



Portfolio Quality Drives Growth

11th Period

NBF Report July – December 2006

Profile

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

NBF employs funds raised through shareholder subscriptions and borrowing to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. Its fiscal periods are six months long. NBF primarily invests in office buildings in the central business districts of Tokyo, Greater Tokyo and other cities in Japan. The Investment Trust Law of Japan requires an external entity to manage the assets of an investment corporation; NBF entrusts asset management to Nippon Building Fund Management Ltd. (NBFM). NBF maintains a close relationship with NBFM's major shareholder Mitsui Fudosan Co., Ltd., and employs this company's expertise to invest in carefully selected, high-quality properties, with the aim of generating further asset growth.

Contents

Building on Our Strengths	1
Financial Highlights	2
To Our Shareholders	4
Portfolio Quality Drives Growth	6
A Continuing Record of Achievement	8
Six Months of Progress	8
New Acquisitions Will Increase Asset Value	9
A Track Record of Steady Growth and High Occupancy Rates	10
Ongoing Improvement in Portfolio Quality	11
Planned New Acquisitions	12
Main Properties	13
Location of Office Properties	16
Portfolio Overview	18
Management Team and Management Structure	20
Management's Discussion and Analysis	24
Financial Statements	35
Appendix	49
Investment and Distribution Policies	51
Corporate Data	60
Investors' Information	61



On the Cover

NBF purchased the 18th floor of the Nishi-Shinjuku Mitsui Building in September 2002, and had acquired about 85 percent of the entire building as of April 2006. Mitsui Fudosan was involved in this large-scale redevelopment. Nishi Shinjuku is a superior location for office buildings, and the property had an occupancy rate of 100 percent at the end of NBF's 11th period.

Japan's First and Largest J-REIT

- ◆ In September 2001, NBF was listed as the first real estate investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.
- ◆ The largest total market capitalization of any J-REIT (¥802.6 billion)*
- ◆ The largest scale of managed assets (¥624.8 billion)*

High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **55** properties*, mainly large-scale office buildings in the Tokyo Central Business Districts
- ◆ Diversified in other Tokyo markets as well as in regional cities
- ◆ Total rentable area of **670,513m²***
- ◆ **892*** diversified tenants

NBF's Strengths

◆ Ratings

- Standard & Poor's Long-term Corporate: A+, Short-term Corporate: A-1
- Moody's Issuer Rating: A1
- R&I Issuer Rating: AA
(As of February 15, 2007)

- ◆ LTV (Loan to Value): **40.9%**
- ◆ Percentage of long-term, fixed-rate debt included in interest-bearing debt: **82.5%***
- ◆ Average years remaining on long-term, fixed-rate interest-bearing debt: **5.46** years*
- ◆ Total average cost: **1.53%***

Sound Finances

- ◆ Cash distribution of ¥19,224 per share for the 11th period

- ◆ **221.9%** total return** since Tokyo Stock Exchange listing on September 10, 2001

- ◆ **63.6%** total return** for NBF in most recent year, compared with **28.7%** for TSE J-REIT index (Source: Bloomberg L.P.)

** Total return includes reinvested distributions.

Strong Returns

Strategic Partnership with Mitsui Fudosan

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

* As of December 31, 2006

Financial Highlights

		11th Period from July 1, 2006 to December 31, 2006	10th Period from January 1, 2006 to June 30, 2006	9th Period from July 1, 2005 to December 31, 2005	8th Period from January 1, 2005 to June 30, 2005	11th Period from July 1, 2006 to December 31, 2006
(Yen in millions, except per share data or where otherwise indicated)						U.S. dollars in thousands (Note 1)
Operating revenues	Note 2	¥ 25,894	¥ 24,307	¥ 19,363	¥ 16,731	\$ 217,560
Income before income taxes		9,767	9,852	7,206	6,162	82,062
Net income		9,766	9,851	7,205	6,161	82,053
Funds from operations	Note 3	14,754	12,951	10,869	9,441	123,962
Net operating income from property leasing activities	Note 3	17,787	15,936	13,333	11,457	149,445
Total amount of cash distribution	(a)	9,766	9,851	7,205	6,161	82,053
Total assets		634,117	633,693	564,902	449,556	5,327,819
Interest-bearing debt		236,500	237,500	257,500	199,700	1,987,061
Net assets	(b)	356,213	356,297	269,375	216,840	2,992,884
LTV (Loan to value)	Note 3	40.9%	41.0%	48.5%	44.4%	—
Total number of common shares issued (shares)	(c)	508,000	508,000	422,700	364,700	
Net assets per share (Yen/\$)	(b) / (c)	701,206	701,373	637,274	594,571	5,891
Distribution per share (Yen/\$)	(a) / (c)	19,224	19,391	17,046	16,893	162
Funds from operations per share (Yen/\$)	Note 3	29,043	27,395	26,505	25,887	244

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119.02 = U.S.\$1.00, the approximate exchange rate on December 31, 2006.

2. Operating revenues do not include consumption taxes.

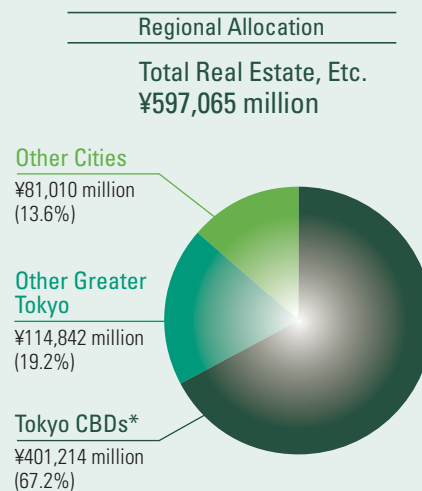
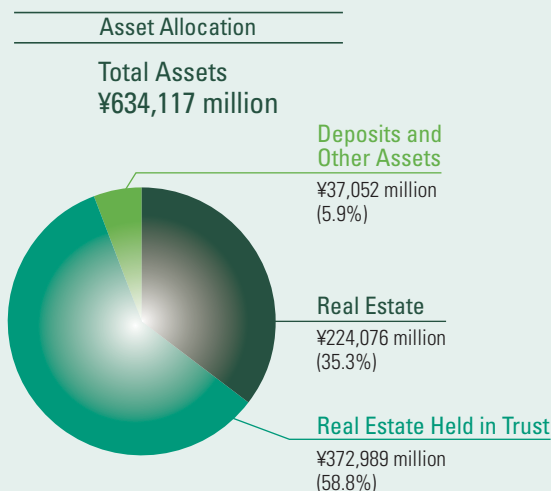
3. Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

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

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

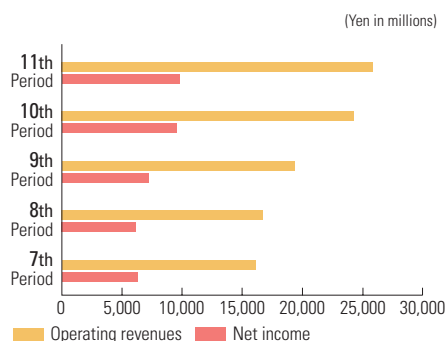
Loan to value: (Interest-bearing debt + Deposits under management) / Total assets

Portfolio Highlights (As of December 31, 2006)

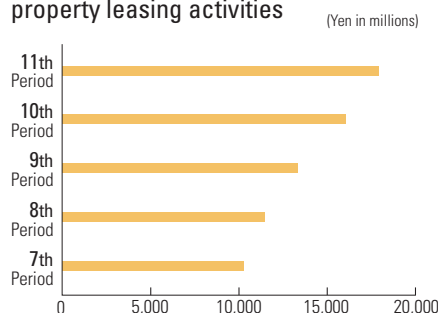


* Central Business Districts

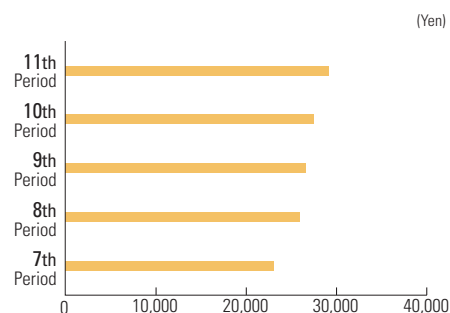
Operating revenues / Net income



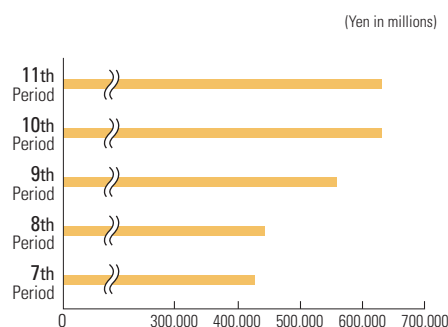
Net operating income from property leasing activities



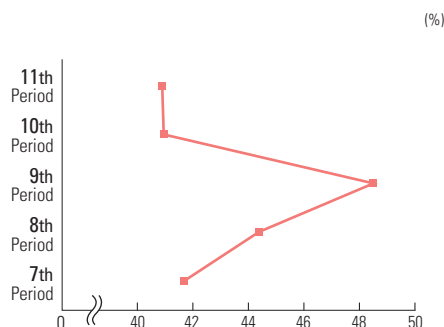
Funds from operations per share



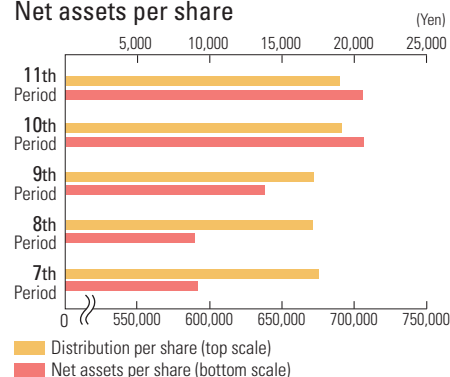
Total assets



LTV



Distribution per share / Net assets per share



List of Major Tenants (As of December 31, 2006)

	Name	Leased Space (m ²)	Percentage of Total Rentable Area ³
1	Mitsui Fudosan Co., Ltd. ¹	169,913	25.9%
2	IBM Japan, Ltd. ²	28,184	4.3%
3	GlaxoSmithKline K.K. ²	22,791	3.5%
4	AXA Life Insurance Co., Ltd. ²	17,705	2.7%
5	Fuji Xerox Co., Ltd.	15,753	2.4%
6	Nippon Steel Corporation ²	15,333	2.3%
7	Nikkei Business Publications, Inc. ²	13,135	2.0%
8	Transcosmos Inc. ²	8,816	1.3%
9	NTT Communications Corporation	8,493	1.3%
10	NEC Facilities, Ltd.	7,483	1.1%

Notes: 1. NBF receives lease revenue from Mitsui Fudosan Co., Ltd. after Mitsui Fudosan has taken a fixed percentage commission of the lease revenue from the tenants of the sub-leased space.
2. Indicates tenants with long-term lease contracts (IBM Japan, Ltd.'s contract expires December 2009; GlaxoSmithKline K.K.'s contract (GSK Building) expires September 2010; AXA Life Insurance Co., Ltd.'s contract expires November 2010; Nippon Steel Corporation's contract expires November 2009; Nikkei Business Publications, Inc.'s contract expires November 2009; Transcosmos Inc.'s contract (Shibuya Garden Front) expires September 2009)
3. Percentage of total rentable area = Leased space ÷ Total rentable area of all properties in portfolio

To Our Shareholders



Nippon Building Fund Inc. (NBF) makes maximum use of the portfolio, expertise and information network it has built in working to further enhance profitability, primarily through internal growth, with the aim of increasing shareholder value.

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

Performance during the Six Months Ended December 31, 2006

Operating revenues increased during the six months ended December 31, 2006 (the “11th Period”), while income decreased due to the absence of gain on sale of investment properties. Distribution per share was ¥19,224.

The environment for acquisition of real estate became increasingly challenging during the six months ended December 31, 2006. NBF exercised careful deliberation that made the most of its innovative acquisition techniques and collective expertise. As a result, we committed to the acquisition of three properties. However, NBF’s portfolio remained at 55 properties, unchanged from six months earlier, because NBF will complete the acquisition of all of these properties in future fiscal periods. Total investment on an acquisition price basis stood at ¥624,839 million.

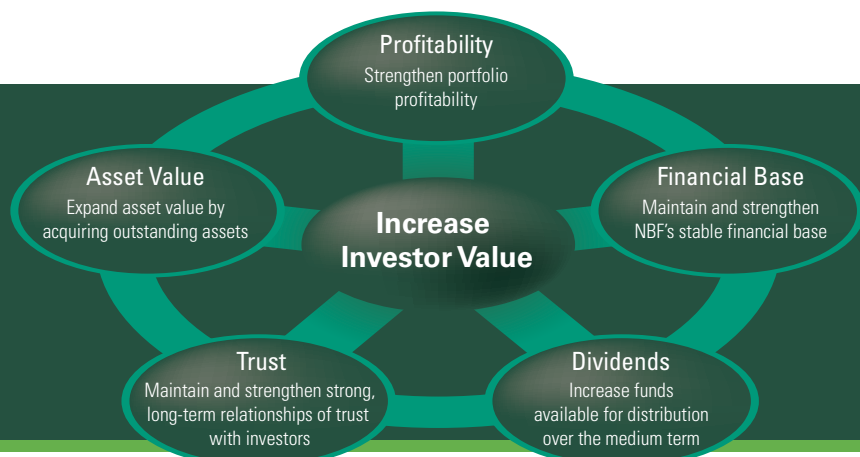
Operating revenues for the six months ended December 31, 2006 increased 6.5 percent, or ¥1,586 million, compared with the previous six-month period to ¥25,894 million. A primary factor in the increase was the full-period contribution of the seven properties acquired in the previous six-month period. Absent gain on sale of investment properties and gain on exchange of investment properties totaling ¥1,435 million in the previous six-month period, however, operating income decreased 0.3 percent, or ¥33 million, compared to the previous six-month period to ¥11,652 million. Net income decreased 0.9 percent, or ¥85 million, compared to the previous six-month period to ¥9,766 million, and distribution per share decreased ¥167 compared to the previous six-month period to ¥19,224.

