



Nippon Building Fund Inc.
http://www.nbf-m.com/nbf_e/

More Growth, More Value



More Growth, More Value

NBF has consistently been the leader in its field since J-REITs came into being. We will use the solid management base we have built up as we work to achieve further growth and maximize value for our unitholders.



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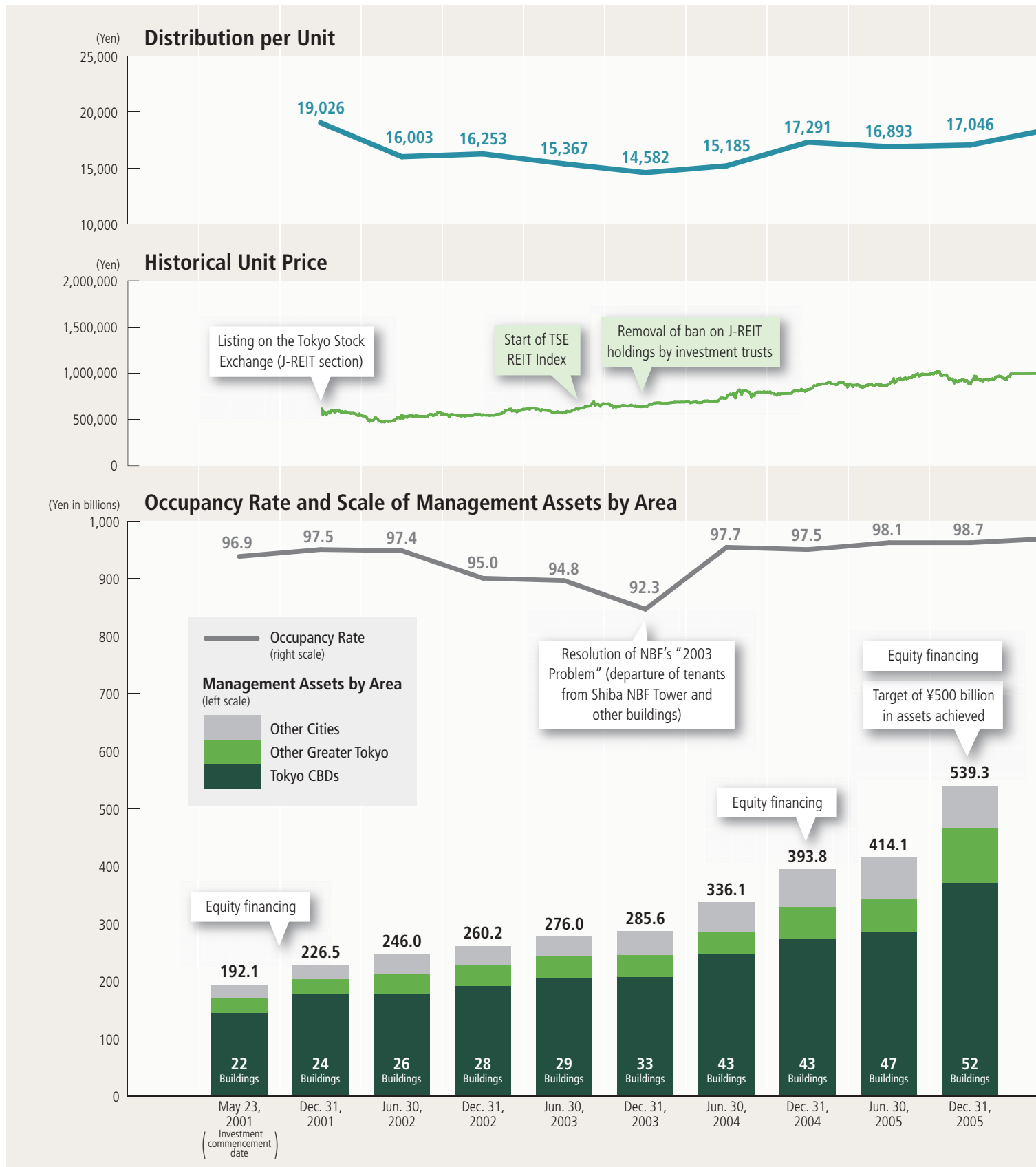
On September 10, 2001, Nippon Building Fund Inc. (NBF) became the first Japanese real estate investment trust (J-REIT) investment corporation with a listing on the J-REIT section of the Tokyo Stock Exchange. Today, a decade after its listing, NBF has the largest market capitalization and assets under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

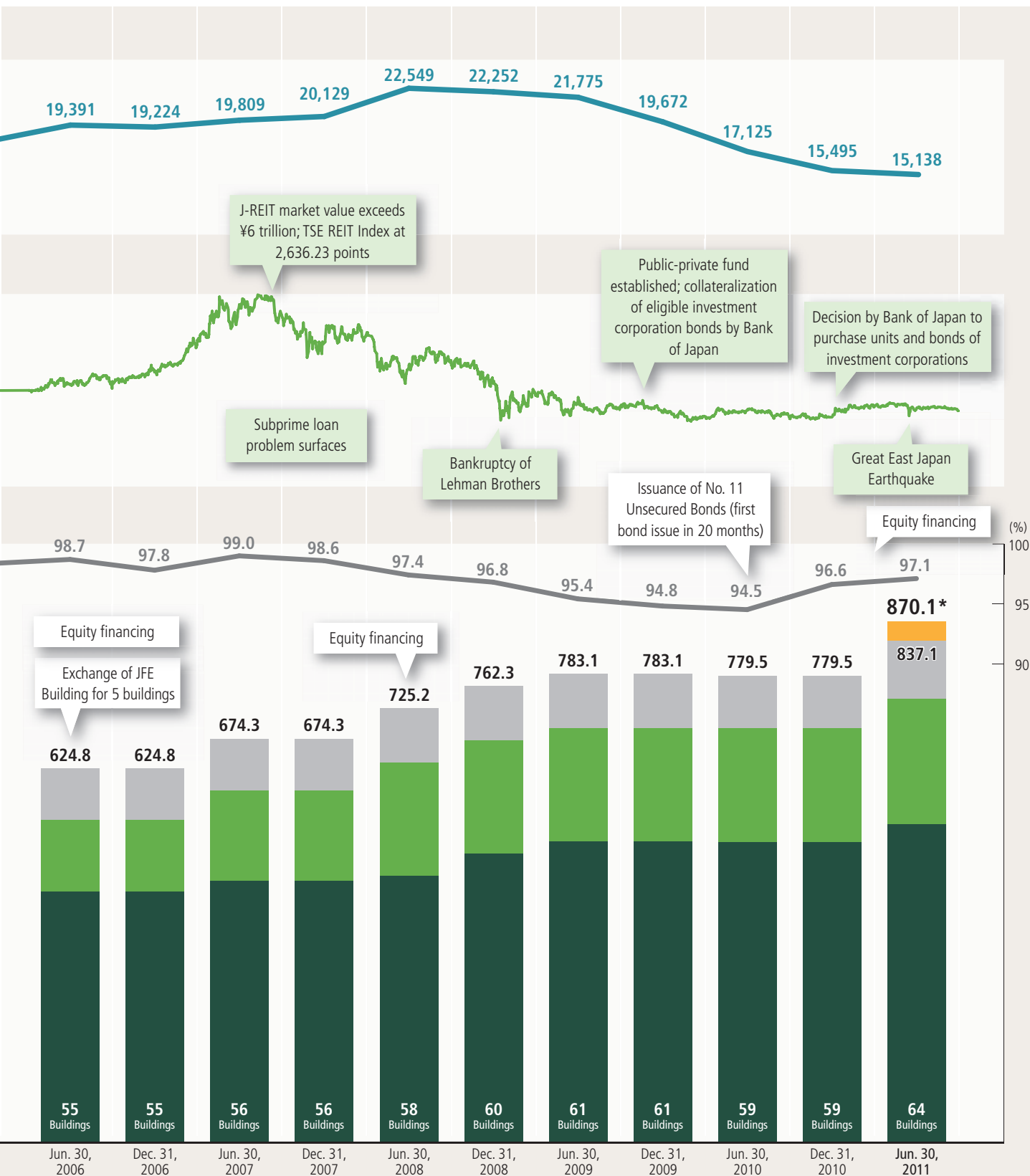
NBF employs funds raised through unitholder subscriptions and borrowing to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term basis. NBF primarily invests in office buildings in the central business districts of Tokyo, other Greater Tokyo and other cities in Japan.

