,500	490,329	(7,170)
(3) Tenant security deposits including trust accounts	70,417	69,216	(1,201)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

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

(For the six months ended June 30, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥10,000	¥10,095	¥95
(2) Long-term loans	53,000	53,188	188
Total	¥63,000	¥63,283	¥283

(1) Investment corporation bonds

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

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(2) Long-term debt

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

(For the six months ended June 30, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥47,000	¥45,536	¥ (1,463)
(2) Long-term loans	450,500	444,793	(5,706)
Total	¥497,500	¥490,329	¥(7,170)

(1) Investment corporation bonds

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

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(3) Tenant security deposits including trust accounts

Fair values of tenant security deposits including trust accounts are based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk.

Book value, fair value and difference between the two as of December 31, 2021 are as follows.

Since “Cash and deposits” and “Cash and deposits in trust” are cash and due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(For the six months ended December 31, 2021)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥ 41,000	¥ 41,153	¥ 153
(2) Long-term debt	509,500	511,142	1,642
(3) Tenant security deposits including trust accounts	69,150	67,999	(1,151)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

Long-term debt due within one year which includes Long-term loans are as follows:

(For the six months ended December 31, 2021)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term loans	¥41,000	¥41,153	¥153
Total	¥41,000	¥41,153	¥153

(1) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(2) Long-term debt

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

(For the six months ended December 31, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥57,000	¥56,608	¥ (391)
(2) Long-term loans	452,500	454,533	2,033
Total	¥509,500	¥511,142	¥1,642

(1) Investment corporation bonds

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

(2) Long-term loans

Fair values of floating rate long-term loans are based on the book values because the market interest rates are reflected within a short term period and the book values are considered to approximate fair values. Fair values of fixed rate long-term loans are based on the present value of principal and interest cash flows discounted at the current interest rate estimated to be applied if similar new loans were entered into.

(3) Tenant security deposits including trust accounts

Fair values of tenant security deposits including trust accounts are based on the present value of the total of cash flow discounted by an interest rate determined taking into account the remaining period of each item and current credit risk.

2. Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2022

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥10,000	¥7,000	¥5,000	¥20,000	¥ —	¥15,000
Long-term loans	53,000	50,000	17,000	55,000	40,000	288,500
Total	¥63,000	¥57,000	¥22,000	¥75,000	¥40,000	¥303,500

Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2021

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥ —	¥10,000	¥7,000	¥20,000	¥5,000	¥15,000
Long-term loans	41,000	42,000	44,000	30,000	46,000	290,500
Total	¥41,000	¥52,000	¥51,000	¥50,000	¥51,000	¥305,500

Note 4 – Tangible Assets of Real Estate Properties

Tangible assets as of June 30, 2022 and December 31, 2021 consisted of the following:

	As of June 30, 2022			As of December 31, 2021		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥668,616	¥ —	¥668,616	¥606,512	¥ —	¥606,512
Land in trust	339,734	—	339,734	343,550	—	343,550
Land including trust total	1,008,351	—	1,008,351	950,063	—	950,063
Buildings and improvements	279,981	(92,416)	187,565	256,107	(88,187)	167,920
Buildings and improvements in trust	198,925	(88,135)	110,789	204,673	(90,112)	114,561
Buildings and improvements including those in trust total	478,907	(180,551)	298,355	460,780	(178,299)	282,481
Structures	3,690	(2,249)	1,440	3,491	(2,185)	1,306
Machinery and equipment	2,232	(1,579)	653	2,157	(1,524)	632
Tools, furniture and fixtures	3,125	(1,581)	1,544	2,449	(1,455)	993
Structures in trust	2,862	(1,809)	1,053	2,915	(1,815)	1,099
Machinery and equipment in trust	2,055	(1,538)	517	2,236	(1,688)	547
Tools, furniture and fixtures in trust	2,447	(1,446)	1,001	2,354	(1,414)	940
Construction in process	112	—	112	246	—	246
Other tangible assets total	16,526	(10,202)	6,323	15,850	(10,084)	5,766
Total	¥1,503,785	¥(190,754)	¥1,313,030	¥1,426,694	¥(188,383)	¥1,238,311