Sales of investment properties are a non-recurring event for NBF. Earnings from real estate leasing, NBF’s core business, increased compared to the previous six-month period and NBF is steadily raising profitability.

Initiatives to Generate External Growth during the 11th Period

Given increasing competition in the real estate acquisition market, NBF deployed its unique capabilities to generate sustainable external growth by focusing on improving the value and utilization of existing assets.

During the six months ended December 31, 2006, factors influencing the real estate acquisition market included solid demand for office space and rising acquisition prices resulting from aggressive investment by domestic and foreign funds, J-REITs and other institutions against a backdrop of low interest rates. The real estate acquisition environment grew increasingly challenging as a result. Given these conditions, NBF recognized the importance of sustainable external growth. Based on our strategy of investing in high-quality, highly competitive office buildings with comparatively stable rental cash flow and little risk of decline in asset value, we invested selectively, making the most of our innovative techniques and collective expertise. Consequently, during the 11th Period we focused on generating external growth by enhancing the value and utilization of existing assets by working to acquire properties adjacent to existing buildings. This approach resulted in acquisition contracts for three buildings: the Toyosu 5-Chome Building (tentative name) under development adjacent to the IST Building; the expansion of the NBF Nagoya Hirokoji Building; and the property adjacent to the NBF Sudacho Verde Building. Looking forward, we will work to differentiate NBF under this unique strategy in order to acquire attractive investment opportunities, thus generating sustainable external growth. Please refer to “New Acquisitions Will Increase Asset Value” on page 9 for additional details.



Prospects of Performance*

(Yen in millions)

	12th Period (Projected) from January 1, 2007 to June 30, 2007	13th Period (Projected) from July 1, 2007 to December 31, 2007
Operating revenues	26,032	26,457
Net income	9,499	9,550
Distribution per share (Yen)	18,700	18,800

* Based on current portfolio of 55 properties

NBF's Operating Environment

Amid rising lease rates for premium office buildings, NBF is working to enhance its profitability by increasing rent for both new and existing tenants.

During the six months ended December 31, 2006, economic recovery caused vacancy rates to drop nationwide in the office leasing market. In the central business districts of Tokyo in particular, the lack of available space in large-scale buildings continued to drive rent for new tenants higher.

Given these conditions, NBF moved to enhance its profitability by raising lease rates for new tenants and increasing rent for existing tenants during contract renewals. As a result, renegotiation of existing lease contracts increased monthly rental revenue by ¥11.0 million, which represented a ¥6.0 million increase compared to the six-month period ended June 30, 2006. NBF plans to continue increasing rents when contracts come up for renegotiation. Moreover, in order to carry out our objective of generating internal growth, we will work to maintain high occupancy rates by increasing tenant satisfaction while sustaining and enhancing the competitiveness of our properties through strategic investments in renovation. Please refer to "Portfolio Quality Drives Growth" on page 6 for additional details.

Fundamental Management Policies and Outlook

NBF aims to expand shareholder value through growth and enhancement in five areas: profitability, scale of assets, financial base, credibility and funds available for distribution*.

Looking forward, the firm office leasing market and increasing competition in the real estate acquisition market will continue. Interest rates are likely to rise against a backdrop of economic recovery, and funding costs are likely to increase. Under these conditions, our fundamental policy during Phase II, the five years that began with the 11th Period, is to expand

shareholder value through growth and enhancement in the five areas of profitability, scale of assets, financial base, credibility and funds available for distribution. We also intend to further strengthen our compliance and risk management systems to accommodate increased assets and changing social requirements.

Under this policy, we aim to further enhance profitability, primarily through internal growth, during the six months ending June 30, 2007 (the "12th Period"), for which we project operating revenues of ¥26,032 million, operating income of ¥11,499 million, net income of ¥9,499 million, and a distribution of ¥18,700 per share. For the period ending December 31, 2007 (the "13th Period"), we project operating revenues of ¥26,457 million, operating income of ¥11,723 million, net income of ¥9,550 million, and a distribution of ¥18,800 per share. These projections assume no acquisitions or transfers of buildings and no issue of new shares.

NBF drives the Japanese J-REIT market because of the scale of its assets and its management system. We will make maximum use of our strengths, including the scale of the asset portfolio we have structured, our expertise and our information network, in executing our mission of generating further growth.

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

Koichi Nishiyama

Koichi Nishiyama

Executive Director of Nippon Building Fund Inc.

President and CEO of Nippon Building Fund Management Ltd.

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

Portfolio Quality Drives Growth

Supported by a strong office leasing market, NBF is using the strengths of its high-quality properties to generate internal growth.

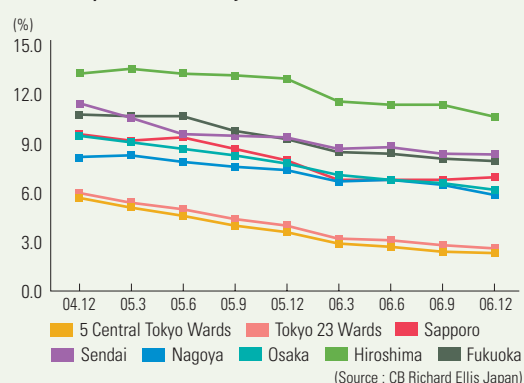
Trends in the Office Leasing Market

Economic recovery has resulted in increased demand for premium office buildings. Vacancy rates continue to decrease nationwide, and rent for new tenants is increasing.

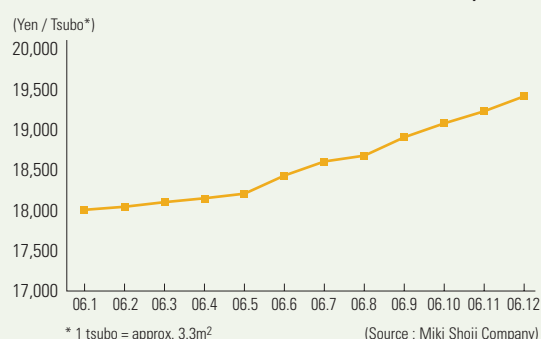
The Cabinet Office's Monthly Economic Report for November 2006 announced that the current economic expansion in Japan had surpassed the 57-month Izanagi Boom, which had been Japan's longest period of post-war economic growth. This and other evidence indicate that the Japanese economy continues its steady, albeit gradual, expansion. Against a backdrop of increased corporate vitality and earnings, companies are expanding and integrating office space. Vacancy rates are decreasing nationwide, and demand for office buildings is rising steadily. These trends are particularly evident in the five central Tokyo wards — Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku and Shibuya-ku — where vacancy rates decreased 0.4 percentage points from the extremely low level of 2.7 percent as of June 30, 2006 to 2.3 percent as of December 31, 2006. (Source: CB Richard Ellis Japan)

The supply of available office space is insufficient to meet the needs of tenants who want to move into or expand within premium large-scale buildings, and as lending markets accelerate further, lease rates for new tenants continue to increase. Rent increases have been particularly notable in the five central Tokyo wards discussed above, where average lease rates for new tenants increased 5.3 percent from June to December 2006. (Source: Miki Shoji Company)

Vacancy Rates in Major Cities



New Tenant Lease Rates in Five Central Tokyo Wards



NBF's Strategy for Internal Growth

While maintaining and increasing the level of tenant satisfaction and investing strategically in renovation, NBF will emphasize rent increases with the aim of enhancing profitability.

Given the strong office leasing market, NBF aims to further enhance its profitability, primarily through internal growth. NBF's buildings have occupancy rates that exceed the market, and are known for their outstanding management. We will use these characteristics in executing the following three measures to generate internal growth.

The first measure is the most important. We will increase rent for new tenants and raise rent for tenants renewing contracts with lease rates that are below market.

In Japan's leasing market, rent does not customarily increase for existing tenants other than at contract renewal. Rent increases therefore coincide with contract renewals. However, rent increases are no simple matter even at contract renewal. Maintaining and increasing levels of tenant satisfaction and steady efforts to lay the groundwork for rent increases are crucial.

As of December 31, 2006, contracts up for renewal within two years with below-market lease rates accounted for 48.4 percent of NBF's total rental revenue. However, these contracts provide the potential for rent increases over the coming two years, and we are therefore taking a focused approach to this issue.

During the six months ended December 31, 2006 (the "11th Period"), renegotiation of existing lease contracts increased monthly rental revenue by ¥11.0 million, or 5.1 percent.

NBF plans to raise rents for existing tenants to increase rental revenue by ¥52.0 million per month for the six months ending June 30, 2007 (the "12th Period"), and increase it by an additional ¥20.0 million per month during the six months ending December 31, 2007 (the "13th Period").

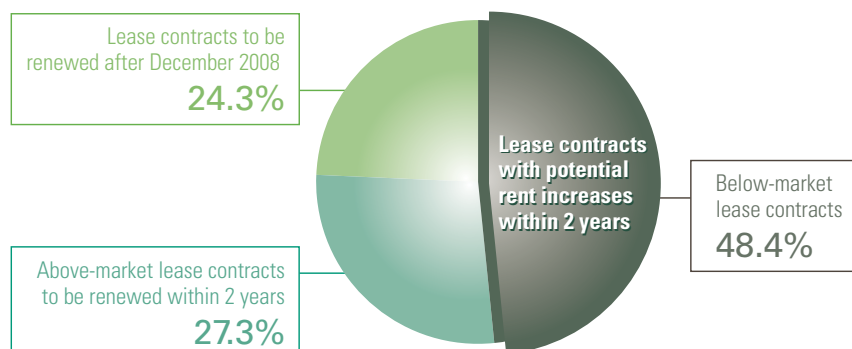
The second measure is maintaining high occupancy rates by increasing tenant satisfaction. Our proactive initiatives in this area include improvements to common areas, seasonal events, and determining issues for improvement through tenant surveys. During the 11th Period, our tenants expressed appreciation for the map we produced and distributed that will help people return home in the event of a disaster. We intend to undertake other such initiatives in the future.

The third measure is maintaining and increasing the competitiveness of our buildings by making strategic investments in renovation. During the 11th Period, we renovated common areas at the NBF Shibakouen Building, including hallways and the elevator hall, when a large tenant accounting for 94 percent of the building's occupancy canceled its lease. These improvements to the building's design and amenities helped NBF both increase rent and attain 100 percent occupancy. Looking forward, we intend to execute other strategic renovations that raise the competitiveness of our buildings.

Assuming that the number of buildings in our portfolio remains at 55 at June 30, 2007 and December 31, 2007, unchanged from December 31, 2006, we therefore project that our initiatives to generate internal growth will increase rental revenue (compared with the 11th Period) by ¥304.0 million for the 12th Period, and by ¥787.0 million for the 13th Period.

Lease Contracts as of December 31, 2006

(Rent Basis)



A Continuing Record of Achievement

Six Months of Progress

Rent Increases	<p>■ Consistent Increases during Contract Renewals</p> <p>NBF has been increasing rents during contract renewals to enhance profitability. During the six months ended December 31, 2006, NBF renegotiated contracts generating monthly rental revenue of ¥217.0 million, and renegotiation of existing lease contracts increased monthly rental revenue by ¥11.0 million, or 5.1 percent.</p>
New Property	<p>■ Decision to Acquire Toyosu 5-Chome Building (September 2006)</p> <p>NBF has decided to acquire the Toyosu 5-Chome Building (tentative name), a new, large-scale building scheduled for completion in September 2007 that is adjacent to one of NBF's major properties, the IST Building. The development of the Toyosu area is progressing rapidly. The acquisition of this property, an advanced office building with extremely competitive specifications, will make a significant contribution to enhancing NBF's portfolio in the Greater Tokyo area.</p>
Property Acquisition	<p>■ NBF Nagoya Hirokoji Building (Building Expansion) (December 2006)</p> <p>In December 2006, NBF concluded a contract to expand the NBF Nagoya Hirokoji Building. NBF was involved in this transaction as the project consultant, working with the seller of the land adjacent to the existing building before the seller acquired that land. As a result, this contract aligns the interests of the seller, which will work to promote the project, and NBF, which will acquire the completed development. This project will result in a single, larger-scale building, with benefits including greater appeal among potential new tenants and enhanced ability to meet requirements for additional space among existing tenants. This will raise the overall competitiveness of the property, which NBF expects to enhance return on investment.</p>
Area Expansion	<p>■ NBF Sudacho Verde Building (December 2006)</p> <p>NBF decided in December 2006 to acquire the property adjacent to the NBF Sudacho Verde Building. After acquiring this property in June 2007, NBF will demolish the building and manage part of the land as a parking lot. In the future we will be able to redevelop the entire site as an integrated office building with a scale and specifications that create greater asset value than the current properties, which enhances the potential of NBF's portfolio.</p>
Higher Ratings	<p>■ Leading Bond Rating Agencies Raise NBF's Ratings (Moody's: October 2006; R&I: December 2006)</p> <p>NBF received an issuer rating of A1 from Moody's Investors Service in October 2006 and AA from Rating and Investment Information, Inc. in December 2006. These ratings reaffirm NBF's position as a market leader operating on a scale that places it at the forefront of its business, which has built a strong operating and revenue base while improving its financial structure by implementing a consistent portfolio strategy.</p>

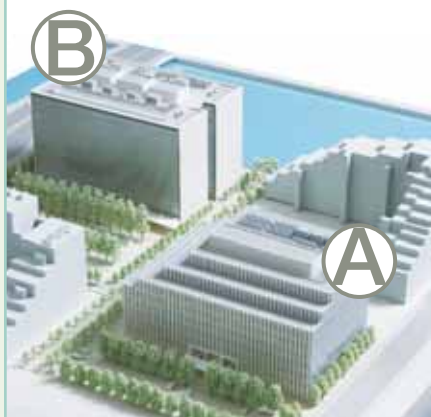
New Acquisitions Will Increase Asset Value

The real estate acquisition market remained challenging during the six months ended December 31, 2006. NBF worked to differentiate itself and achieve sustainable external growth by aggressively enhancing the value of existing assets and deciding to acquire properties adjacent to three existing buildings.