Going forward, NBF will continue its steady management for the high quality and growth befitting the number-one J-REIT.

A Decade-Long Track Record of Steady Growth

Since its listing in September 2001, NBF has steadily built up a track record through its sound and unerring business operations.





*After planned acquisitions and transfers in the 21st Period and 22nd Period.

(As of June 30, 2011)

Building on Our Strengths

NBF's steady growth has given it a solid position in the J-REIT market. We will continue to use our strengths and competitive advantages to the fullest to maximize value for our unitholders.

Japan's First and Largest J-REIT

- ◆ Scale of Managed Assets (Total Acquisition Price)

¥837.1 billion*

Since its listing as the first J-REIT in September 2001, NBF has steadily built up a track record with the largest scale of managed assets of any J-REIT.

High-Quality Properties

- ◆ Occupancy Rate

97.1%*

NBF has a portfolio of 64* office buildings, mainly located in the central business districts of Tokyo. With diversification of investment in greater Tokyo and regional cities, NBF maintains a high occupancy rate.

Sound Finances

- ◆ S&P **A+** (Long-term Corporate)
- ◆ Moody's **A1** (Issuer Rating)
- ◆ R&I **AA** (Issuer Rating)

By maintaining conservative financial management, NBF's LTV is 46.5 percent* and the percentage of long-term fixed-rate debt included in its interest-bearing debt is 79.0 percent. These have led to high ratings from rating agencies.*

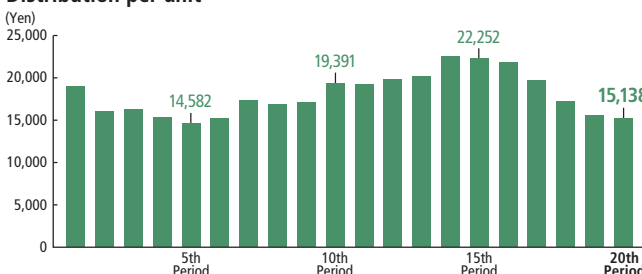
Stable Returns

- ◆ Distribution per Unit for the 20th Period

¥15,138

In the 20 periods over the 10 years since its listing, NBF has made steady distribution of profits under a basic policy of stable profit distribution over the medium-to-long term.

Distribution per unit



Strategic Partnership with Mitsui Fudosan



NBF achieves steady growth using the office building management and property information collection capabilities of Mitsui Fudosan Co., Ltd., Japan's leading real estate company, and by acquiring the properties it has developed.

* As of June 30, 2011

Financial Highlights

		20th Period from January 1, 2011 to June 30, 2011	19th Period from July 1, 2010 to December 31, 2010	18th Period from January 1, 2010 to June 30, 2010	17th Period from July 1, 2009 to December 31, 2009	20th Period from January 1, 2011 to June 30, 2011
		Yen in millions, except per unit data or where otherwise indicated				U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 28,081	¥ 27,314	¥ 28,341	¥ 29,928	\$ 348,222
Income before income taxes		8,758	8,400	9,283	10,663	108,607
Net income		8,757	8,399	9,282	10,662	108,596
Funds from operations	Note 3	14,291	13,570	14,354	15,944	177,220
Net operating income from property leasing activities	Note 3	18,664	17,661	18,445	20,124	231,447
Total amount of cash distribution (a)		8,757	8,398	9,282	10,662	108,598
Total assets		823,705	765,203	774,379	782,311	10,214,597
Interest-bearing debt		350,750	325,125	333,500	337,875	4,349,578
Net assets	(b)	423,872	394,575	395,458	396,838	5,256,354
LTV (Loan to value)	Note 3	46.5%	46.3%	46.8%	46.9%	
Total number of units issued (units)	(c) Note 4	578,500	542,000	542,000	542,000	
Net assets per unit (Yen/\$)	(b) / (c)	732,709	727,996	729,626	732,173	9,086
Distribution per unit (Yen/\$)	(a) / (c)	15,138	15,495	17,125	19,672	188
Funds from operations per unit (Yen/\$)	Note 3	24,937	25,036	26,483	29,417	309

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥80.64 = U.S.\$1.00, the approximate exchange rate on June 30, 2011.

2. Operating revenues do not include consumption taxes.

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

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

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

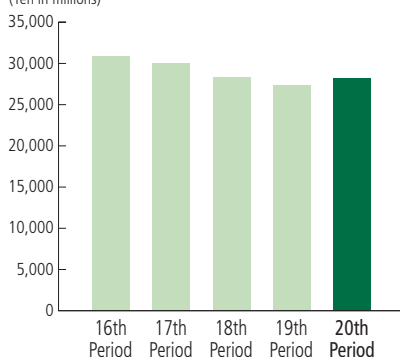
Funds from operations per unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) /

Weighted average number of units issued and outstanding during the period

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

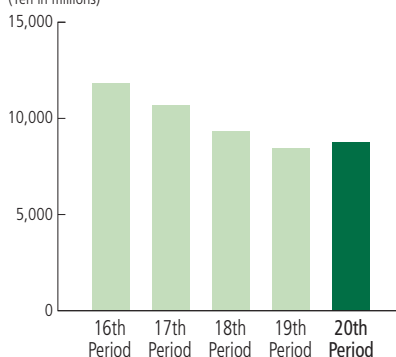
Operating revenues

(Yen in millions)



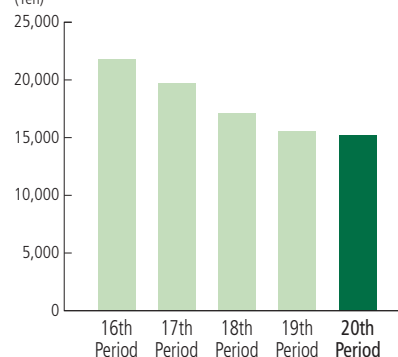
Net income

(Yen in millions)



Distribution per unit

(Yen)



To Our Unitholders



Based on its sound financial strategy, NBF is committed to generating well-balanced external and internal growth for stable distributions over the medium to long term.

Koichi Nishiyama

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

Performance during the Six Months Ended June 30, 2011

Improved occupancy rates and operation of newly acquired properties contributed to revenue and income growth.

During the six months ended June 30, 2011 (the “20th Period”), there was an emerging sense that the office building leasing market was bottoming out, and vacancy rates of Class S and Class A properties in the five key wards of Tokyo continued the improvement trend that began in the second half of last year.

In the wake of the Great East Japan Earthquake of March 2011, occupancy rates increased in large-scale high-quality properties in the central business districts (CBDs) of Tokyo, particularly recently built properties with superior anti-seismic features. With this clear improvement,

NBF’s occupancy rate as of June 30, 2011 rose 0.5 points from the end of the previous period to 97.1 percent.

In the office building acquisition market, although the effects of the earthquake brought the market to a temporary standstill, some transactions took place, mainly in Tokyo CBDs, as the improvement in the capital procurement environment and adjustments to real estate prices continued. Given these conditions, NBF acquired six properties, including additional acquisitions, for a total cost of ¥57.55 billion. We funded these acquisitions in part by issuing new units. In addition, we moved to further enhance the quality of our portfolio by deciding to acquire the Mitsubishi Heavy Industries Head Office Building in September 2011 (acquisition price: ¥36.3 billion) and to sell the NBF Sudacho Verde Building in July 2011.