Note 5 – Net Assets

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

Note 6 – Short-Term Loans and Long-Term debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2022 was at 0.111%. Long-term debt as of June 30, 2022 and December 31, 2021 consisted of the following:

	As of June 30, 2022	As of December 31, 2021
	(Yen in millions)	
Unsecured loans due 2022 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.023% to 1.533%.....	¥503,500	¥493,500
1.168% unsecured bonds due 2023 (Note 1)	10,000	10,000
0.200% unsecured bonds due 2024 (Note 1)	7,000	7,000
0.180% unsecured bonds due 2025 (Note 1)	15,000	15,000
0.220% unsecured bonds due 2025 (Note 1)	5,000	5,000
0.150% unsecured bonds due 2026 (Note 1)	5,000	5,000
0.914% unsecured bonds due 2037 (Note 1)	5,000	5,000
0.888% unsecured bonds due 2038 (Note 1)	5,000	5,000
1.000% unsecured bonds due 2046 (Note 1)	5,000	5,000
	560,500	550,500
Less: amount due within one year.....	63,000	41,000
	¥497,500	¥509,500

Notes: 1. Subject to provision of collateral restrictions.

The annual maturities of long-term debt as of June 30, 2022 were as follows:

	(Yen in millions)
Due after one to two years	¥ 57,000
Due after two to three years	22,000
Due after three to four years	75,000
Due after four to five years	40,000
Due after five years	303,500

During the period ended June 30, 2022, NBF had commitment credit line contracts of ¥52 billion with several financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥52 billion as of June 30, 2022.

Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
	(Yen in millions)		
Revenues from Property Leasing:			
Rental revenue:			
Rental	¥38,769	¥38,559	¥38,980
Common area charges	2,168	2,138	2,413
Others	174	182	177
Subtotal	41,113	40,880	41,571
Other revenues related to property leasing:			
Parking lots	659	708	673
Facility charge	302	301	294
Incidental income	1,940	2,094	1,750
Cancellation fees	1,153	311	327
Miscellaneous income	58	38	70
Subtotal	4,114	3,453	3,117
Total revenues from property leasing	45,227	44,333	44,688
Rental Expenses:			
Property management fees	5,971	6,385	6,031
Real estate taxes	4,285	3,443	3,615
Repairs and maintenance	1,693	1,184	1,364
Insurance	38	39	38
Other rental expenses	3,481	3,418	2,766
Depreciation and amortization	7,728	7,424	7,399
Total rental expenses	23,200	21,896	21,215
Operating Income from Property Leasing Activities. . .	¥22,027	¥22,437	¥23,473

Note 8 – Gains and Losses on Sales of Real Estate Properties

Gains and losses on sales of real estate properties for the periods ended June 30, 2022, December 31, 2021 and June 30, 2021 were as follows:

For the six months ended June 30, 2022

Sun Mullion NBF Tower	(Yen in millions)
Proceeds from sale of real estate property	¥14,400
Cost of sale of real estate property	7,313
Other related sale expenses	98
Gain on sale of real estate property	¥ 6,988

For the six months ended December 31, 2021

NBF Ochanomizu Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥16,100
Cost of sale of real estate property	19,302
Other related sale expenses	70
Loss on sale of real estate property	¥ 3,273

Nakanosakaue Sunbright Twin	(Yen in millions)
Proceeds from sale of real estate property	¥40,000
Cost of sale of real estate property	35,894
Other related sale expenses	120
Gain on sale of real estate property	¥ 3,985

NBF Unix Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥4,900
Cost of sale of real estate property	2,683
Other related sale expenses	201
Gain on sale of real estate property	¥ 2,015