Toyosu 5-Chome Building (Tentative Name)

Integration with the adjacent IST Building adds value

Integrating this acquisition with the IST Building will increase total rentable area to 65,090m² and heighten the property's profile. We aim to raise competitiveness by managing the two properties as one, which will add flexibility to tenant management as we work to improve property management cost efficiency.



	Toyosu 5-Chome Building (A) (Tentative Name)	IST Building (B)	(A) + (B)
Acquisition price	¥16,200 million -¥24,100 million	¥35,200 million	Maximum of ¥59,300 million
Location	Koto-ku, Tokyo		—
Site area	12,551m ²	14,335m ²	26,886m ²
Rentable area	28,326m ²	36,764m ²	65,090m ²
Structure	10 floors	11 floors	—
Completion of construction	September 30, 2007 (scheduled)	September 7, 2004	—
Acquisition date	March 31, 2008 (scheduled) (October 31, 2007 at the earliest)	September 13, 2005	—
Seller	Shimizu Corporation	Special Purpose Company of Shimizu Corporation	—

NBF Nagoya Hirokoji Building

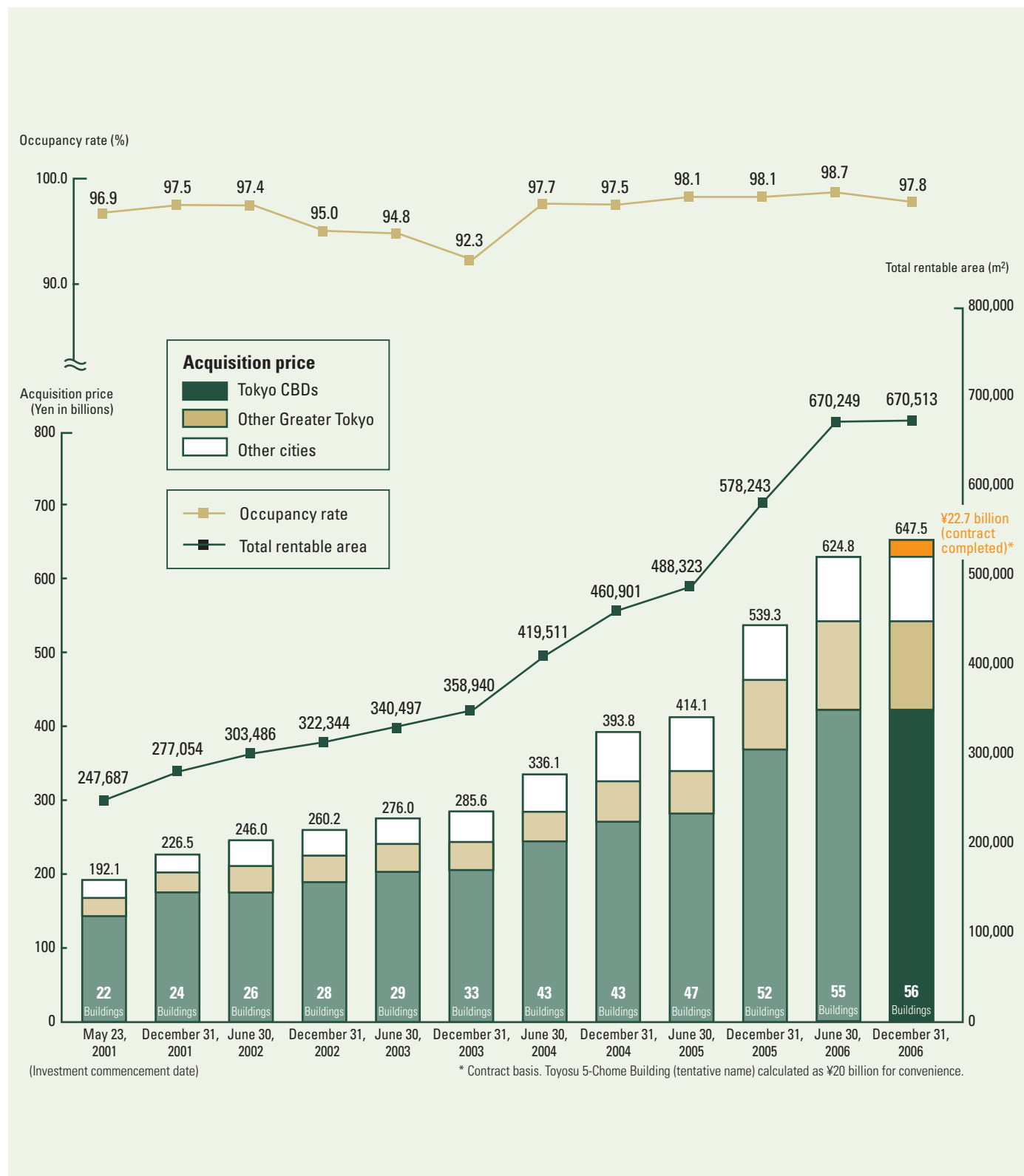
Expansion increases scale and grade

The expansion of the NBF Nagoya Hirokoji Building will raise the standard area of each floor to 1,117m² and total floor area to 14,652m², thus increasing the scale of the existing building. This will raise the grade of the property. Efforts to add value including improvements to common areas will further support our objective of increasing competitiveness and rent levels.

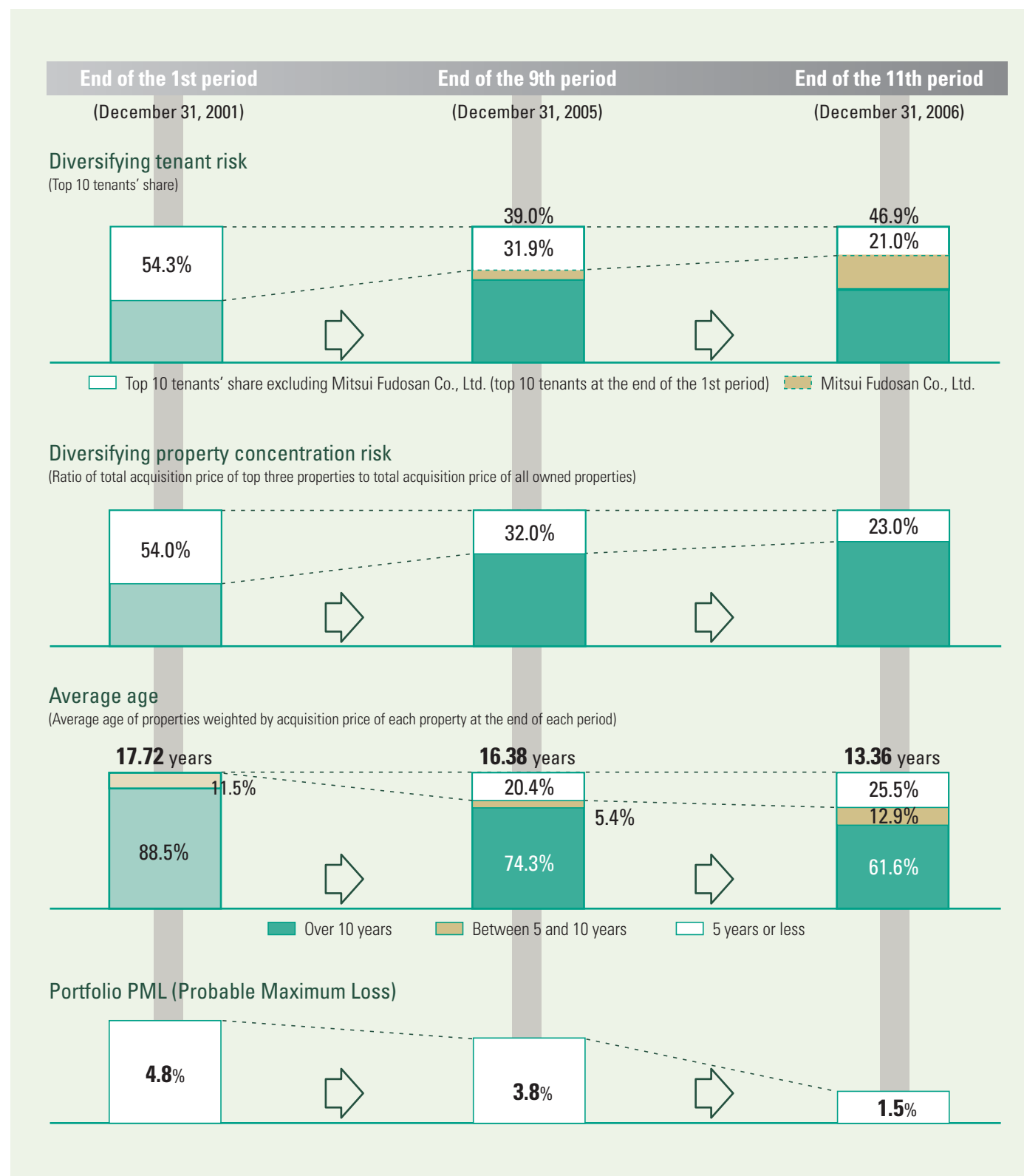


	NBF Nagoya Hirokoji Building (A) (Expansion)	NBF Nagoya Hirokoji Building (B) (Existing)	(A) + (B)
Acquisition price	¥1,826 million	¥5,406 million	¥7,232 million
Location	Naka-ku, Nagoya, Aichi		—
Site area	431m ²	1,252m ²	1,683m ²
Rentable area	2,903m ²	6,873m ²	9,776m ²
Structure	9 floors	9 floors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

A Track Record of Steady Growth and High Occupancy Rates



Ongoing Improvement in Portfolio Quality



Planned New Acquisitions

Other Greater Tokyo



Nakanosakaue Sunbright Twin (Additional Acquisition) and Nakanosakaue Sunbright Annex

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

Tokyo CBDs



NBF Ginza Street Building

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

Main Properties



① Yamato Seimei Building



④ NBF Platinum Tower



⑤ Gate City Ohsaki



⑥ Toranomom Kotohira Tower



⑧ Nakameguro GT Tower



② Nishi-Shinjuku Mitsui Building



29 Shin-Kawasaki Mitsui Building



19 NBF Akasaka Sanno Square



31 Parale Mitsui Building



46 Shinanobashi Mitsui Building



45 Aqua Dojima NBF Tower 51 Aqua Dojima East

Location of Office Properties

Tokyo CBDs

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

Other Greater Tokyo

- ㉘ IST Building
- ㉙ Nakanosakaue Sunbright Twin
- ㉚ Toyosu 5-Chome Building**



③ Shiba NBF Tower



⑪ NBF Toranomon Building



⑭ NBF Alliance



⑯ Shibuya Garden Front



⑰ NBF Shibakouen Building

* Scheduled for acquisition in April 2007.
 ** Scheduled for acquisition in March 2008.