Primarily as a result of the improved occupancy

Performance Outlook (As of August 12, 2011)

(Yen in millions)

	21st Period (Projected) from July 1, 2011 to December 31, 2011	22nd Period (Projected) from January 1, 2012 to June 30, 2012
Operating revenues	¥29,759	¥29,206
Net income	8,735	8,735
Distribution per unit (Yen)	15,100	15,100
Occupancy rate (End of period)	97.7%	97.7%

rate and revenue from new occupancy in properties acquired during the period, operating revenues increased ¥767 million, or 2.8 percent, to ¥28,081 million, and operating income increased ¥600 million, or 5.3 percent, to ¥11,919 million. Net income increased ¥358 million, or 4.3 percent, to ¥8,757 million despite expenses for reconstruction and repair of properties damaged by the March earthquake. Distribution per unit was ¥15,138 due to an increase in the number of units resulting from a capital increase.

Performance Outlook and Future Management Policies

We believe that rents will not recover until after early 2012. However, we will continue to invest aggressively and selectively in high-quality properties.

We sense that occupancy rates have bottomed out, and expect a full-period contribution from the occupancy of newly acquired properties (including additional acquisitions). On the other hand, while there are signs that the range of decreases in rents is narrowing, we do not see rents reaching a true bottom until some time

after early 2012. Based on this reasoning, NBF forecasts distributions per unit of ¥15,100 for the six months ending December 31, 2011 (the 21st Period) and for the six months ending June 30, 2012 (the 22nd Period).

We expect the operating environment to remain unpredictable for some time. However, by making the most of the advantages of the high-quality portfolio we have built up since we began asset management and the leasing capabilities of our sponsor, Mitsui Fudosan Co., Ltd., we will work to prevent contract cancellations by strengthening tenant relations and bolster marketing to attract new tenants. Further, we will continue to invest aggressively and selectively in high-quality properties, including shuffling our portfolio, based on fund procurement capabilities that leverage our strong financial base. We will maintain our basic policy of aiming for steady distributions to unitholders over the medium to long term by generating well-balanced internal and external growth based on our sound financial strategies.

Koichi Nishiyama

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

A Decade-Long Track Record of Steadily Growing Scale of Assets

We seek to aggressively expand our asset base through rigorously selected investments in high-quality properties that will contribute to our portfolio.

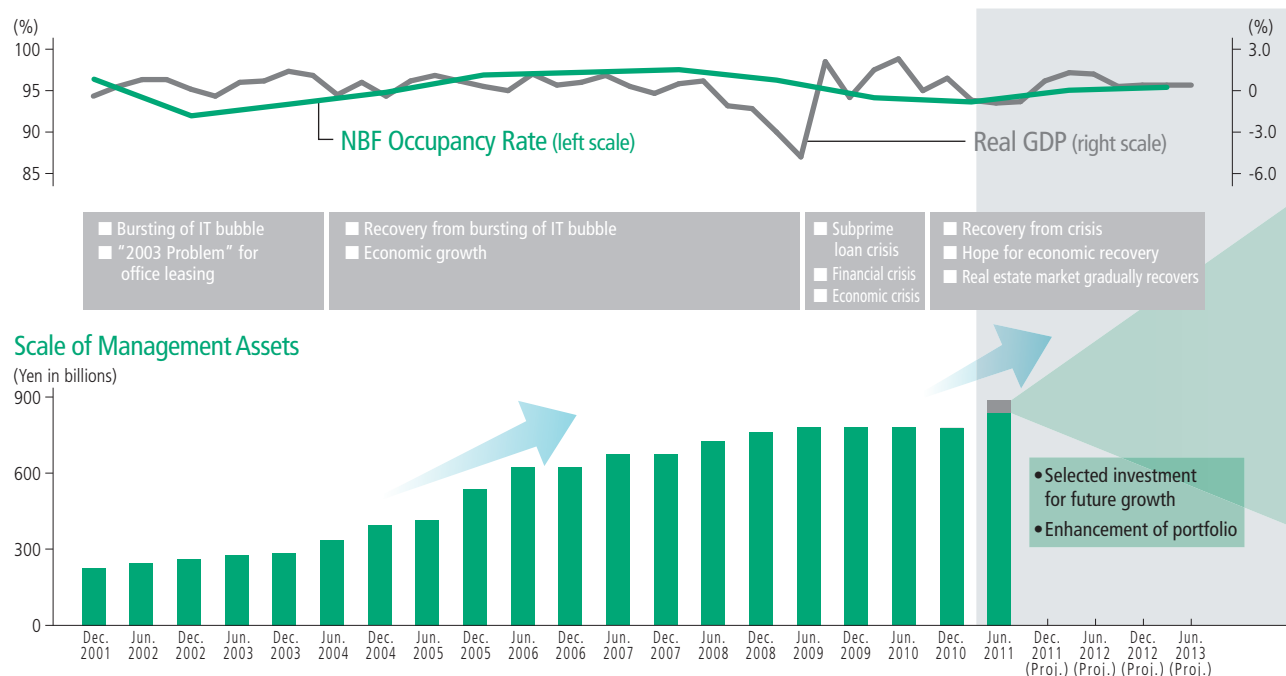
NBF has been publicly listed for 10 years.

Consistent with its investment policy, NBF has built a high-quality portfolio through rigorously selected investments in competitive office buildings, primarily in Tokyo CBDs. NBF's assets (calculated as total

acquisition price, excluding properties sold) have grown from ¥192.1 billion in at the time of listing in 2001 to ¥870.1 billion in 2011.

Over the past decade, NBF has experienced various challenges, from the recession following the 2001

Occupancy Rate, Real GDP and Scale of Management Assets



Source: Real GDP: Cabinet Office, Government of Japan; Projections for April 2011 - March 2013: Japan Center for Economic Research

terrorist attacks and a sharp increase in the supply of new office buildings in central Tokyo (the so-called “2003 Problem”) to the subprime loan crisis and the global recession sparked by the collapse of Lehman Brothers in 2008. We have overcome these challenges and expanded the scale of assets under management.

In January 2011, NBF carried out its first equity financing in three years to acquire six properties for ¥57.55 billion. These six properties have a weighted-average NOI yield of 5.2 percent, which is higher than the NOI yield of NBF’s portfolio of roughly 4.5 percent before the acquisition, thus helping to raise overall portfolio quality. In February, we also decided to acquire the Mitsubishi Heavy

Industries Head Office Building (acquisition price: ¥36.3 billion). The grade and location of this building make it strongly competitive, and it is expected to become a core NBF property over the medium to long term. With the acquisition of these seven properties, we have generated external growth of approximately ¥93.9 billion since the start of 2011.

In Japan, the Great East Japan Earthquake struck in March, and a mood of uncertainty about the economy prevails worldwide. However, we will continue to take advantage of valuable information channels, including those of our sponsor, the Mitsui Fudosan Group, to make rigorously selected investments in highly competitive, high-quality properties.

■ New Acquisitions

	Acquisition price
River City M-SQUARE	¥13,350 million
Gate City Ohsaki (Additional Acquisition)	¥11,631 million
Nihonbashi Kabuto-cho M-SQUARE	¥4,850 million
NBF Ueno Building	¥10,400 million
Chofu South Gate Building	¥9,320 million
Hakata Gion M-SQUARE	¥8,000 million
Mitsubishi Heavy Industries Head Office Building	¥36,300 million
Total	¥93,851 million

■ Planned Sale

	Sale price
NBF Sudacho Verde Building	¥3,250 million

Feature: More Growth, More Value

Maintaining a High Occupancy Rate with a Quality Portfolio and Skillful Management

We seek to increase revenues from internal growth through the quality portfolio we have built over the last decade and skillful management of properties.