For the six months ended June 30, 2021

NBF Shinkawa Bldg. (East Building and Residential Tower) 50% co-ownership interest	(Yen in millions)
Proceeds from sale of real estate property	¥5,950
Cost of sale of real estate property	4,220
Other related sale expenses	204
Gain on sale of real estate property	¥ 1,524

NBF Minami-Aoyama Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥31,600
Cost of sale of real estate property	31,538
Other related sale expenses	99
Loss on sale of real estate property	¥ 38

Note 9 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.00% for the periods ended June 30, 2022 and December 31, 2021, and June 30, 2021. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
Statutory tax rate	31.46%	31.46%	31.46%
Deductible dividends	(28.35)	(28.35)	(28.35)
Transfer to reserve for reduction entry	(3.11)	(6.04)	(3.11)
Reversal of reserve for reduction entry	—	2.93	—
Others	0.00	0.00	0.00
Effective tax rate	0.00%	0.00%	0.00%

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

Note 10 – Per Unit Information

Information about earnings per unit for the periods ended June 30, 2022, December 31, 2021 and June 30, 2021 and net assets per unit as of June 30, 2022, December 31, 2021 and June 30, 2021 were as follows.

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

	For the six months ended June 30, 2022	For the six months ended December 31, 2021	For the six months ended June 30, 2021
Earnings per Unit:			
Net income per unit (Yen)	¥14,998	¥13,148	¥12,966
Weighted average number of units outstanding	1,696,119	1,652,500	1,652,500
	As of June 30, 2022	As of December 31, 2021	As of June 30, 2021
Net Assets per Unit (Yen)	¥416,906	¥406,832	¥405,368

Note 11 – Leases

As Lessor

NBF leases some of its real estate properties to outside parties under non-cancelable operating leases. As of June 30, 2022 and December 31, 2021, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2022	As of December 31, 2021
	(Yen in millions)	
Due within one year.....	¥ 21,945	¥ 20,404
Due after one year.....	29,890	29,408
Total.....	¥ 51,836	¥ 49,813

As Lessee

Not applicable.

Note 12 – Transactions with Related Parties

(1) Parent Company and Major Corporate Unitholders

(For the six months ended June 30, 2022)

Not applicable.

(For the six months ended December 31, 2021)

Not applicable.

(For the six months ended June 30, 2021)

Not applicable.

(2) Affiliates

(For the six months ended June 30, 2022)

Not applicable.

(For the six months ended December 31, 2021)

Not applicable.

(For the six months ended June 30, 2021)

Not applicable.

(3) Sister Companies

(For the six months ended June 30, 2022)

Not applicable.

(For the six months ended December 31, 2021)

Not applicable.

(For the six months ended June 30, 2021)

Not applicable.

(4) Directors and Major Individual Unitholders

(For the six months ended June 30, 2022)

Not applicable.

(For the six months ended December 31, 2021)

Not applicable.

(For the six months ended June 30, 2021)

Not applicable

Note 13 – Investment and Rental Properties

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

(Yen in millions)

	For the six months ended June 30, 2022	For the six months ended December 31, 2021
Carrying amount (Note 1)		
Balance at beginning of the Fiscal Period	¥ 1,273,838	¥ 1,251,402
Amount of increase (decrease) during current period (Note 2)	74,832	22,435
Balance at end of the Fiscal Period	1,348,671	1,273,838
Fair value at end of the period (Note 3)	¥ 1,682,280	¥ 1,588,260

Notes:

1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major increase in the fiscal period ended June 30, 2022 was mainly due to the acquisitions of 2 properties (IIDABASHI GRAND BLOOM (additional acquisition) and Nakanoshima Mitsui Bldg., ¥80,954 million) and the major decrease was mainly due to sale of 1 properties (Sun Mullion NBF Tower, ¥7,313 million) and recognition of depreciation costs.
The major increase in the fiscal period ended December 31, 2021 was mainly due to the acquisitions of 2 properties (IIDABASHI GRAND BLOOM and Yokohama ST Bldg. (additional acquisition), ¥81,141 million) and the major decrease was mainly due to sale of 3 properties (NBF Ochanomizu Bldg., Nakanosakaue Sunbright Twin and NBF Unix Bldg., ¥57,880 million) and recognition of depreciation costs.
3. Fair value at end of the period is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties is disclosed in Note 7 (Rental Revenues and Expenses) and Note 8 (Gains and Losses on Sales of Real Estate Properties).