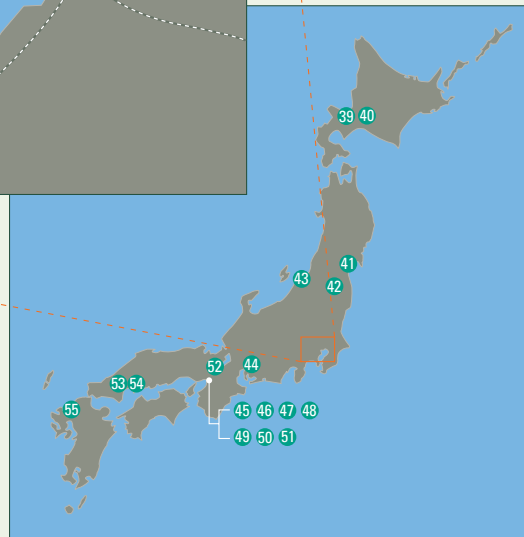
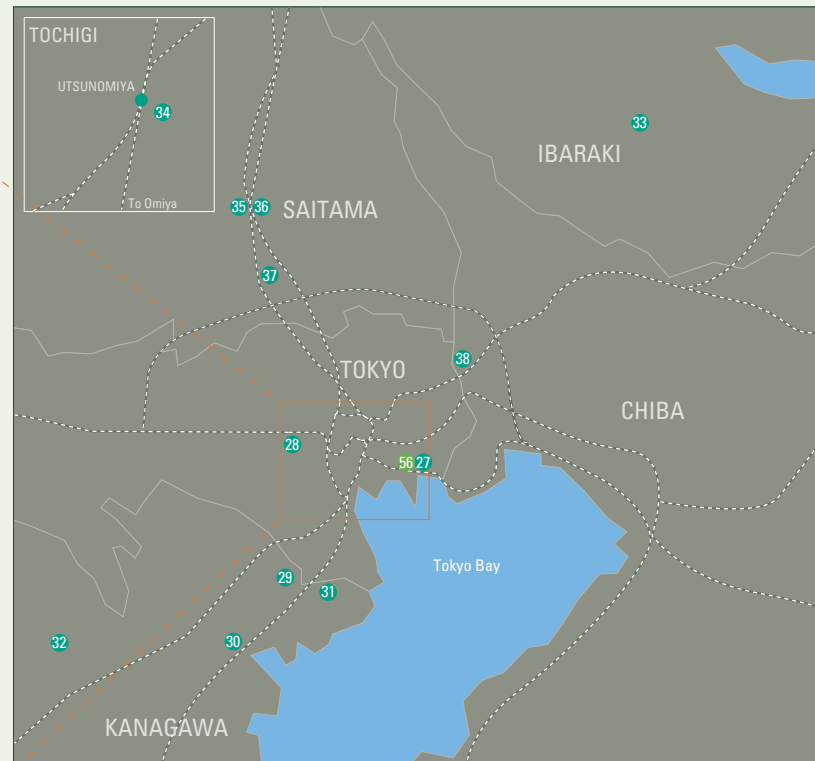
As of December 31, 2006

Other Greater Tokyo

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

Other Cities

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



21 NBF Higashi-Ginza Square



35 S-ino Omiya North Wing



39 Sapporo L-Plaza



47 Sun Mullion NBF Tower



48 Sakaisuji-Honmachi Center Building

Portfolio Overview

NBF's properties as of December 31, 2006 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership (%)	Year Built	Acquisition Price (Yen in millions)	Book Value
Tokyo CBDs						
① Yamato Seimei Building	Trust	Fee simple	100.0	1984	63,500	64,566
② Nishi-Shinjuku Mitsui Building	Ownership	Condominium	85.1	1999	44,903	37,368
③ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	31,878
④ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	31,530
⑤ Gate City Ohsaki	Ownership	Condominium	12.9	1999	30,100	25,241
⑥ Toranomon Kotohira Tower	Ownership	Condominium	100.0	2004	24,543	21,679
⑦ NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,062
⑧ Nakameguro GT Tower	Ownership	Condominium	93.1	2002	23,856	22,980
⑨ Shinjuku Mitsui Building No.2	Trust	Fee simple	100.0	1983	16,285	15,735
⑩ GSK Building	Trust	Fee simple	100.0	1990	15,616	14,228
⑪ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,833
⑫ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of condominium	83.0	1994	13,217	12,359
⑬ Nippon Steel Building No.2	Ownership	Fee simple	100.0	1989	12,614	12,026
⑭ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,481
⑮ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,782
⑯ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,501
⑰ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,723
⑱ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,305
⑲ NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,301
⑳ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,975
㉑ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	5,148
㉒ NBF Ogawamachi Building	Ownership	Condominium	83.8	1986	4,940	4,981
㉓ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,549
㉔ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,498
㉕ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	2,380	2,449
㉖ NBF Ebisu-minami Building	Ownership	Fee simple	100.0	1991	1,000	1,034
Other Greater Tokyo						
㉗ IST Bldg	Trust	Fee simple	100.0	2004	35,200	34,590
㉘ Nakanosakaue Sunbright Twin	Trust	Condominium	31.6	1996	8,979	8,438
㉙ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	20,209
㊱ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,717
㊲ Parale Mitsui Building	Ownership	Co-ownership of condominium	97.5	1990	3,800	3,380
㊳ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,222
㊴ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,760
㊵ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,565
㊶ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	16,380
㊷ Daido Life Omiya Building	Trust	Fee simple	100.0	1991	2,361	2,230
㊸ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,989
㊹ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,361
Other Cities						
㊺ Sapporo L-Plaza	Ownership	Condominium	46.2	2003	4,404	4,308
㊻ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,751
㊼ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,565
㊽ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,447
㊾ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,703
㊿ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	5,406	5,347
㋀ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	17,490
㋁ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	12,128
㋂ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	9,373
㋃ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of condominium	49.3	1991	6,500	6,450
㋄ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	2,060
㋅ NBF Tanimachi Building	Trust	Fee simple	100.0	1993	1,944	1,927
㋆ Aqua Dojima East	Trust	Co-ownership of condominium	23.7	1993	1,914	1,898
㋇ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,409
㋈ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,970
㋉ Hiroshima Fukuromachi Building	Ownership	Co-ownership of condominium	10.4	2002	835	784
㋊ NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,399
Total					624,839	597,065

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

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

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

Appraisal Value	Rentable Area	Leased Area at End of Period	Occupancy Rate at End of Period	Total Number of Tenants at End of Period	Revenue	Percentage of Total Revenues (Note 1)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)
65,000	27,640	27,246	96.8	63	1,801	7.0
50,000	32,967	32,967	100	1	1,361	5.3
33,100	24,728	24,728	100	27	1,066	4.1
46,000	33,503	33,503	100	5	1,429	5.5
32,900	20,714	20,714	100	1	1,078	4.2
30,300	16,848	16,848	100	1	915	3.5
30,200	16,306	16,306	100	14	898	3.5
26,300	21,423	21,423	100	1	1,047	4.0
23,000	14,900	14,841	99.6	42	693	2.7
20,100	22,702	22,702	100	1	Note 2	Note 2
18,600	10,193	7,751	76.0	11	603	2.3
17,700	10,088	10,088	100	2	Note 2	Note 2
14,860	17,338	17,338	100	2	620	2.4
11,200	4,043	4,043	100	9	291	1.1
9,100	7,450	7,450	100	1	265	1.0
15,400	8,258	8,258	100	1	Note 2	Note 2
8,120	7,087	986	13.9	2	Note 2	Note 2
8,430	10,473	10,458	99.9	5	321	1.2
7,440	5,258	5,258	100	6	245	0.9
5,790	5,978	5,978	100	1	Note 2	Note 2
7,560	4,871	4,871	100	9	233	0.9
5,850	4,805	4,805	100	1	186	0.7
5,980	5,741	5,730	99.8	12	215	0.8
5,440	5,127	5,127	100	13	190	0.7
2,680	2,971	2,971	100	4	116	0.4
1,400	1,595	1,595	100	3	59	0.2
36,900	36,764	36,144	98.3	8	1,134	4.4
11,500	12,074	12,074	100	1	Note 2	Note 2
20,500	27,924	27,924	100	1	953	3.7
19,700	20,070	19,686	98.1	83	744	2.9
4,360	12,545	12,545	100	1	325	1.3
2,520	5,230	5,230	100	21	142	0.5
9,510	16,834	15,482	92.0	68	505	1.9
2,630	6,164	6,071	98.5	34	146	0.6
20,500	20,699	20,474	98.9	33	762	2.9
2,540	3,574	3,495	97.8	14	123	0.5
2,080	3,455	3,455	100	15	113	0.4
2,720	4,772	4,772	100	24	135	0.5
5,890	11,396	11,396	100	12	324	1.3
1,810	5,352	5,352	100	10	126	0.5
4,220	7,567	7,542	99.7	10	220	0.8
4,370	13,479	12,860	95.4	56	299	1.2
4,480	10,221	10,123	99.0	36	270	1.0
6,220	6,873	6,844	99.6	9	238	0.9
23,000	21,935	21,917	99.9	39	872	3.4
14,900	25,237	25,237	100	1	728	2.8
10,200	14,121	13,657	96.7	27	440	1.7
7,100	11,438	10,758	94.1	40	320	1.2
2,540	5,327	4,966	93.2	19	131	0.5
2,100	4,948	4,948	100	3	Note 2	Note 2
2,250	3,243	3,125	96.4	20	121	0.5
1,750	3,931	3,747	95.3	18	94	0.4
3,210	5,612	5,459	97.3	27	160	0.6
887	1,310	1,268	96.8	16	40	0.2
2,700	5,416	5,416	100	8	157	0.6
735,537	670,513	655,954	97.8	892	25,894	100.0

Management Team and Management Structure

(As of March 17, 2007)

Corporate Structure and Management

Nippon Building Fund Inc. (NBF) is an investment corporation that takes a medium-to-long-term perspective with the aim of generating steady asset growth and stable earnings. NBF believes that fair, transparent management is central to increasing return on investment.

■ Nippon Building Fund Inc.

Nippon Building Fund Inc. is an investment corporation established with the objective of investing in assets, primarily Designated Assets as defined by the Investment Trust Law of Japan. NBF entrusts management of its assets to Nippon Building Fund Management Ltd., which is an asset management company.

NBF's primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. NBF achieves this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in central business districts (CBDs) in Tokyo, Greater Tokyo and other cities in Japan. NBF also invests in securities, beneficiary certificates representing beneficial interests in trusts (beneficiary certificates) and other assets backed by office properties.

General Meeting of Shareholders

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

The General Meeting of Shareholders adopts or vetoes resolutions on the basis of a simple majority of the voting rights of shareholders in attendance, unless otherwise stipulated by laws, regulations or NBF's articles of incorporation. Decisions on substantive matters such as changes in the articles of incorporation require the attendance of shareholders that control a simple majority of total shares issued and outstanding, and a two-thirds majority

of the voting rights of such shareholders. In addition, any change in the asset management policies and standards, which are stipulated by NBF's articles of incorporation, requires an extraordinary resolution of shareholders as outlined above.

Executive Directors, Supervisory Directors and the Board of Directors

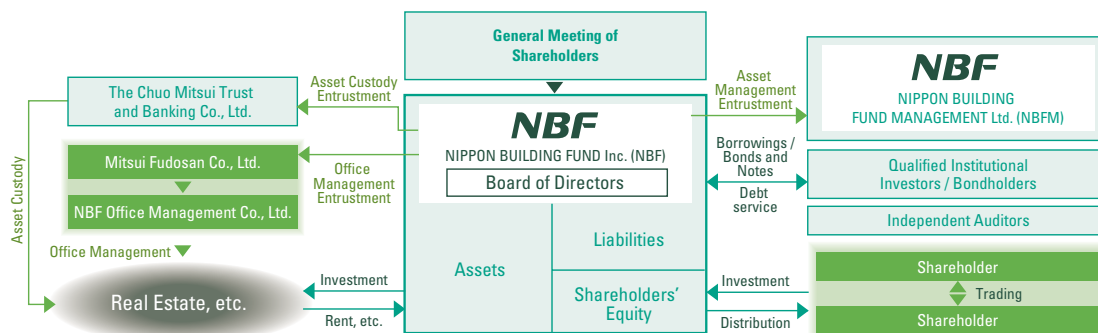
NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of March 17, 2007, NBF had two executive directors and four supervisory directors.

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

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

The Board of Directors consists of the executive and supervisory directors. Its responsibilities include authorizing business execution and supervising the performance of the executive directors. Resolutions by the Board of Directors require a simple majority with more than half of the members of the Board in attendance.

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



Management Team



Seated from left:
Sadafumi Abe
Koichi Nishiyama

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

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

interest shall not be included in the number of executive and supervisory directors in attendance for such decisions.

The terms of office of executive directors and supervisory directors are two years from the time they assume office. The terms of executive directors and supervisory directors selected to fill a vacancy or because of an increase in the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two

executive directors and all four supervisory directors were elected at the General Meeting of Shareholders held on March 8, 2007, and assumed office on March 17, 2007.

■ Nippon Building Fund Management Ltd.

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

Matters Entrusted to

Nippon Building Fund Management Ltd.

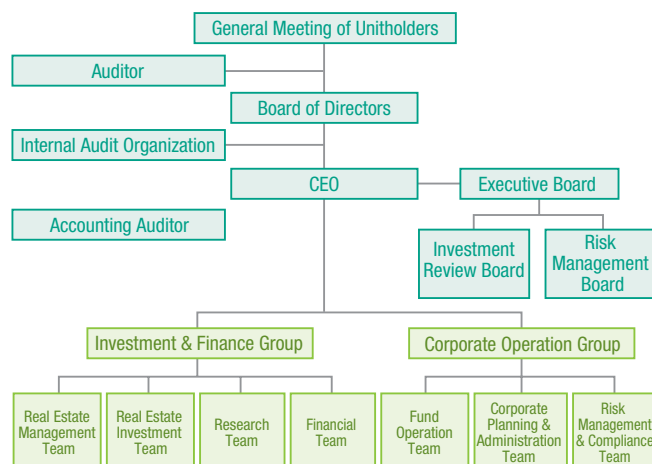
As the asset management company required by the Investment Trust Law of Japan, Nippon Building Fund Management Ltd. manages NBF's assets in accordance with the asset management objectives and policies stipulated by NBF's articles of incorporation. In addition, in accordance with the manager of general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

Management Structure of

Nippon Building Fund Management Ltd.

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

Management Structure



sentative director, supervises and executes the operations of Nippon Building Fund Management Ltd. The heads of the Investment & Finance Group and the Corporate Operation Group also serve as directors, and oversee their respective divisions under the direction and oversight of the president. Corporate auditors conduct accounting audits and operational audits of Nippon Building Fund Management Ltd. An internal audit unit conducts internal audits covering the operations and departments of Nippon Building Fund Management Ltd. at the request of the Board of Directors.