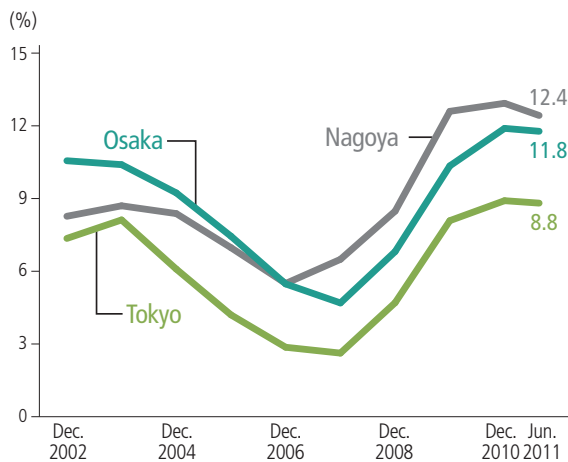
NBF has a decade-long track record of maintaining a high occupancy rate. Two key factors underpin this performance.

The first is the advantage of NBF's high-quality portfolio. We not only seek to expand its asset scale, but also make rigorously selected investments in quality properties. As a result, we have

built a highly competitive portfolio.

The second is NBF's sound internal growth strategy. By taking advantage of the leasing capabilities of our sponsor, Mitsui Fudosan Co., Ltd., we have strengthened tenant relationships with measures including improving satisfaction among existing tenants.

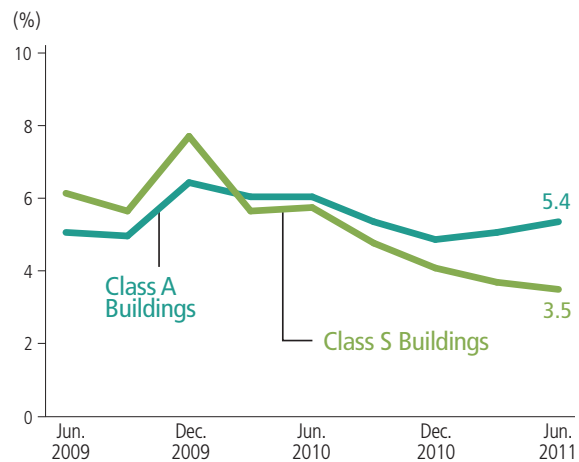
Market Vacancy Rates in Central Business Districts (CBDs)



Source: Miki Shoji Co., Ltd.

Tokyo CBDs: Chiyoda, Chuo, Minato, Shinjuku, Shibuya
Osaka CBDs: Umeda, Minami-Morimachi, Yodoyabashi/Honcho, Senba,
Shinsaibashi/Namba, Shin-Osaka
Nagoya CBDs: Meieki, Fushimi, Sakae, Marunouchi

Average Vacancy Rates in Tokyo



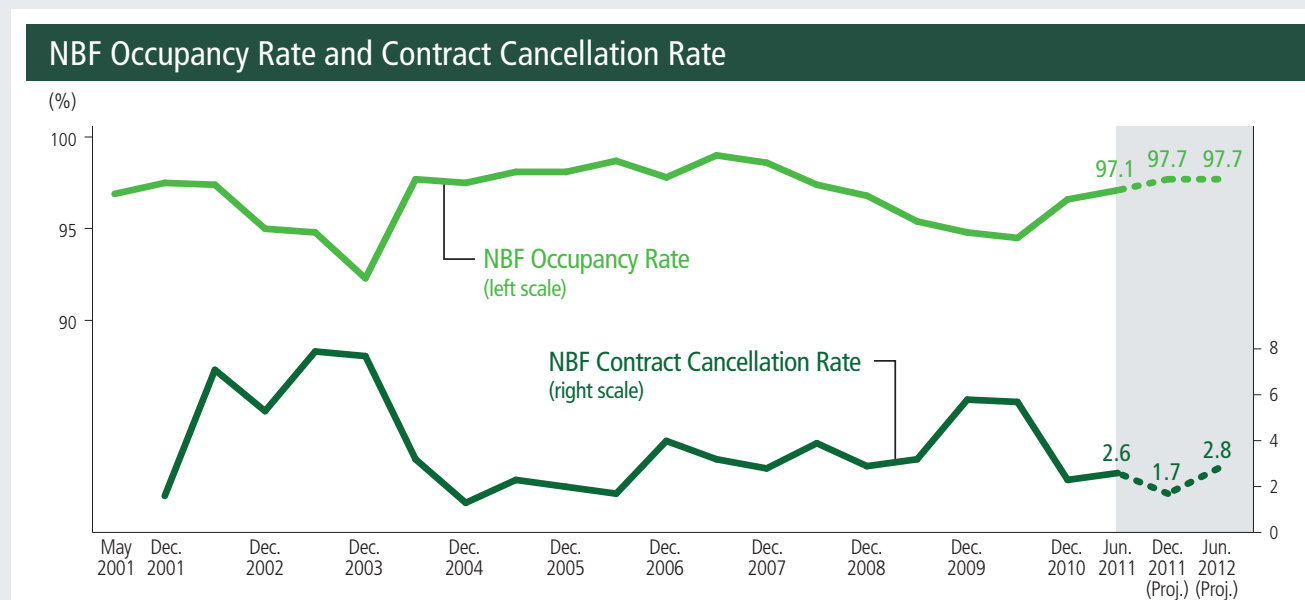
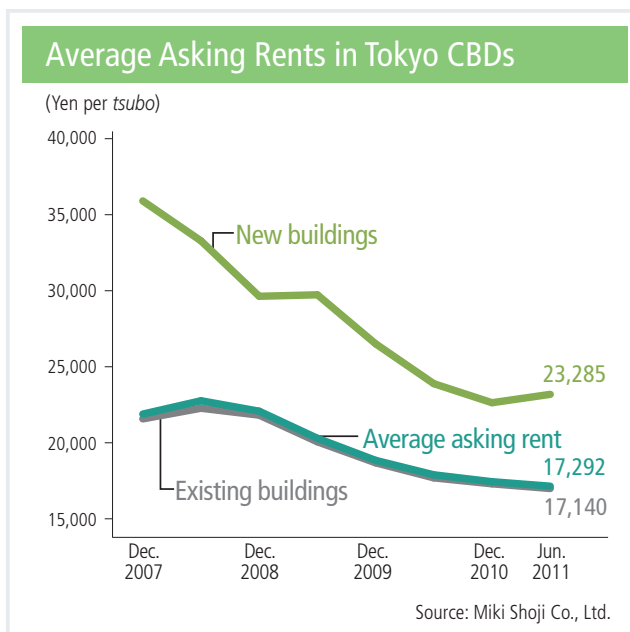
Source: CB Richard Ellis K. K.

Note: Building classes as determined by the Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

Although conditions in the real estate leasing market remain challenging, the occupancy rates of quality properties with superior anti-seismic features, notably Class S and Class A office buildings in Tokyo CBDs, have been improving since the second half of 2010. In NBF's portfolio, contract cancellations have declined sharply and occupancy rates have bottomed out.

On the other hand, even though market rents are nearing their lower limit, there is a gap with rents of existing tenants. Reflecting this gap, for the current year NBF has factored in a revenue decrease due to rent adjustments. Our view is that market rents will bottom out after early 2012. While we have not yet been impacted by the increased supply of office buildings, we plan to deal with the situation by strengthening relationships with tenants.

NBF will continue to raise the competitiveness of its portfolio and steadily execute its internal growth strategy to achieve further growth.



Stable Finances

NBF will maintain a sound financial strategy and use it as the basis for further growth.