Note 14 – Segment Information

Segment Information

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

Related Information

(For the six months ended June 30, 2022)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)		
Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥20,291	Real estate leasing business

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

(For the six months ended December 31, 2021)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)		
Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥18,185	Real estate leasing business

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

(For the six months ended June 30, 2021)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)		
Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥17,681	Real estate leasing business

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

Note 15 – Asset Retirement Obligations

NBF owns real estate properties containing asbestos material and is obligated to remove those materials upon disposition of the properties. However, since sufficient information is not available to reasonably estimate the obligation amount due to uncertainty about the method and timing of settlement, asset retirement obligation is not recognized for the obligations to remove asbestos materials.

Note 16 – Revenue recognition

Breakdown information on revenues from contracts with customers

For the breakdown information on revenues from contracts with customers, refer to Note 7 (Rental Revenues and Expenses) and Note 8 (Gains and Losses on Sales of Real Estate Properties).

In addition, Notes to Statements of Income includes "Real estate rental revenues" and other revenues that are subject to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and therefore not subject to the "Accounting Standard for Revenue Recognition". However, the main revenues from contracts with customers that are subject to the application are "Proceeds from sale of real estate property" and "utility expenses" ("Incidental income" in "Other revenues related to property leasing").

Note 17 – Significant Subsequent Events

Disposition of Property

NBF concluded sale and purchase agreements regarding disposition of the following asset on January 6, 2022 and disposed on July 1, 2022.

Name of property: Toyo-cho Center Bldg.

Category of asset: Real estate (Note 1)

Disposition Price: ¥9,600 million

Transferee: Domestic Corporation

Disposition date: July 1, 2022

Note:

1. Upon the disposition, the property was established as property in trust on the same date of disposition date above, and the beneficiary interests in trust was transferred.

Name of property: NBF Niigata Telecom Bldg.

Category of asset: Trust beneficiary interest

Disposition Price: ¥3,900 million

Transferee: Domestic Corporation

Disposition date: July 1, 2022

Name of property: NBF Hiroshima Tatemachi Bldg.

Category of asset: Real estate (Note 2)

Disposition Price: ¥3,520 million

Transferee: Domestic Corporation

Disposition date: July 1, 2022

Note:

2. Upon the disposition, the property was established as property in trust on the same date of disposition date above, and the beneficiary interests in trust was transferred.

III Appendix

■ Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of June 30, 2022, NBFM has been entrusted as an asset management company only by NBF.

Operation

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

Fees for the Asset Management Operation

Management Fee 1

The amount equivalent to 2.5% of the total amount of (i) rent, common area charges, parking lot charges, incidental income, facility charges, facility installation fees, delay damages, lease contract cancellation penalty or monies similar thereto and other leasing operating revenues arising from leasing operations, plus (ii) dividends, distributions or monies similar thereto and other proceeds attributable to Real Estate, etc. recorded by NBF (provided, however, that revenues from the sale of Real Estate, etc. will be excluded; hereinafter, "Leasing Revenues, etc." in this Paragraph) as calculated on each closing date (rounded down to the nearest yen) will be payable.

Management Fee 2

The amount equivalent to 3% of net income before income taxes (provided, however, that in the event a loss is carried forward, then the amount of income before income taxes remaining after the entire amount of such loss has been covered) prior to deduction of Management Fee 2 as calculated on each closing date (rounded down to the nearest yen; provided, however, that in the event of a negative amount, then 0 yen) will be payable.