Nippon Building Fund Management Ltd. Management Team (As of April 1, 2007)

Name	Title	Career Summary
Koichi Nishiyama	President and CEO and Representative Director	April 1974 Joined Mitsui Fudosan Co., Ltd. April 2000 Manager of Building Fund Office, Building Division of Mitsui Fudosan Sept. 2000 President and representative director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position) Aug. 2001 Became Executive Director of NBF (current position)
Yasushi Nakayama	Director, Head of Investment & Finance Group	April 1981 Joined Mitsui Fudosan Co., Ltd. April 2001 Head of Building Business Division, Building Department of Mitsui Fudosan April 2006 Manager of Building Department, Chiyoda Development Division of Mitsui Fudosan April 2007 Became Director of Nippon Building Fund Management, Ltd. (current position)
Riichi Morihiro	Director, Head of Corporate Operation Group	April 1978 Joined Sumitomo Life Insurance Company Oct. 2002 Assistant Manager, Financial Corporation Division of Sumitomo Life Insurance April 2005 Director and Manager of Residential Planning Division, Eisen Realty Co., Ltd. April 2006 Became Director of Nippon Building Fund Management Ltd. (current position)
Kimihiro Suwa	Director (Part-time)	April 2007 Became Director of Nippon Building Fund Management, Ltd. (current position)
Tamotsu Shinyama	Director (Part-time)	April 2002 Became Director of Nippon Building Fund Management Ltd. (current position)
Kaneo Maeda	Corporate Auditor (Part-time)	April 2007 Became Auditor of Nippon Building Fund Management, Ltd. (current position)
Noriyuki Moromachi	Corporate Auditor (Part-time)	April 2003 Became Auditor of Nippon Building Fund Management Ltd. (current position)

■ Compliance Initiatives

The management of NBF and Nippon Building Fund Management Ltd. conduct honest and appropriate business activities while maintaining rigorous compliance by adhering to all relevant laws and regulations, based on a high level of corporate ethics.

The bylaws of NBF's Board of Directors stipulate that Board of Directors meetings are to be held at least once every three months. In practice, NBF holds such meetings once a month. At Board meetings, executive directors report on their execution of their duties and supervisory directors ensure that oversight and check-and-balance systems are functioning properly.

Nippon Building Fund Management Ltd. views compliance as a management strategy, with a fundamental compliance policy of conducting operations honestly and fairly while maintaining a rigorous compliance system based on a high level of corporate ethics. Specifically, Nippon Building Fund Management Ltd. requires that a compliance officer be assigned to the Corporate Operation Group, and has established Compliance Rules and a Compliance Manual. In addition, a Compliance Program is formulated each year to verify the progress of the execution plan for that year and identify any problem areas.

Risk Management System

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

■ NBF

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

■ Nippon Building Fund Management Ltd.

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

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

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

Policy and Management System for Dealing with Conflict of Interest Transactions

■ Fundamental Policy on Conflict of Interest Transactions

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

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

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

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

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

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

Management's Discussion and Analysis

Summary of Selected Financial Data

		11th Period from July 1, 2006 to December 31, 2006	10th Period from January 1, 2006 to June 30, 2006	9th Period from July 1, 2005 to December 31, 2005	11th Period from July 1, 2006 to December 31, 2006
(Yen in millions, except per share data or where otherwise indicated)					U.S. dollars in thousands except per share data (Note 1)
Operating revenues	Note 2	¥25,894	¥24,307	¥19,363	\$ 217,560
Revenue from property leasing		25,894	22,872	19,363	217,560
Revenue from capital gain		—	1,435	—	—
Operating expenses		14,242	12,622	10,582	119,661
Rental expenses		13,095	11,472	9,694	110,024
Income before income taxes		9,767	9,852	7,206	82,062
Net income	(a)	9,766	9,851	7,205	82,053
Funds from operations	Note 3	14,754	12,951	10,869	123,962
Net operating income from property leasing activities	Note 3	17,787	15,936	13,333	149,445
Total amount of cash distribution	(b)	9,766	9,851	7,205	82,053
Depreciation and amortization		4,988	4,536	3,664	41,909
Capital expenditures		1,317	753	618	11,065
Total assets	(c)	634,117	633,693	564,902	5,327,819
Interest-bearing debt		236,500	237,500	257,500	1,987,061
Net assets	(d)	356,213	356,297	269,376	2,992,884
Total number of common shares issued (shares)	(e)	508,000	508,000	422,700	—
Net assets per share (Yen)	(d) / (e)	701,206	701,373	637,274	5,891
Distribution per share (Yen)	(b) / (e)	19,224	19,391	17,046	162
Funds from operations per share (Yen)	Note 3	29,043	27,395	26,505	244
ROA	Note 3	1.54%	1.64%	1.42%	
(Annual rate)		(3.08%)	(3.29%)	(2.84%)	
ROE	Note 3	2.74%	3.15%	2.96%	
(Annual rate)		(5.48%)	(6.30%)	(5.93%)	
LTV (Loan to Value)	Note 3	40.9%	41.0%	48.5%	
Capital ratio	(d) / (c)	56.2%	56.2%	47.7%	
Payout ratio	(b) / (a) Note 4	99.9%	100.0%	99.9%	
Number of days		184	181	184	
Number of investment properties	Note 5	55	55	52	
Number of tenants	Note 5	892	887	868	
Total rentable area (m ²)		670,513	670,249	578,243	
Occupancy rate	Note 5	97.8%	98.7%	98.1%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119.02=U.S. \$1.00, the approximate exchange rate on December 31, 2006.

2. Operating revenues do not include consumption tax.

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

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

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

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

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

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

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

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

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

Operating Environment and Results

During the six months ended December 31, 2006 (the “11th Period”), Japan’s economy continued its gradual but steady recovery. While consumer spending was little changed, improved corporate profits resulted in continued steady growth in capital investment and employment conditions improved.

In the office building leasing market, economic recovery has led companies to expand or to consolidate in larger floor space, which has caused vacancy rates to decrease nationwide. In the central business districts of Tokyo in particular, the scarcity of space available in large-scale buildings continues to drive rent for new tenants higher.

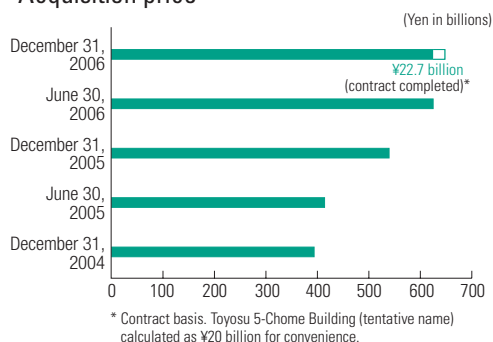
In the real estate acquisition market, solid demand for office space and low interest rates have led domestic and foreign funds, J-REITs and other institutions to invest aggressively, which has caused acquisition prices to rise. The environment for real estate acquisition therefore became increasingly challenging.

Under these conditions, NBF exercised careful deliberation that made the most of its innovative acquisition techniques and collective expertise, based on its strategy of investing in high-quality, highly competitive office buildings with comparatively stable rental cash flow and little risk of decline in asset value. In September 2006, NBF decided to acquire the Toyosu 5-Chome Building (tentative name; acquisition scheduled to close in March 2008 for a maximum price of ¥24,100 million). In December 2006, NBF decided to acquire a building with land in Kandasuda-cho 2-Chome, Chiyoda-ku, Tokyo (acquisition scheduled to close in June 2007 for ¥900 million) and the NBF Nagoya Hirokoji Building Expansion (acquisition scheduled to close in March 2008 for ¥1,826 million).

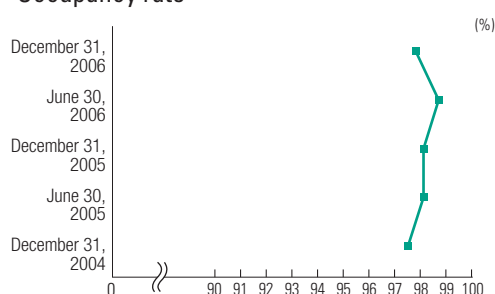
NBF also moved to maintain high occupancy rates by reflecting tenant needs in property management, regularly implementing tenant service initiatives and aggressively marketing properties to new tenants. In addition, NBF increased rents for new tenants and for existing tenants that renewed lease contracts. These and other efforts enhanced profitability.

As a result of these efforts, NBF’s real estate portfolio as of December 31, 2006 totaled 55 buildings. Total investment on an acquisition price basis was ¥624,839 million. Total rentable area was 670,513m². The occupancy rate decreased 0.9 percentage points from June 30, 2006 to 97.8 percent. Tenants totaled 892.

Acquisition price



Occupancy rate



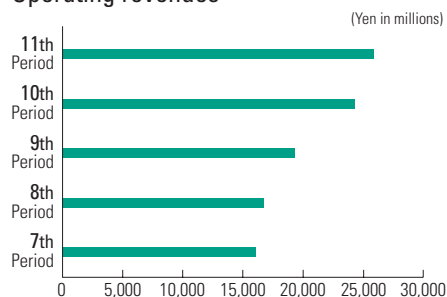
Overview of Performance

Operating revenues for the six months ended December 31, 2006 increased 6.5 percent, or ¥1,586 million, compared with the previous six-month period to ¥25,894 million. Operating income in the property leasing business increased 12.3 percent, or ¥1,399 million, compared with the previous six-month period to ¥12,799 million. Operating income decreased 0.3 percent, or ¥33 million, compared to the previous six-month period to ¥11,652 million.

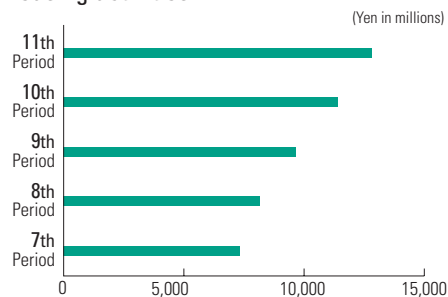
Operating income decreased despite the full-period contribution of seven buildings acquired in the previous six-month period, including the NBF Platinum Tower and the Nishi-Shinjuku Mitsui Building (additional acquisition), because of the absence of gain on sale of invest-

ment properties and gain on exchange of investment properties totaling ¥1,435 million recorded in the previous six-month period in connection with the transfer of the JFE Building in exchange for five buildings and the transfer of other buildings as part of NBF's portfolio realignment strategy. Absent these one-time gains, which significantly increased earnings in the real estate leasing business in the previous six-month period, operating income would have increased period-on-period.

Operating revenues



Operating income from property leasing activities



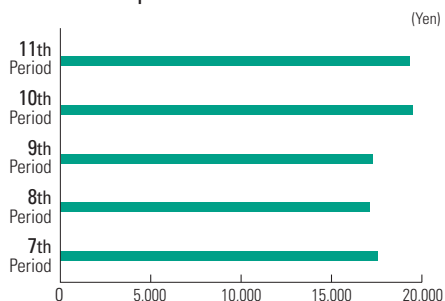
Distribution for the Current Period

Distribution per share for the current period was ¥19,224. NBF expected to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

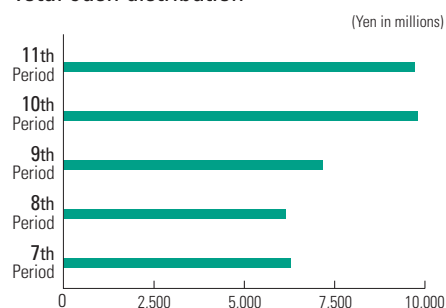
	For the six months ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended December 31, 2005
(Yen in thousands, except per share amounts)			
Retained earnings	¥9,766,001	¥9,850,811	¥7,205,589
Undistributed earnings	209	183	245
Total cash distribution	9,765,792	9,850,628	7,205,344
(Total cash distribution per share)	19,224	19,391	17,046
Distribution of accumulated earnings	9,765,792	9,850,628	7,205,344
(Distribution of accumulated earnings per share)	19,224	19,391	17,046
Cash distribution in excess of accumulated earnings (per share)	—	—	—

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

Distribution per share



Total cash distribution



Changes in Total Assets, Liabilities and Net Assets

■ Total Assets

As of December 31, 2006, total assets increased ¥424 million compared with June 30, 2006 to ¥634,117 million. Return on average total assets (ROA) for the six months ended December 31, 2006 decreased to 1.54 percent from 1.64 percent for the previous six-month period.

Current assets increased ¥3,057 million compared with June 30, 2006 to ¥34,777 million. Investment properties decreased ¥2,674 million compared with June 30, 2006 to ¥597,122 million.

■ Liabilities

Current liabilities increased ¥16,798 million compared with June 30, 2006 to ¥49,319 million, primarily because of an increase in long-term debt due within one year compared with December 31, 2006.

Long-term debt decreased ¥17,000 million compared with June 30, 2006 to ¥195,000 million. NBF increased long-term debt to raise the ratio of fixed-rate long-term debt.

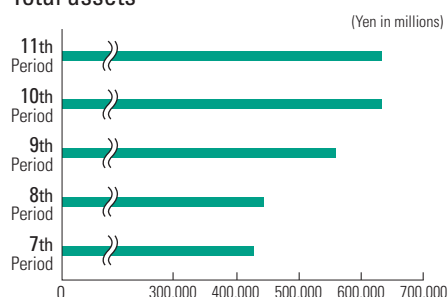
As a result, total interest-bearing liabilities decreased ¥1,000 million compared to June 30, 2006 to ¥236,500 million. The ratio of fixed-rate long-term debt to total interest-bearing liabilities decreased to 82.5 percent from 89.3 percent as of June 30, 2006. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, decreased to 40.9 percent from 41.0 percent as of June 30, 2006.

In addition, NBF worked to diversify funding sources. In January 2005, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of December 31, 2006, NBF had issued bonds totaling ¥20,000 million under this shelf registration.