Standard &
Poor's:

A+
(Long-term Corporate)

Moody's:

A1
(Issuer Rating)

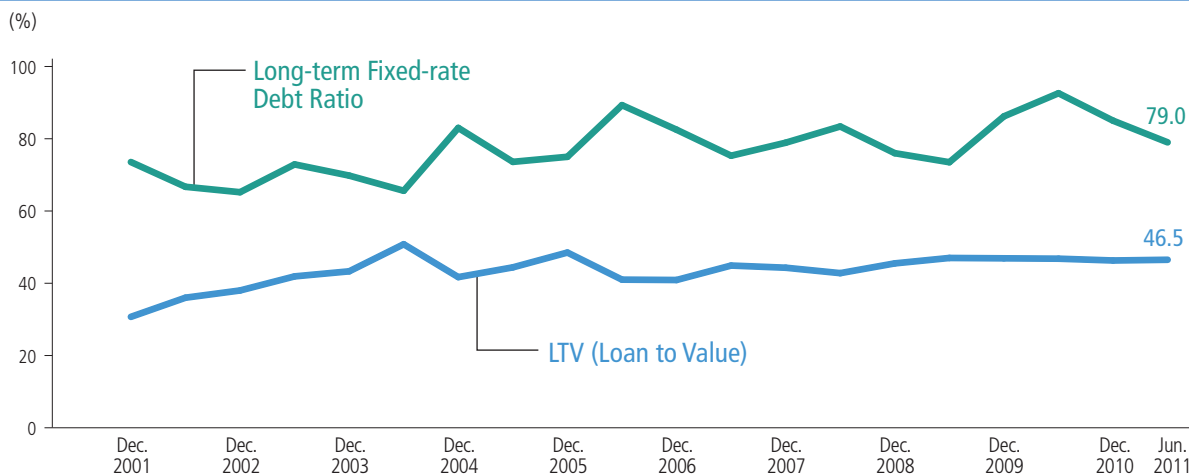
R&I:

AA
(Issuer Rating)

NBF's track record demonstrates its conservative approach to financial management. This approach has enabled smooth fund procurement, a vital activity for J-REITs, primarily through equity financing six times, including the IPO, as well as through loans from financial institutions and the issuance of investment units.

NBF has established guidelines and takes vari-

Stable Financial Track Record

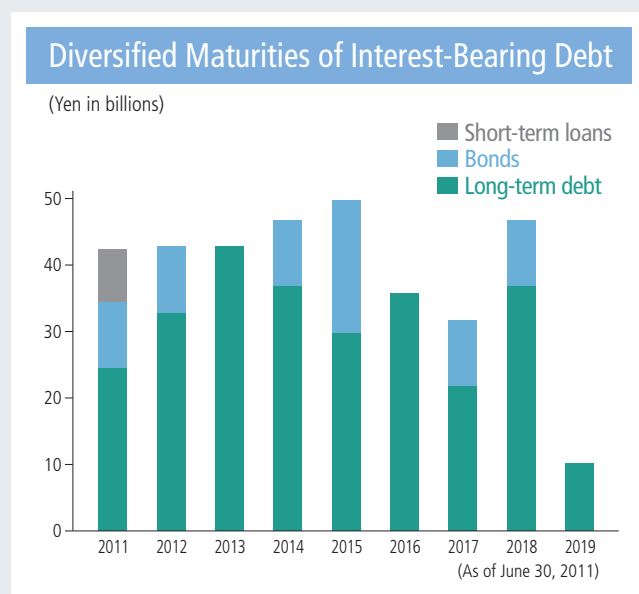


ous measures to maintain and enhance its financial soundness. Our target loan-to-value (LTV) ratio is 40 to 50 percent, with a maximum of 60 percent. The LTV ratio was 46.5 percent as of June 30, 2011. We also strive to keep the ratio of long-term fixed-rate debt to total interest-bearing debt between 80 and 90 percent. As of June 30, 2011, it was 79.0 percent. We diversify the maturities of interest-bearing debt to reduce refinancing risk. At the same time, we have established a total commitment line of ¥60.0 billion (as of September 1, 2011) to prepare for new property acquisitions and refinancing. We diversify credit sources among lending institutions, and currently have loans from 25 financial institutions, the most for a J-REIT.

The financial environment has improved significantly compared with the period immediately

after the collapse of Lehman Brothers, but NBF will continue to maintain good relationships with Japanese banks and lenders. We recognize that these relationships are due not only to our high-quality portfolio and stable performance as the number-one J-REIT, but also to our good relationships with Mitsui Fudosan and other sponsors. These advantages are well recognized, and we continue to obtain high ratings from credit rating agencies.

By continuing to maintain sound financial management, and using it as the basis for generating external and internal growth, NBF aims to create even greater value for its investors.



Financing as of June 30, 2011	
Average years remaining on long-term fixed-rate interest-bearing debt:	3.76 years
Total average cost of debt:	1.69%
Number of lenders:	25
Commitment lines:	Total of ¥60 billion* ¥40 billion for 3 years ¥20 billion for 1 year

* As of September 1, 2011

Planned New Acquisition



65 Mitsubishi Heavy Industries Head Office Building

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



New Acquisitions

③ Gate City Ohsaki (Additional Acquisition)

Location:	11-1, 2, 6, Osaki 1-chome, Shinagawa-ku, Tokyo
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Completion date:	January 6, 1999
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Acquisition date:	March 31, 2011
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Acquisition price:	¥11,631 million
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⑭ River City M-SQUARE

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

Completion date: January 15, 2010

Acquisition date: February 28, 2011

Acquisition price: ¥13,350 million



⑳ Nihonbashi Kabuto-cho M-SQUARE

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

Completion date: June 15, 2009

Acquisition date: February 28, 2011

Acquisition price: ¥4,850 million





③⑥ NBF Ueno Building

Location:	24-11, Higashi-Ueno 4-chome, Taito-ku, Tokyo
Completion date:	January 5, 2010
Acquisition date:	January 31, 2011
Acquisition price:	¥10,400 million

③⑦ Chofu South Gate Building

Location:	48-26, Kojimacho 2-chome, Chofu City, Tokyo
Completion date:	October 26, 2007
Acquisition date:	April 15, 2011
Acquisition price:	¥9,320 million



⑥③ Hakata Gion M-SQUARE

Location:	2-1, Reisenmachi, Hakata-ku, Fukuoka City, Fukuoka Prefecture
Completion date:	June 25, 2009
Acquisition date:	February 28, 2011
Acquisition price:	¥8,000 million

Location of Office Properties

(As of June 30, 2011)



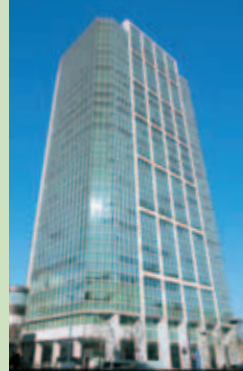
① NBF Hibiya Building



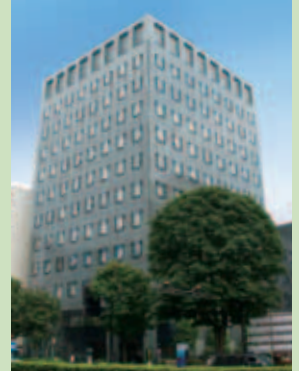
② Nishi-Shinjuku Mitsui Building



④ Shiba NBF Tower



⑤ NBF Platinum Tower



⑥ NBF Minami-Aoyama Building

Tokyo CBDs

- ① NBF Hibiya Building
- ② Nishi-Shinjuku Mitsui Building
- ③ Gate City Ohsaki
- ④ Shiba NBF Tower
- ⑤ NBF Platinum Tower
- ⑥ NBF Minami-Aoyama Building
- ⑦ Toranomon Kotohira Tower
- ⑧ NBF Nihonbashi Muromachi Center Building
- ⑨ Nakameguro GT Tower
- ⑩ Mitsuiiseimei Ochanomizu Building
- ⑪ NBF Ginza Street Building
- ⑫ Shinjuku Mitsui Building No. 2
- ⑬ GSK Building
- ⑭ River City M-SQUARE
- ⑮ NBF Toranomon Building
- ⑯ Kowa Nishi-Shinbashi Building B
- ⑰ Nippon Steel Building No. 2
- ⑱ NBF Alliance
- ⑲ Yotsuya Medical Building
- ⑳ Shibuya Garden Front
- ㉑ NBF Shibuya East
- ㉒ NBF Shibakouen Building
- ㉓ NBF Takanawa Building
- ㉔ NBF Akasaka Sanno Square
- ㉕ NBF Shibakouen Daimon Street Building
- ㉖ Sumitomo Densetsu Building
- ㉗ NBF Higashi-Ginza Square
- ㉘ NBF Ogawamachi Building
- ㉙ Nihonbashi Kabuto-cho M-SQUARE
- ㉚ NBF Ikebukuro Tower
- ㉛ NBF Ikebukuro City Building
- ㉜ NBF Sudacho Verde Building (Scheduled for transfer in December 2011)
- ㉝ Mitsubishi Heavy Industries Head Office Building (Acquired in September 2011)