Management Fee 3

In the event that Real Estate, etc. is newly acquired (in the event of merger by NBF, then succeeded by said merger) as Managed Assets, the amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings; in the event of the simultaneous acquisition of multiple units of Real Estate, etc., then the acquisition price of each Real Estate, etc., in the event of equity investment, then the equity investment amount, and in the event of merger by NBF, then the appraised value of each Real Estate, etc. succeeded by said merger at the time of the merger; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition or succession are excluded) multiplied by the following percentage rates, in principle, in total amount (rounded down to the nearest yen) will be payable; provided, however, that with the approval of the board of directors of NBF, compensation may be calculated using different rates not exceeding the following rates.

- The portion up to and including ¥10,000 million 0.5%
- The portion exceeding ¥10,000 million up to and including ¥30,000 million 0.2%
- The portion exceeding ¥30,000 million up to and including ¥50,000 million 0.05%
- The portion exceeding ¥50,000 million Nothing

Management Fee 4

In the event of sale of Real Estate, etc. owned as Managed Assets, the amount of the sales price of said Real Estate, etc. (in the event of the simultaneous sale of multiple units of Real Estate, etc., then the sales price of each Real Estate, etc.; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of sale are excluded) multiplied by the following percentage rates, in principle, in total amount (rounded down to the nearest yen) will be payable; provided, however, that with the approval of the board of directors of NBF, compensation may be calculated using different rates not exceeding the following rates.

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

History of NBFM

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

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

List of Shareholders (as of June 30, 2022)

Name	Number of Shares Owned	Percent
Mitsui Fudosan Co., Ltd.	4,554	46.0%
Sumitomo Life Insurance Company	3,465	35.0
Sumitomo Mitsui Trust Bank, Limited	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
Britel Fund Trustees Limited	297	3.0
Total	9,900	100.0%

Directors and Staff

As of June 30, 2022, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 34 persons.

Name of Directors and Auditors	Title
Eiichiro Onozawa	President & CEO (standing)
Hideki Shuto	Director, Head of Investment & Finance Group (standing)
Tetsuya Saito	Director, Head of Administration Group (standing)
Masahiko Okamoto	Director
Yusuke Ogata	Director
Yasuki Nozue	Corporate Auditor
Takurou Kurumisawa	Corporate Auditor

Outline of Financial Condition

An outline of the financial condition of NBFM is as follows.

Outline of principal assets and liabilities for the most recent fiscal year:

As of March 31, 2022	(Yen in millions)
Total Assets	¥4,004
Total Liabilities	621
Total Net Assets	3,383

Independent auditor's report

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

Opinion

We have audited the accompanying financial statements of Nippon Building Fund Inc. (“the Corporation”), which comprise the balance sheets as at June 30, 2022 and December 31, 2021, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended, June 30, 2022, December 31, 2021 and June 30, 2021, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2022 and December 31, 2021, and its financial performance and cash flows for each of the six months ended, June 30, 2022, December 31, 2021 and June 30, 2021 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 17 to the financial statements, which states that the Corporation disposed a property. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the Semi-Annual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory Directors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive directors' performance of their duties with regard to the design, implementation and maintenance of the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

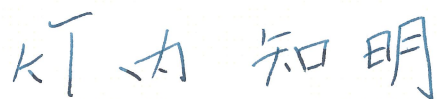
We do not have any interest in the Corporation which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Hiroaki Matsumoto

Designated Engagement Partner

Certified Public Accountant



Tomoaki Takeuchi

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 29, 2022

Disclaimer

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 29, 2022 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2022 to June 30, 2022, 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. It neither corresponds to the original Japanese documents nor is intended to constitute a disclosure document. The Japanese-language Securities Report and the Financial Statements and the Performance Information Report for the aforementioned period should always be referred to as originals of this document.

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, financial statements, if there exist any discrepancies in the meaning or interpretation thereof between the original Japanese documents and English statements contained herein, the original Japanese documents will always govern the meaning and interpretation. None of Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, unitholders/shareholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations or the selection of the portions of any documents translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, unitholders/shareholders, agents or affiliates.

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.