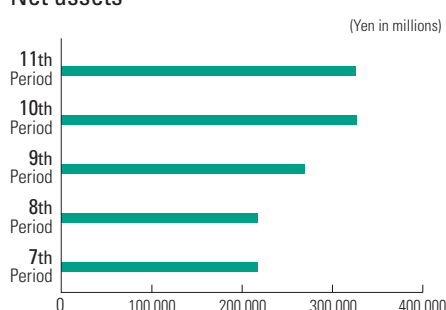
■ Net Assets

Net assets decreased ¥85 million compared with June 30, 2006 to ¥356,213 million.

Total assets



Net assets



Funding

■ Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2006, NBF had issued 508,000 common shares out of 2,000,000 total authorized shares. NBF's common shares were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001.

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

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

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

2. Follow-on private offering at ¥500,000 per share to raise funds for acquisition of 22 properties.

3. Public offering of new units for ¥625,000 per share (excluding underwriting fee: ¥603,125) to repay debt and to fund property acquisition.

4. Public offering of new units for ¥759,500 per share (excluding underwriting fee: ¥735,475) to repay debt, etc.

5. Additional issue of new units (third party allocation) for ¥735,475 per share undertaken pursuant to the public offering in Note 4.

6. Public offering of new units for ¥916,300 per share (excluding underwriting fee: ¥887,782) to repay debt and to fund property acquisition.

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

8. Additional issue of new units (third party allocation) for ¥988,000 per share undertaken pursuant to the public offering in Note 7.

■ Market Price of Shares

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

	For the six months ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended December 31, 2005
	(Yen)		
High	¥1,580,000	¥1,170,000	¥1,020,000
Low	1,080,000	995,000	891,000

■ Borrowings

Borrowings by financial institution as of December 31, 2006 are shown below.

Short-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
	(Yen in millions)					
The Bank of Fukuoka, Ltd.	¥ 2,000	0.7%	January 31, 2007	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3) Floating rate
The Hachijuni Bank, Ltd.	2,000	0.8%	March 30, 2007			
Mizuho Corporate Bank, Ltd.	1,000	0.7%	February 28, 2007			
The Gunma Bank, Ltd.	1,000	0.7%	January 31, 2007			
The Kagoshima Bank, Ltd.	1,000	0.7%	January 31, 2007			
The Yamaguchi Bank, Ltd.	1,000	0.7%	January 31, 2007			
The Chugoku Bank, Ltd.	1,000	0.8%	February 28, 2007			
Shinkin Central Bank	1,000	0.8%	February 28, 2007			
The Shizuoka Bank, Ltd.	1,000	0.8%	February 28, 2007			
The Yamanashi Chuo Bank, Ltd.	500	0.8%	March 30, 2007			

Total short-term debt ¥11,500

Long-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan	¥ 4,000	1.8%	November 28, 2014	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3)
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
Sumitomo Life Insurance Company	12,000	1.7%	May 23, 2008			
	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 19, 2011			
	3,000	1.2%	February 3, 2010			
Zenkyoren	1,000	1.7%	June 1, 2011			
(The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
The Chuo Mitsui Trust and Banking Co., Ltd.	9,000	1.3%	July 16, 2007			
	5,000	1.6%	March 30, 2011			
	1,000	1.2%	March 30, 2009			
Mitsui Life Insurance Company, Ltd.	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
The Norinchukin Bank	8,000	1.1%	November 20, 2008			
Nippon Life Insurance Company	3,000	0.9%	October 30, 2009			
	2,000	0.8%	April 1, 2010			
	2,000	1.1%	October 19, 2010			
The Sumitomo Trust and Banking Co., Ltd.	6,000	1.3%	July 16, 2007			
Daido Life Insurance Company	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
Sumitomo Mitsui Banking Corporation	1,000	1.2%	March 12, 2007			
	1,000	1.2%	March 12, 2007			
	1,000	1.5%	June 30, 2009			

(Continued)

Long-term debt (Continued)

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Dai-ichi Mutual Life Insurance Company	¥ 2,000	0.8%	February 13, 2008	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	0.7%	September 28, 2007			
Taiyo Life Insurance Company	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
The Joyo Bank, Ltd.	1,000	1.4%	May 23, 2008			Fixed rate
The Iyo Bank, Ltd.	1,000	0.7%	February 2, 2007			
Total long-term debt	¥165,000					
Total borrowings (Note 4)	¥176,500					

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

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	¥23,000	¥10,000	¥12,000	¥14,000

■ NBF Bonds

Issue	Issue date	Balance as of December 31, 2006 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 2 Unsecured Bonds	February 10, 2003	¥10,000	0.75%	February 9, 2007	Bullet payment	Note 1	Note 2
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Note 2
No. 4 Unsecured Bonds	September 22, 2004	¥10,000	1.04%	September 22, 2009	Bullet payment	Note 1	Note 2
No. 5 Unsecured Bonds	September 22, 2004	¥10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Note 2
No. 6 Unsecured Bonds	March 9, 2005	¥10,000	0.80%	March 9, 2010	Bullet payment	Note 1	
No. 7 Unsecured Bonds	November 9, 2005	¥10,000	1.85%	November 9, 2015	Bullet payment	Note 1	
Total (Note 3)		¥60,000					

- Notes: 1. Use of proceeds includes acquisition of Real Estate, etc., repayment of borrowings and working capital.
2. The bonds are limited to qualified institutional investors and rank pari passu with other debts issued.
3. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

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

■ Others

NBF has security deposits totaling ¥33,534 million as of December 31, 2006.

Capital Expenditures

■ Planning

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

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from July 1, 2006 to December 31, 2006)	Cumulative amount paid
				(Yen in millions)	
NBF Shibakouen Bldg.	Renovation of common space	From November 2006 to January 2007	¥ 102	¥ —	¥ —
NBF Sakai Higashi Bldg.	Renovation of air-conditioning of 8th floor	From March 2007 to March 2007	22	—	—
NBF Sendai Honcho Bldg.	Renovation of air-conditioning (Phase 3)	From April 2007 to June 2007	115	—	—
Yokohama ST Bldg.	Installation of new security equipment	From July 2007 to December 2007	142	—	—
NBF Sendai Honcho Bldg.	Renovation of air-conditioning (Phase 4)	From September 2007 to December 2007	81	—	—

■ Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,317 million in capital expenditures together with ¥593 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Toranomom Bldg.	Renovation of 8th floor, projects including renovation of 5th basement level rubbish handling facilities	From July 2006 to December 2006	¥ 246
NBF Sendai Honcho Bldg.	Renovation of air-conditioning (Phase 2), projects including replacement of new rooftop cooling unit inverters		115
Parale Mitsui Bldg.	Projects including installation of security equipment and emergency lighting		56
NBF Shijo Karasuma Bldg.	Parking facilities, projects including replacement of parking turntable drive components, and maintenance of internal HVAC mechanisms (floors 1-4)		18
Other buildings	Property maintenance, renovations intended to improve the level of tenant satisfaction		881
Total			¥1,317

■ Cash Reserve for Capital Improvements

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

	As of December 31, 2006	As of June 30, 2006
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,413	¥1,166
Amount accumulated in the current period	1,460	1,453
Withdrawal from reserves in the current period	1,924	1,206
Amount carried forward	¥ 949	¥1,413

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.

2. The above reserves do not include an accumulated reserve of ¥1,723 million as of December 31, 2006 for repair based on maintenance and other contracts with management organizations at buildings owned by NBF.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended December 31, 2005
	(Yen in millions)		
Asset management fees	¥ 949	¥ 877	¥707
Asset custody fees	30	26	21
Agent fees (stock transfer, accounting and administrative)	56	67	57
Directors' remuneration	19	11	11
Auditor's fees	12	12	12
Other expenses	80	157	80
Total	¥1,147	¥1,150	¥888

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

Trading Activities during the Current Period

■ Trading of Real Estate and Real Estate Held in Trust

None

■ Trading of Other Assets Including Total Amount and Transactions

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

■ Related Party Transactions

Ongoing Transactions

None.

Fees Paid for the Period from July 1, 2006 to December 31, 2006

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A (Note 2)
Office management fees, etc. (Note 3)	¥1,024	Mitsui Fudosan Co., Ltd.	¥990	96.7%
		NBF Office Management Co., Ltd.	28	2.7%
Property maintenance fees	2,361	Mitsui Fudosan Co., Ltd.	489	20.7%
		First Facilities Co., Ltd.	324	13.7%
		First Facilities West Co., Ltd.	125	5.3%
		Mitsui Fudosan Building Management Co., Ltd.	76	3.2%
		First Facilities Yokohama Co., Ltd.	11	0.5%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.1%
		NBF Office Management Co., Ltd.	0	0.0%
Leasing related service fees	149	Mitsui Fudosan Co., Ltd.	46	30.6%
		NBF Office Management Co., Ltd.	14	9.4%
		Mitsui Real Estate Sales Co., Ltd.	2	1.2%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.5%

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

2. Figures indicate percentages of total prices.

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

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

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

(Yen in millions)	
Mitsui Fudosan Building Management Co., Ltd.	¥161
First Facilities West Co., Ltd.	127
First Facilities Co., Ltd.	107
Mitsui Designtech Co., Ltd.	65
Mitsui Fudosan Co., Ltd.	62
First Facilities Yokohama Co., Ltd.	17
Mitsui Fudosan Housing Lease Co., Ltd.	4
Mitsui Home Linkage Co., Ltd.	1
Sumitomo Life Insurance Company	0

Financial Statements



Balance Sheets

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

	As of December 31, 2006	As of June 30, 2006
	(Yen in millions)	
Assets		
Current assets:		
Cash and cash equivalents	¥ 34,131	¥ 28,769
Tenant receivables	336	340
Consumption tax refund receivables and other current assets	310	2,611
Total current assets	34,777	31,720
Investment properties:		
Land including trust accounts (Note 3)	357,174	356,950
Building and improvements including trust accounts (Note 3)	235,037	233,163
Other tangible assets (Note 3)	5,897	5,688
Less: accumulated depreciation (Note 3)	(29,693)	(24,715)
Leasehold rights in trust accounts and other intangible assets	28,707	28,710
Total investment properties, net	597,122	599,796
Other assets	2,218	2,177
Total Assets	¥634,117	¥633,693
Liabilities		
Current liabilities:		
Short-term loans (Note 5)	¥ 11,500	¥ 11,500
Long-term debt due within one year (Note 5)	20,000	4,000
Bonds due within one year (Note 5)	10,000	10,000
Accounts payable	2,440	2,669
Rents received in advance	2,987	2,956
Accrued expenses and other liabilities	2,392	1,397
Total current liabilities	49,319	32,522
Long-term debt (Note 5)	195,000	212,000
Tenant security deposits	33,534	32,823
Other liabilities	51	51
Total Liabilities	277,904	277,396
Net Assets (Note 4)		
Shareholders' equity		
Common shares, non-par value	346,446	346,446
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 508,000 shares		
Retained earnings	9,767	9,851
Total Net Assets	356,213	356,297
Total Liabilities and Net Assets	¥634,117	¥633,693

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

Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2006, June 30, 2006 and December 31, 2005

	For the six months ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended December 31, 2005
	(Yen in millions)		
Revenues:			
Rental (Note 6)	¥23,121	¥20,799	¥17,429
Other revenues related to property leasing (Note 6)	2,773	2,073	1,934
Gain on sale of investment properties (Note 7)	—	685	—
Gain on exchange of investment properties (Note 7)	—	750	—
Total Revenues	25,894	24,307	19,363
Operating Expenses:			
Property management fees (Note 6)	3,403	2,832	2,373
Real estate taxes (Note 6)	1,765	1,923	1,593
Insurance (Note 6)	36	37	30
Repairs and maintenance (Note 6)	593	474	462
Other rental expenses (Note 6)	2,310	1,670	1,572
Depreciation and amortization (Note 6)	4,988	4,536	3,664
Asset management fees	949	877	707
Other expenses	198	273	181
Total Operating Expenses	14,242	12,622	10,582
Operating Income	11,652	11,685	8,781
Interest income	3	0	1
Interest expense	(1,822)	(1,642)	(1,366)
New investment shares issue costs	—	(141)	(103)
Amortization of bond issue costs	(36)	(36)	(57)
Other expenses, net	(30)	(14)	(50)
Income Before Income Taxes	9,767	9,852	7,206
Current and deferred income taxes (Note 8)	(1)	(1)	(1)
Net Income	¥ 9,766	¥ 9,851	¥ 7,205

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

Statements of Shareholders' Equity

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2006, June 30, 2006 and December 31, 2005

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of June 30, 2005	364,700	¥210,679	¥ 6,161	¥216,840
Cash dividends declared	—	—	(6,161)	(6,161)
Issuance of new shares through public offering as of August 10, 2005	58,000	51,491	—	51,491
Net income	—	—	7,205	7,205
Balance as of December 31, 2005	422,700	262,170	7,205	269,375
Cash dividends declared	—	—	(7,205)	(7,205)
Issuance of new shares through public offering as of March 16, 2006	80,000	79,040	—	79,040
Issuance of new shares through allocation to a third party as of March 29, 2006	5,300	5,236	—	5,236
Net income	—	—	9,851	9,851
Balance as of June 30, 2006	508,000	346,446	9,851	356,297
Cash dividends declared	—	—	(9,850)	(9,850)
Net income	—	—	9,766	9,766
Balance as of December 31, 2006	508,000	¥346,446	¥ 9,767	¥356,213

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

Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2006, June 30, 2006 and December 31, 2005