33 Nakanosakaue Sunbright Twin



34 NBF Toyosu Canal Front



35 NBF Toyosu Garden Front

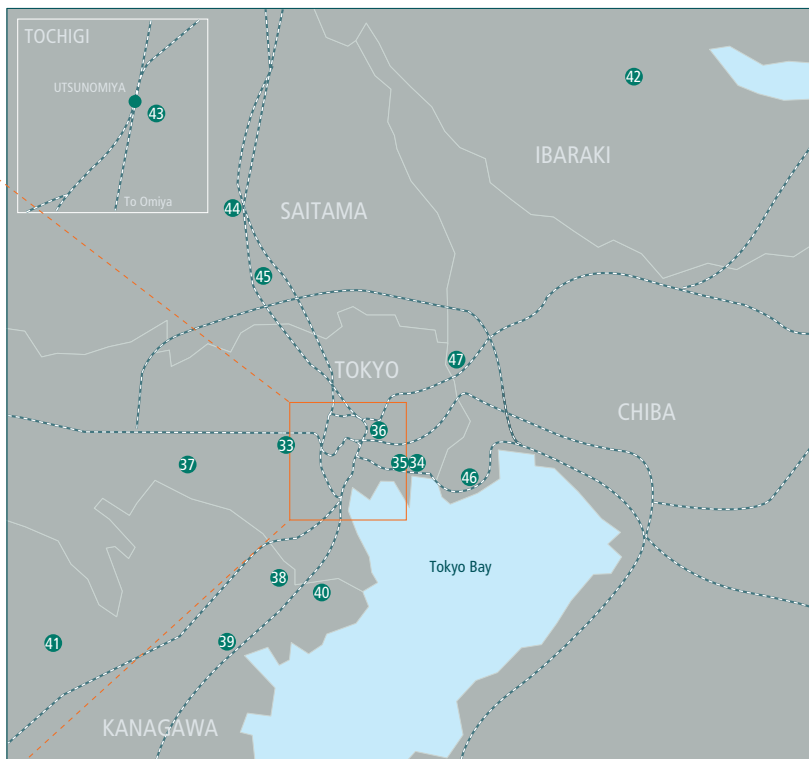


54 59 Aqua Dojima NBF Tower, Aqua Dojima East



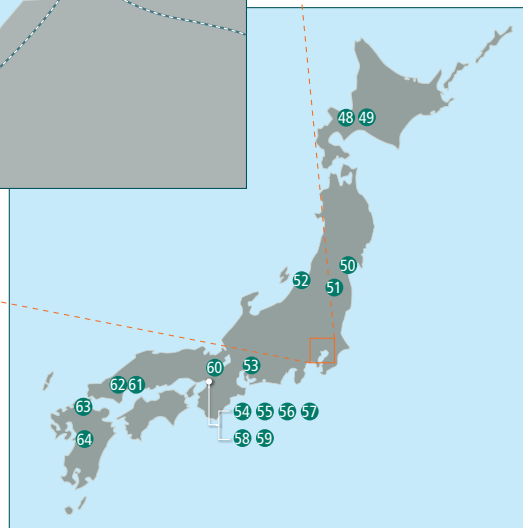
55 Shinanobashi Mitsui Building

Other Greater Tokyo



- 33 Nakanosakaue Sunbright Twin
- 34 NBF Toyosu Canal Front
- 35 NBF Toyosu Garden Front
- 36 NBF Ueno Building
- 37 Chofu South Gate Building
- 38 Shin-Kawasaki Mitsui Building
- 39 Yokohama ST Building
- 40 Parale Mitsui Building
- 41 NBF Atsugi Building
- 42 Tsukuba Mitsui Building
- 43 NBF Utsunomiya Building
- 44 S-ino Omiya North Wing
- 45 NBF Urawa Building
- 46 NBF Shin-Urayasu Tower
- 47 NBF Matsudo Building

Other Cities



- 48 Sapporo L-Plaza
- 49 NBF Sapporo Minami Nijo Building
- 50 NBF Sendai Honcho Building
- 51 NBF Unix Building
- 52 NBF Niigata Telecom Building
- 53 NBF Nagoya Hirokoji Building
- 54 Aqua Dojima NBF Tower
- 55 Shinanobashi Mitsui Building
- 56 Sun Mullion NBF Tower
- 57 Sakaisuji-Honmachi Center Building
- 58 NBF Sakai-Higashi Building
- 59 Aqua Dojima East
- 60 NBF Shijo Karasuma Building
- 61 NBF Hiroshima Tatemachi Building
- 62 Hiroshima Fukuromachi Building
- 63 Hakata Gion M-SQUARE
- 64 NBF Kumamoto Building

Portfolio Overview

NBF's properties as of June 30, 2011 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership	Year Built	Acquisition Price	Book Value
			(%)		(Yen in millions)	
Tokyo CBDs						
① NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,516
② Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.1	1999	44,903	35,125
③ Gate City Ohsaki	Ownership	Compartmented ownership	18.6	1999	41,731	35,490
④ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	29,423
⑤ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	29,077
⑥ NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,592
⑦ Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	20,182
⑧ NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,250
⑨ Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	20,353
⑩ Mitsuseimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,229
⑪ NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,588
⑫ Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	16,346
⑬ GSK Building	Trust	Fee simple	100.0	1990	15,616	13,615
⑭ River City M-SQUARE	Ownership	Fee simple	100.0	2010	13,350	13,475
⑮ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,392
⑯ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	11,687
⑰ Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,147
⑱ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,452
⑲ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,240
⑳ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,004
㉑ NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,126
㉒ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,514
㉓ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,408
㉔ NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,279
㉕ NBF Shibakouen Daimon Street Building	Trust	Co-ownership of compartmented ownership	87.0	1991	6,100	6,322
㉖ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,672
㉗ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,798
㉘ NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	5,140
㉙ Nihonbashi Kabuto-cho M-SQUARE	Ownership	Fee simple	100.0	2009	4,850	4,892
㉚ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,612
㉛ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,325
㉜ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,321
Other Greater Tokyo						
㉝ Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	81.0	1996	40,750	37,879
㉞ NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	32,286
㉟ NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	24,491
㊱ NBF Ueno Building	Ownership	Compartmented	78.1	2010	10,400	10,477
㊲ Chofu South Gate Building	Ownership	Compartmented	84.4	2007	9,320	9,395
㊳ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	18,370
㊴ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,398
㊵ Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,256
㊶ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,174
㊷ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,048
㊸ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,417
㊹ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	14,982
㊺ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,922
㊻ NBF Shin-Urayasu Tower	Ownership	Fee simple	100.0	1990	15,700	15,834
㊼ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,218
Other Cities						
㊽ Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	3,763
㊾ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,710
㊿ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,518
㋀ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,098
㋁ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,630
㋂ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	7,004
㋃ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,188
㋄ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,360
㋅ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,120
㋆ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,131
㋇ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,957
㋈ Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,731
㋉ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,374
㋊ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,864
㋋ Hiroshima Fukuomachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	835	689
㋌ Hakata Gion M-SQUARE	Ownership	Fee simple	100.0	2009	8,000	8,051
㋍ NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,454
Total					837,111	780,381

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)	Probable Maximum Loss (PML)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)	(%)
55,400	27,576	26,227	95.1	82	1,406	5.0	1.6
45,900	32,968	32,968	100.0	1	1,137	4.1	1.8
40,800	29,940	29,940	100.0	1	1,169	4.2	1.5
26,700	24,728	24,383	98.6	32	1,014	3.6	2.3
51,200	33,503	33,503	100.0	6	1,522	5.4	1.5
16,900	9,630	8,911	92.5	8	435	1.6	4.7
30,300	16,848	16,848	100.0	1	892	3.2	1.6
26,600	16,311	16,041	98.3	13	844	3.0	4.8
21,900	21,423	21,423	100.0	1	943	3.4	1.2
14,700	6,627	6,627	100.0	1	Note 2	Note 2	5.8
14,500	3,440	3,440	100.0	1	Note 2	Note 2	8.2
14,600	14,874	13,575	91.3	45	540	1.9	1.6
21,300	20,426	20,426	100.0	1	Note 2	Note 2	0.8
13,500	16,232	16,232	100.0	8	395	1.4	4.0
16,700	10,067	9,702	96.4	13	571	2.0	8.4
15,600	10,088	10,061	99.7	2	Note 2	Note 2	2.0
13,740	17,338	17,338	100.0	2	Note 2	Note 2	3.5
10,300	4,043	4,043	100.0	9	294	1.1	7.3
7,350	7,450	7,450	100.0	1	250	0.9	5.6
13,700	8,258	8,258	100.0	1	Note 2	Note 2	3.4
6,530	4,993	4,814	96.4	4	190	0.7	4.4
8,200	7,087	7,087	100.0	6	312	1.1	5.9
7,530	10,458	10,458	100.0	6	312	1.1	5.3
7,260	5,258	5,258	100.0	6	209	0.7	9.9
4,400	3,428	3,428	100.0	7	105	0.4	2.8
4,920	5,991	5,991	100.0	1	Note 2	Note 2	5.2
7,180	4,871	4,871	100.0	8	240	0.9	3.1
5,460	4,805	4,805	100.0	1	186	0.7	4.2
4,850	3,298	3,298	100.0	2	Note 2	Note 2	6.4
5,000	5,652	5,205	92.1	13	196	0.7	3.9
4,880	5,127	4,758	92.8	10	186	0.7	9.9
3,010	2,971	0	0.0	0	Note 2	Note 2	9.0
30,300	32,082	32,082	100.0	9	1,050	3.7	1.4
35,700	36,638	36,154	98.7	9	1,063	3.8	4.2
28,700	28,300	28,300	100.0	4	978	3.5	3.5
8,450	8,504	8,504	100.0	6	216	0.8	1.9
9,320	13,762	13,762	100.0	1	Note 2	Note 2	4.3
16,000	27,924	27,924	100.0	1	851	3.0	2.1
14,100	20,030	18,770	93.7	90	647	2.3	1.7
3,430	12,545	12,545	100.0	1	296	1.1	2.8
2,100	5,242	4,398	83.9	15	104	0.4	16.9
7,270	16,785	16,426	97.9	62	437	1.6	0.5
2,080	6,160	5,857	95.1	39	132	0.5	0.5
18,400	20,698	19,635	94.9	38	717	2.6	1.8
1,770	3,455	3,263	94.5	13	99	0.4	10.2
11,500	22,846	22,397	98.0	41	577	2.1	2.6
2,260	4,770	4,597	96.4	24	126	0.5	7.8
6,560	11,396	11,396	100.0	12	322	1.2	0.3
1,560	5,351	5,250	98.1	3	107	0.4	1.0
2,870	7,567	6,973	92.2	9	169	0.6	2.1
3,250	13,414	12,388	92.4	48	255	0.9	2.9
2,980	10,208	9,837	96.4	33	203	0.7	4.9
7,240	9,873	8,625	87.4	20	231	0.8	6.7
18,200	21,917	21,169	96.6	45	667	2.4	3.3
13,400	25,314	25,314	100.0	1	596	2.1	4.9
8,080	14,954	14,180	94.8	30	379	1.4	1.6
6,390	11,438	8,943	78.2	37	251	0.9	3.6
1,620	5,255	4,546	86.5	20	106	0.4	6.6
1,780	3,243	2,292	70.7	17	69	0.3	3.4
1,240	3,932	3,332	84.7	15	69	0.3	1.6
2,470	5,612	5,114	91.1	28	129	0.5	3.9
803	1,309	1,309	100.0	17	38	0.1	3.1
8,050	14,328	13,942	97.3	15	224	0.8	Less than 0.1
3,700	7,934	7,801	98.3	15	186	0.7	3.0
822,483	828,491	804,393	97.1	1,011	28,081	100.0	1.6

Management Team and Management Structure

(As of June 30, 2011)

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

Nippon Building Fund Inc.

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

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

General Meeting of Unitholders

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

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

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

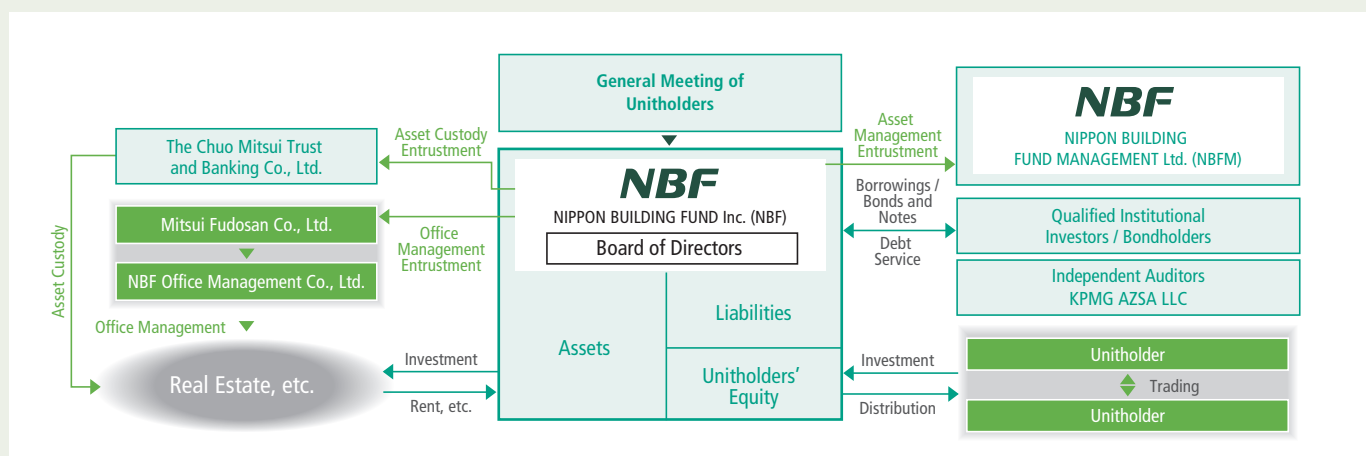
Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and three or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of June 30, 2011, NBF had two executive directors and three supervisory directors.

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

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

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



Management Team



Seated from left: Tsutomu Nishikawa, Koichi Nishiyama
 Standing from left: Sadao Kamiyama, Hatsuo Komatsu, Yoshiyuki Hirai

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

Resolutions by the Board of Directors require a simple majority with more than half of the members of the Board in attendance.

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

The terms of office of executive directors and supervisory direc-

tors are two years from the time they assume office. The terms of executive directors and supervisory directors selected to fill a vacancy or to increase the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two executive directors, all three supervisory directors and the substitute supervisory director were elected at the General Meeting of Unitholders held on March 10, 2011, and assumed office on March 17, 2011.

Nippon Building Fund Management Ltd.

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

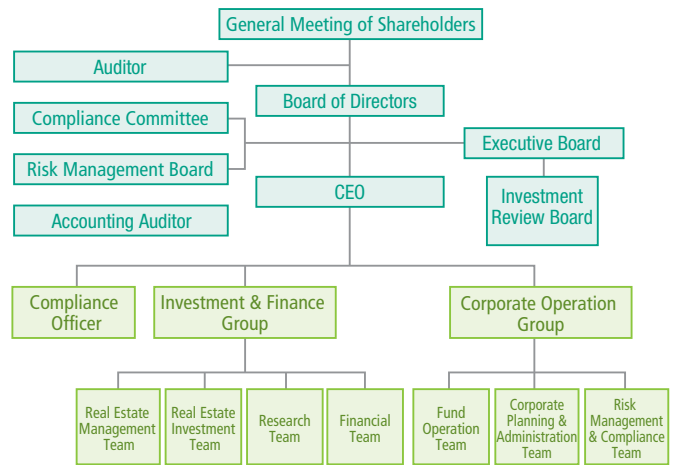
Matters Entrusted to Nippon Building Fund Management Ltd.