	For the six months ended December 31, 2006	For the six months ended June 30, 2006 (Yen in millions)	For the six months ended December 31, 2005
Cash Flows from Operating Activities:			
Income before income taxes	¥ 9,767	¥ 9,852	¥ 7,206
Depreciation and amortization	4,988	4,536	3,664
Amortization of bond issue costs	36	36	57
Interest expense	1,822	1,642	1,366
(Increase) Decrease in tenant receivables	4	(102)	42
Gain on exchange of investment properties	—	(774)	—
Increase (Decrease) in accounts payable	(209)	525	(83)
Increase (Decrease) in rents received in advance	31	(197)	373
Decrease in investment properties in trust accounts due to sale	—	1,677	—
Cash payments of interest expense	(1,815)	(1,553)	(1,191)
(Increase) Decrease in consumption tax refund receivable	2,219	(1,145)	(1,074)
Other, net	1,082	274	11
Net Cash Provided by Operating Activities	17,925	14,771	10,371
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(2,341)	(64,419)	(127,850)
Payments for purchases of intangible assets	—	(8,871)	(0)
Proceeds from tenant security deposits	1,900	10,212	5,368
Payments for tenant security deposits	(1,188)	(8,879)	(928)
Refunds from security deposits paid to lessors	—	4	1
Payments for security deposits paid to lessors	(9)	(3)	(5)
Payments for purchases of other assets	(81)	(695)	(66)
Net Cash Used in Investing Activities	(1,719)	(72,651)	(123,480)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	24,000	168,000	184,200
Repayment of short-term loans	(24,000)	(206,000)	(168,400)
Proceeds from (Repayment of) long-term debt, net	(1,000)	18,000	42,000
Payments for bond issue costs	—	—	(63)
Proceeds from issuance of common shares	—	84,135	51,388
Payment of dividends	(9,844)	(7,199)	(6,160)
Net Cash (Used in) Provided by Financing Activities	(10,844)	56,936	102,965
Net Change in Cash and Cash Equivalents	5,362	(944)	(10,144)
Cash and cash equivalents at the beginning of period	28,769	29,713	39,857
Cash and Cash Equivalents at the End of Period	¥ 34,131	¥ 28,769	¥ 29,713

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

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

Note 1—Organization and Basis of Presentation

■ Organization

Nippon Building Fund Inc. (hereinafter "NBF") was formed on March 16, 2001 as an investment corporation under the Investment Trust Law of Japan with Mitsui Fudosan Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and Nippon Building Fund Management Ltd. (hereinafter "NBFM") acting as sponsors. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001.

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

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

As of December 31, 2006, NBF had ownership or beneficiary interests in 55 office properties containing approximately 670,513 rentable square meters of office space. As of December 31, 2006, NBF had leased office space to 892 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.8%.

■ Basis of Presentation

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

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

Note 2—Summary of Significant Accounting Policies

■ Cash and Cash Equivalents

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

■ Investment Properties

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

Buildings and improvements	2-50 years	Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property, are expensed as incurred.
Structures	2-52 years	
Machinery and equipment	2-17 years	
Tools, furniture and fixtures	2-19 years	

■ Bond Issue Costs

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

■ New Investment Shares Issue Cost

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

The public offerings of new investment shares on March 16, 2006 and August 10, 2005 were conducted through underwriting agreements under which a securities company underwrote all of the newly issued shares at an agreed issue price and sold them at an offering price different from such issue price to investors ("spread method"). Under the spread method, the substantial difference between the offering price and the issue price serves as the underwriting fee for the underwriting securities company. NBF therefore did not pay underwriting fees to the underwriting securities company. In the case of the public offerings of new investment shares on March 16, 2006 and August 10, 2005, the total amount of the difference between the offering price and the issue price was ¥2,496 million and ¥1,654 million, respectively, which would have been accounted for as issue costs of new NBF investment shares if they had been conducted through underwriting agreements under which the securities company had underwritten shares at an issue price and sold them at an offering price that was the same as the issue price ("conventional method"). Therefore, under the spread method, the issue costs of new investment shares were ¥2,496 million and ¥1,654 million lower, respectively, and operating income and income before income taxes were ¥2,496 million and ¥1,654 million higher, respectively, than had the conventional method been applied.

■ Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred taxes.

■ Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis. NBF is allocated the portion of the real estate taxes related to the period following the purchase date of each property through the end of the year and the equivalent amounts of those allocated portions are capitalized as part of the acquisition costs of the relative properties. NBF incurred no capitalized real estate taxes for the period ended December 31, 2006. Capitalized real estate taxes amounted to ¥105 million for the period ended June 30, 2006 and ¥197 million for the period ended December 31, 2005, respectively.

■ Revenue Recognition

NBF operates office properties that are rented to tenants on lease terms of generally two years, with monthly payments due in advance. Rental and other property income is recorded when due from tenants and is recognized monthly as it is earned. Common area charges provided for in tenant leases are recognized as income when earned and their amounts can be reasonably estimated.

■ Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

For trust beneficiary interests in real estate, all accounts of assets and liabilities within assets in trust as well as all income generated and expenses incurred from assets in trust are recorded in the relevant balance sheet and income statement accounts.

■ Accounting Standards for Presentation of Net Assets in the Balance Sheet

Effective for the year ended June 30, 2006, NBF adopted accounting standards "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Statement No. 5 issued by the Accounting Standards Board of Japan on December 9, 2005), and "The implementation guidance for the accounting standard for presentation of net assets in the balance sheet" (the Financial Accounting Standard Implementation Guidance No. 8 issued by the Accounting Standards Board of Japan on December 9, 2005).

Shareholders' equity calculated using the former standard would have been ¥356,297 million for the period ended June 30, 2006.

■ Accounting Standards for Impairment of Fixed Assets

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

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

■ Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended December 31, 2006.

Note 3—Schedule of Tangible Assets of Investment Properties

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

	As of December 31, 2006			As of June 30, 2006		
	(Yen in millions)					
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥114,256	¥ —	¥114,256	¥114,032	¥ —	¥114,032
Land in trust	242,918	—	242,918	242,918	—	242,918
Land including trust total	357,174	—	357,174	356,950	—	356,950
Buildings and improvements	103,361	(7,513)	95,848	102,448	(5,461)	96,987
Buildings and improvements in trust	131,676	(20,797)	110,879	130,715	(18,139)	112,576
Building and improvements including those in trust	235,037	(28,310)	206,727	233,163	(23,600)	209,563
Structures	1,502	(266)	1,235	1,494	(196)	1,298
Machinery and equipment	765	(154)	611	765	(116)	649
Tools, furniture and fixtures	313	(76)	237	299	(46)	253
Structures in trust	1,327	(274)	1,054	1,313	(233)	1,080
Machinery and equipment in trust	1,250	(386)	864	1,225	(337)	888
Tools, furniture and fixtures in trust	631	(227)	404	590	(187)	403
Construction in process in trust	109	—	109	2	—	2
Other tangible assets total	5,897	(1,383)	4,514	5,688	(1,115)	4,573
Total	¥598,108	¥(29,693)	¥568,415	¥595,801	¥(24,715)	¥571,086

Note 4—Net Assets

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

Note 5—Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on December 31, 2006 and June 30, 2006 ranged from 0.67% to 0.81% and from 0.41% to 0.61%, respectively. Long-term debt is at fixed rates and as of December 31, 2006 and June 30, 2006 consisted of the following:

	(Yen in millions)	
	As of December 31, 2006	As of June 30, 2006
Unsecured loans due 2007 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.4%	¥165,000	¥166,000
0.75% unsecured bonds due 2007	10,000	10,000
1.04% unsecured bonds due 2009	10,000	10,000
0.80% unsecured bonds due 2010	10,000	10,000
1.60% unsecured bonds due 2011	10,000	10,000
1.85% unsecured bonds due 2015	10,000	10,000
2.00% unsecured bonds due 2018	10,000	10,000
	225,000	226,000
Less: amount due within one year	30,000	14,000
	¥195,000	¥212,000

The annual maturities of long-term debt as of December 31, 2006 were as follows:

	(Yen in millions)
2007	¥ 20,000
2008	23,000
2009	10,000
2010	12,000
2011	14,000
Thereafter	86,000

During the period ended December 31, 2006, NBF obtained committed credit lines of ¥30 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion on December 31, 2006.

Note 6—Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2006, June 30, 2006 and December 31, 2005 were as follows:

	For the six months ended December 31, 2006	For the six months ended June 30, 2006 (Yen in millions)	For the six months ended December 31, 2005
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥20,180	¥18,198	¥15,356
Common area charges	2,817	2,467	1,966
Others	124	134	107
Subtotal	23,121	20,799	17,429
Other revenues related to property leasing:			
Parking lots	584	531	459
Facility charge	148	76	70
Incidental income	1,807	1,325	1,331
Cancellation fees	186	81	49
Miscellaneous income	48	60	25
Subtotal	2,773	2,073	1,934
Total revenues from property leasing	25,894	22,872	19,363
Rental Expenses:			
Property management fees	3,403	2,832	2,373
Real estate taxes	1,765	1,923	1,593
Repairs and maintenance	593	474	462
Insurance	36	37	30
Other rental expenses	2,310	1,670	1,572
Depreciation and amortization	4,988	4,536	3,664
Total rental expenses	13,095	11,472	9,694
Operating Income from Property Leasing Activities	¥12,799	¥11,400	¥ 9,669

Note 7—Breakdown of Gain on Sale of Investment Properties

During the period ended June 30, 2006, NBF sold two properties set forth below:

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

Note 8—Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was 0.01% for the period ended December 31, 2006, June 30, 2006 and December 31, 2005. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

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

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

Note 9—Per Share Information

Information about earnings per share for the periods ended December 31, 2006, June 30, 2006 and December 31, 2005 and net assets per share as of December 31, 2006 and June 30, 2006 was as follows.

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

	For the six months ended December 31, 2006	For the six months ended June 30, 2006	For the six months ended December 31, 2005
		(Yen)	
Earnings per Share of Common Shares:			
Net income	¥ 19,224	¥ 20,836	¥ 17,570
Weighted average number of common shares outstanding	508,000	472,745	410,091
	As of December 31, 2006	As of June 30, 2006	
Net Assets per Share	¥701,206	¥701,373	

Note 10—Leases

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

	As of December 31, 2006	As of June 30, 2006
	(Yen in millions)	
Due within one year	¥ 6,986	¥ 7,009
Due after one year	11,233	13,256
Total	¥18,219	¥20,265

Note 11—Transactions with Related Parties

(July 1, 2006 - December 31, 2006)

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

(2) Directors and Major Individual Shareholders

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

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

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

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

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

(4) Sister Companies: None applicable

(January 1, 2006 - June 30, 2006)

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

(2) Directors and Major Individual Shareholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,369 (Notes 2 and 4)	Accounts payable	¥327 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 3)	¥2 (Note 4)	Accounts payable	¥1 (Note 4)

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

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

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

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

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

(4) Sister Companies: None applicable

Note 12—Subsequent Events

On March 7, 2007, NBF publicly offered an issue of unsecured corporate bonds pursuant to a comprehensive resolution concerning the issue of unsecured corporate bonds by its Board of Directors on January 29, 2007.

No. 8 Unsecured Corporate Bonds

1. Name: Number 8 Unsecured Corporate Bonds (limited to qualified institutional investors and ranked pari passu with other debts issued)
2. Total Issue Amount: ¥10.0 billion
3. Issue Price: ¥100 with a par value of ¥100
4. Redemption Value: ¥100 with a par value of ¥100
5. Interest: 1.48%
6. Collateral and Guarantee: Unsecured and unguaranteed
7. Redemption: The redemption date for the total amount of principal is March 7, 2012. The unsecured bonds may be redeemed at the option of NBF at any time from the day immediately following the payment date unless otherwise determined by the book-entry transfer agent.
8. Interest Payment Dates: March 7 and September 7 each year.
9. Use of Proceeds: Working capital

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2006 and June 30, 2006, and the related statements of income, shareholders' equity and cash flows for each of the six months ended December 31, 2006, June 30, 2006 and December 31, 2005 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of December 31, 2006 and June 30, 2006, and the results of its operations and its cash flows for each of the six months ended December 31, 2006, June 30, 2006 and December 31, 2005 in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 12 to the financial statements, which states that Nippon Building Fund Inc. issued new unsecured bonds.

KPMG AZSA & Co.

Tokyo, Japan
March 28, 2007

Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31, 2006, NBFM has been entrusted as an asset management company only by NBF.

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

■ Operation

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

■ Fees for the Asset Management Operation

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

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

■ History of NBFM

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

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

■ List of Shareholders (as of December 31, 2006)

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

■ Directors and Staff

As of December 31, 2006, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 16 persons.

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

■ Outline of Financial Condition

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

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

Current as of March 31, 2006	(Yen in thousands)
Total Assets	¥1,799,163
Total Liabilities	377,888
Net Assets	¥1,421,275

Profit and loss for the most recent fiscal year:

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

Investment and Distribution Policies

Investment Policies of NBF

A. Basic Policies

NBF's primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a mid-term to long-term basis. NBF achieves this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in the Tokyo Central Business Districts (hereinafter "CBDs"), Other Greater Tokyo and Other Cities in Japan as well as securities, beneficiary certificates representing beneficial interests in trusts (hereinafter "beneficiary certificates") and other assets backed by office properties (collectively hereinafter "Real Estate, etc.") ("Investment Objectives and Policies," Articles of Incorporation). (Reference to: laws, legal documents, etc. used as the basis or sources hereof are set forth in parenthesis herein.)

B. Investment Strategy

Nippon Building Fund Management Ltd. ("NBFM"), based on the investment strategy of NBF set forth below, invests and manages the assets of NBF. NBFM has established asset management guidelines based on the Articles of Incorporation of NBF and in accordance with the investment strategy of NBF.

(1) Strategy for Creation of the Portfolio

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

■ Area Diversification

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

The following table sets forth above said area diversification strategy.

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

Total of above two areas: 70% or more

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

Total of above area: 30% or less

Notes: 1. "Neighboring cities" refers to the metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi.

2. Due to unforeseeable events such as, extreme fluctuations in macro-economic trends, financial trends, real estate market trends and so forth, it may not always be possible to operate in accordance with each of the above criteria ("Investment Objectives and Policies," Articles of Incorporation).

(2) Acquisition Strategy

■ Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to the "Designated Real Estate Ratio." As of December 31, 2006, NBF satisfied the criteria.

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

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

■ Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment

yields resulting from their acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of measures responding to risks of deterioration and obsolescence, insurability and so forth. The details of the relevant criteria are set forth in the following table ("Investment Objectives and Policies," Articles of Incorporation).

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

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m² (approximately 500 <i>tsubo</i>) or more. Standard net rentable area per floor is 330m² (approximately 100 <i>tsubo</i>) or more.
Construction type and specifications of facilities	<ul style="list-style-type: none"> Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.
Earthquake resistance	<ul style="list-style-type: none"> Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.

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

■ Uncompleted or Unleasable Properties

In principle, NBF acquires Real Estate, etc. which are leased/leasable assets at the time of closing. NBF may acquire a property which is not yet leasable at the time of closing based on consideration of the impact on NBF's asset management activities after taking into account the investment amount, the date of completion or of becoming leasable, estimated revenue and so forth; provided, however, that the contract amount of any such unleasable asset combined with the total contract amount of previously acquired unleasable assets (but excluding unleasable assets which thereafter become operational) will not exceed 10% of the total assets indicated on the most recent balance sheet of NBF. For this purpose, "leased/leasable assets" shall mean property with respect to which the construction of the building has been completed and such building is leased or leasable. Properties which are owned by NBF and have become operational at some point shall be deemed "leasable" thereafter (including such cases as reconstruction or large-scale renovation of a building).

(3) Management and Disposition Policies

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

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

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

■ Reserves for Long-Term Renovations

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

vation plans for each building. As of December 31, 2006, foreseen reserves provided from January to December 2007 are as follows:

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

Total Foreseen Amount: (annual basis) ¥2,983 million

Notes: 1. In addition to the above-mentioned amount, certain amounts are set aside as cash reserves for renovation pursuant to the administrative rules of the buildings in which NBF owns condominium interests, etc.

2. The amount of reserves set forth above is the total amount of reserves with respect to the 55 properties owned by NBF as of the end of December 2006.

■ Measures to Avoid Reductions and Fluctuations in Operating Income

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

■ Appraisal Value, etc.

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

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

■ Disposition

In disposing of individual operating properties, selections will be made through comprehensive research and analysis based on the forecasted income, actual and predicted fluctuations in asset value, future prospects and stability of the area of location, risks of deterioration and

obsolescence of real estate and predicted costs thereof as well as the composition of the portfolio, etc. Sell/hold studies will be periodically undertaken with respect to all operating properties (“Investment Objectives and Policies,” Articles of Incorporation).

(4) Financial Policies

■ Issuance of Shares

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

■ Debt Financing

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

Borrowings are limited to those from Qualified Institutional Investors as specified in Article 2.3.1 of the Securities and Exchange Law of Japan, in case capital is borrowed. Further, the total limit on all such borrowings and issues of NBF bonds will be ¥1,000,000 million. When undertaking borrowings or when issuing NBF bonds, NBF may provide operating assets as collateral (Articles of Incorporation).

■ Loan-to-Value Ratio

The ratio of the total amount of borrowings, issues of NBF bonds and lease deposits under management to the total amount of assets of NBF (Loan-to-Value ratio) is envisioned to be limited to 60%, but may temporarily exceed 60% when acquiring certain assets, etc. (Long and mid-term operating asset management policy and annual management plan established by the Asset Management Company).

■ Derivatives

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

Distribution Policies of NBF

A. Distributions of Profits

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

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

■ Earnings Available for Distributions

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

The distributable amount which results from operation of managed assets of NBF (hereinafter, "Distributable Amount") shall be the amount of profit (the amount of net assets on the balance sheet less the amount of total expenses, capital surplus reserves and estimated or equivalent variances) calculated on each closing date in accordance with the Investment Trust Law of Japan and corporate accounting principles generally deemed to be fair and appropriate.

■ Cash Distribution of Profits

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

B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its shareholders in excess of retained earnings under the Investment Trust Law of Japan, although the Investment Trusts Association of Japan has established rules such that a corporate-style J-REIT may pay out the

excess of retained earnings for the period up to a maximum of 60% of depreciation for the period. NBF is entitled to make cash distributions of the amounts described below in excess of the Distributable Earnings in the following cases; provided, however, that the maximum amount of such distributions will be the amount set forth in the rules of the Investment Trusts Association of Japan (Article 14.2 of the Articles of Incorporation).

- Amount determined by NBF as being eligible for the requirements of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Earnings being less than the Taxable Income Available for Dividends
- Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macro economic environments, real estate markets and leasing markets

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

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions, etc.

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

Investment Objectives

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

A. Principal Investment Objectives among Designated Assets

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

- (1) Real estate, real estate leasehold interests and superficieses.
- (2) Beneficiary Certificates backed by real estate, land leasehold rights and superficieses, including inclusive trusts consisting of funds appurtenant to real estate.
- (3) *Tokumei-kumiai* ownership interests (provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (4) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.5.3 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (5) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.7.4 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (6) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.7 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (7) Investment Securities (meaning those specified in Article 2.1.7.2 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (8) Beneficiary Certificates of Money Trust (limited to those the trust assets of which are primarily invested and Managed Assets referred to in paragraph (1) or (3) above; provided, however, that those that are deemed securities are excluded).

B. Other Investment Objectives among Designated Assets

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

- (1) Bank deposits
- (2) Call loans
- (3) Japanese Government Bonds, Notes and Bills
- (4) Regional Treasury Bonds, Notes and Bills
- (5) Commercial Paper
- (6) Designated Bonds of Special Purpose Companies (meaning those specified in Article 2.1.3.2 of the Securities and Exchange Law of Japan; provided, however, that this is limited to asset-backed securities principally referred to in paragraphs (1) and (2) of section (A) above).
- (7) Monetary Claims (limited to those claims that are deemed Designated Assets under the Investment Trust Law of Japan other than those referred to above).
- (8) Securities (other than those listed above or in section (A)).
- (9) Rights to financial futures transactions (limited to those deemed Designated Assets under the Investment Trust Law of Japan).
- (10) Rights to financial derivative transactions (limited to those deemed Designated Assets under the Investment Trust Law of Japan).
- (11) Moreover, in order to avoid risks of fluctuation in the prices of the Managed Assets as well as risks of fluctuations in interest rates, futures transactions, option transactions, swap transactions and forward rate transactions with respect to Japanese interest rates may be undertaken. In addition, NBF may acquire shares of stock in real estate management companies, etc. to the extent that such acquisition is incidental to NBF's investment in the principal Designated Assets.
- (12) Beneficiary Certificates of trusts for securities of monetary claims

C. Assets Other than Designated Assets

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

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

D. Investment in Ordinary Securities

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

Investment Restrictions

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

■ Investment Location and Currencies

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

■ Borrowing

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

■ Concentration of Investment

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

■ Investment in Other Funds

See “Investment Objectives, A. Principal Investment Objectives among Designated Assets.”

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

■ Subscription and Margin Trading of Securities

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

■ Compliance with Laws and Regulations

The Managed Assets of NBF will be managed in compliance with Investment Trust Law of Japan and related regulations, the rules stipulated by the Investment Trusts Association (as amended), as well as “Investment Objectives and Policies” of the Articles of Incorporation.

B. Compliance with the Investment Trust Law of Japan

While a registered investment corporation must entrust business related to asset management to an asset management company, an asset management company is prohibited from performing certain acts related to the business of managing the assets of said investment corporation. As a result, an investment corporation is subject to certain investment restrictions (all references in parentheses below are to the provisions of the Investment Trust Law of Japan) besides restrictions applied to a registered investment corporation. NBF will naturally comply with such investment restrictions, a general overview of which follows.

■ Reciprocal Transactions with Investment Corporations (§ 34.3.1.5)

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

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

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

■ Transactions for the Benefit of Third Parties (§ 34.3.1.6)

An asset management company may not undertake transactions in certain securities based on fluctuations in the price, index, value, or amount of consideration related to transactions in the assets of an investment corporation, without a legally valid reason, with the objective of benefiting a third party other than NBF or said investment.

■ Transactions Harmful to the Interests of NBF (§ 34.3.1.7)

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

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

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

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

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

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

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

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

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

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

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

■ Restrictions of Transactions with Interested Parties

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

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

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

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

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

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

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

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

(3) Restriction on an investment corporation

■ Restrictions on Asset Management (§ 195)

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

Corporate Data

As of December 31, 2006

Corporate Office:	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan +81-3-3281-8810 http://www.nbf-m.com/nbf_e/
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding. ¥346,447 million 508,000 shares
Shareholders:	17,512
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Public Accountants:	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our Asset Management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 29, 2007 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2006 to December 31, 2006, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

portion(s) of any document(s) 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, 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.

Investors' Information

As of December 31, 2006

Fiscal Period

Six months ending June 30 and December 31

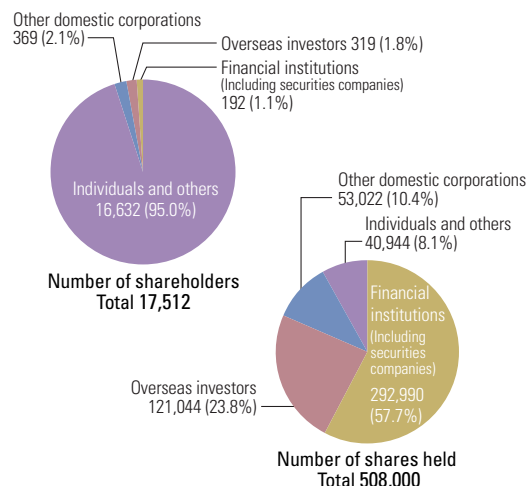
Total Number of Common Shares Issued

11th Period (From July 1, 2006 to December 31, 2006)	508,000 shares
10th Period (From January 1, 2006 to June 30, 2006)	508,000 shares

Distributions

Confirmed distribution for the 11th Period (ended December 2006)	
For the operating period from July 1, 2006 to December 31, 2006 (6 months)	¥19,224 per share
Expected distribution for the 12th Period (ending June 2007)	
For the operating period from January 1, 2007 to June 30, 2007 (6 months)	¥18,700 per share

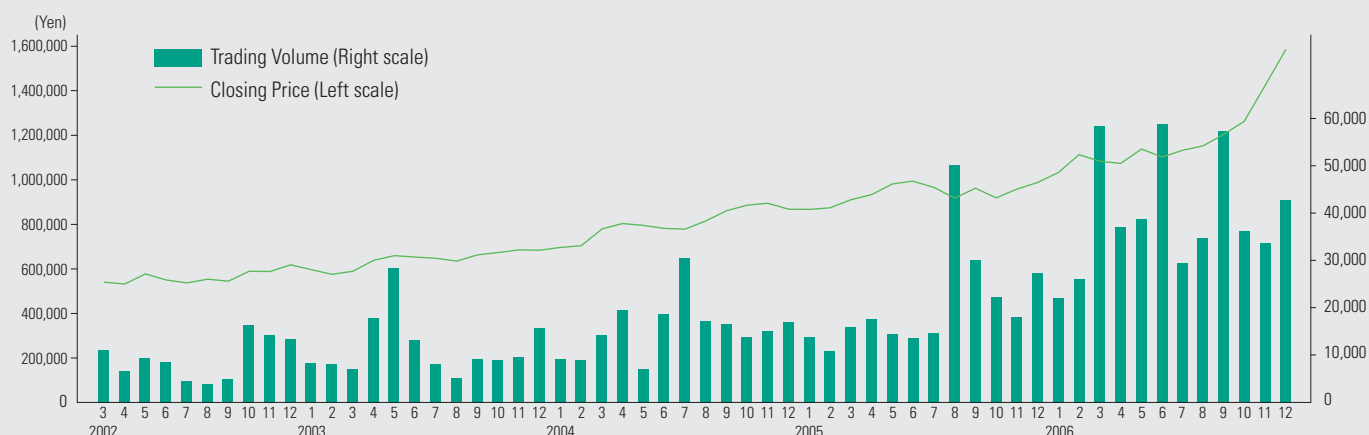
Shareholders



Major Shareholders

Name	Number of Shares Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	42,793	8.42%
NikkoCiti Trust and Banking Corporation (Trust Account)	37,586	7.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,840	5.68
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	21,787	4.29
Mitsui Fudosan Co., Ltd.	19,735	3.88
The Bank of New York, Treaty JASDEC Account	12,382	2.44
The Nomura Trust and Banking Co., Ltd. (Trust Account)	11,905	2.34
Resona Bank, Ltd.	11,484	2.26
Sumitomo Life Insurance Company	11,256	2.22
The Chugoku Bank, Ltd.	10,001	1.97

Stock Price Range and Trading Volume





Nippon Building Fund Inc.

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

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