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

Management Structure of Nippon Building Fund Management Ltd.

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

Management Structure



operations of Nippon Building Fund Management Ltd. The heads of the Investment & Finance Group and the Corporate Operation Group also serve as directors, and oversee their respective divisions under the direction and oversight of the president. Corporate auditors conduct accounting audits and operational audits of Nippon Building Fund Management Ltd. The Compliance Officer oversees compliance for the asset management company and is responsible for internal administration in connection with internal audits at the asset management company.

Nippon Building Fund Management Ltd. Management Team

Name	Title	Career Summary
Koichi Nishiyama	President and CEO and Representative Director	April 1974 Joined Mitsui Fudosan Co., Ltd. April 2000 Manager of Building Fund Office, Building Division of Mitsui Fudosan Sept. 2000 Became President and Representative Director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position) Aug. 2001 Became Executive Director of NBF (current position)
Yasushi Akimoto	Director, Head of Investment & Finance Group	April 1983 Joined Mitsui Fudosan Co., Ltd. April 1998 Seconded to Daiichi Engai Co., Ltd. under the supervision of Personnel Department of Mitsui Fudosan April 2006 Head of Group under Business Promotion Section, Building Department of Mitsui Fudosan April 2008 Seconded to Nippon Building Fund Management Ltd. under the supervision of Personnel Department of Mitsui Fudosan (current position) April 2011 Became Director of Nippon Building Fund Management Ltd. (current position)
Hiroshi Yabuki	Director and COO	April 1984 Joined Sumitomo Life Insurance Company April 2004 Head of Niigata Branch Office of Sumitomo Life Insurance Oct. 2008 Head of Real Estate Department, Real Estate Operating Office of Sumitomo Life Insurance Feb. 2010 Became Director of Nippon Building Fund Management Ltd. (current position)
Masato Shikata	Director (Part-time)	April 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Fukuhisa Kumada	Director (Part-time)	Sept. 2010 Became Director of Nippon Building Fund Management Ltd. (current position)
Noriaki Moromachi	Corporate Auditor (Part-time)	April 2003 Became Auditor of Nippon Building Fund Management Ltd. (current position)
Toru Suzuki	Corporate Auditor (Part-time)	April 2008 Became Auditor of Nippon Building Fund Management Ltd. (current position)

Compliance Initiatives

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

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

Nippon Building Fund Management Ltd. views compliance as a management strategy, with a fundamental compliance policy of conducting operations honestly and fairly while maintaining a rigorous compliance system based on a high level of corporate ethics. Specifically, Nippon Building Fund Management Ltd. has established a Compliance Committee, consisting of the Compliance Officer, the president, the head of the Investment & Finance Group, the head of the Corporate Operation Group and an outside committee member. Initiatives to enhance awareness of and adherence to compliance include the establishment of Compliance Rules and a Compliance Manual. In addition, a Compliance Program is formulated each year to verify the progress of the execution plan for that year and identify any problem areas.

Risk Management System

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

■ NBF

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

■ Nippon Building Fund Management Ltd.

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

The Asset Management Guidelines consist of management

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

Policy and Management System for Dealing with Conflict of Interest Transactions

■ Fundamental Policy on Conflict of Interest Transactions

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

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

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

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

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

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

Management's Discussion and Analysis

Summary of Selected Financial Data

		20th Period from January 1, 2011 to June 30, 2011	19th Period from July 1, 2010 to December 31, 2010	18th Period from January 1, 2010 to June 30, 2010	20th Period from January 1, 2011 to June 30, 2011
Yen in millions, except per unit data or where otherwise indicated					U.S. dollars in thousands except per unit data (Note 1)
Operating revenues	Note 2	¥ 28,081	¥ 27,314	¥ 28,341	\$ 348,222
Revenue from property leasing activities		28,081	27,314	28,035	348,222
Gain on sale of investment property		—	—	306	—
Operating expenses		16,162	15,995	16,169	200,417
Rental expenses		14,951	14,824	14,828	185,400
Loss on sale of investment property		—	—	140	—
Income before income taxes		8,758	8,400	9,283	108,607
Net income	(a)	8,757	8,399	9,282	108,596
Funds from operations	Note 3	14,291	13,570	14,354	177,220
Net operating income from property leasing activities	Note 3	18,664	17,661	18,445	231,447
Total amount of cash distribution	(b)	8,757	8,398	9,282	108,598
Depreciation and amortization		5,534	5,171	5,239	68,624
Capital expenditures		1,695	1,769	1,478	21,019
Total assets	(c)	823,705	765,203	774,379	10,214,597
Interest-bearing debt		350,750	325,125	333,500	4,349,578
Net assets	(d)	423,872	394,575	395,458	5,256,354
Total number of units issued (units)	(e) Note 4	578,500	542,000	542,000	
Net assets per unit (Yen/\$)	(d) / (e)	732,709	727,996	729,626	9,086
Distribution per unit (Yen/\$)	(b) / (e)	15,138	15,495	17,125	188
Funds from operations per unit (Yen/\$)	Note 3	24,937	25,036	26,483	309
ROA	Note 3	1.1%	1.1%	1.2%	
(Annual rate)		(2.3%)	(2.2%)	(2.4%)	
ROE	Note 3	2.1%	2.1%	2.3%	
(Annual rate)		(4.3%)	(4.3%)	(4.7%)	
LTV (Loan to value)	Note 3	46.5%	46.3%	46.8%	
Capital ratio	(d) / (c)	51.5%	51.6%	51.1%	
Payout ratio	(b) / (a) Note 5	100.0%	100.0%	100.0%	
Number of days		181	184	181	
Number of investment properties	Note 6	64	59	59	
Number of tenants	Note 6	1,011	952	910	
Total rentable area (m ²)		828,491	762,983	763,000	
Occupancy rate	Note 6	97.1%	96.6%	94.5%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥80.64 = U.S. \$1.00, the approximate exchange rate on June 30, 2011.

2. Operating revenues do not include consumption tax.

3. All valuations are calculated through the following formulas. The figures in parentheses after ROA and ROE are annualized based on the six-month figures for the period.

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

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

Funds from operations per unit: (Net income (excluding Gain and Loss on sale of investment properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period

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

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

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

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

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

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

Operating Environment and Results

In the Japanese economy during the six months ended June 30, 2011 (the "20th Period"), exports increased against the backdrop of economic recovery overseas, while corporate earnings, capital investment and other economic indicators showed upward momentum. However, the Great East Japan Earthquake that struck in March 2011 damaged production facilities and disrupted the supply chain. Other effects of the disaster, such as restrictions on the supply of electricity, added to the downward pressure on the economy, especially in the manufacturing sector.

In the office building leasing market, rent levels remained low in the central business districts (CBDs) of Tokyo. However, occupancy rates of Class S and Class A office buildings in Tokyo CBDs showed an improvement trend. In addition, there was a trend toward expansion of floor space in certain buildings, and occupancy rates improved particularly in high-quality large-scale properties, including those with superior anti-seismic features.

In the real estate acquisition market, despite a temporary sense of stagnation due to the effects of the earthquake, stabilization of the fund procurement environment and adjustment of property prices led to an increase in transactions, mainly in Tokyo CBDs.

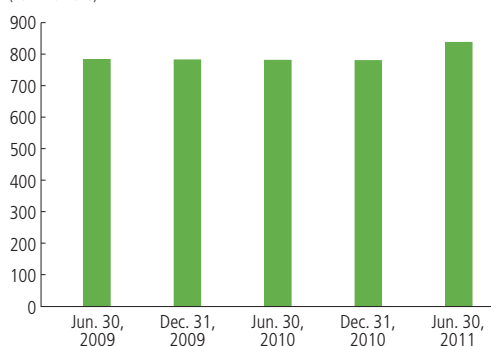
Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size and infrastructure, and are expected to have stable cash flow from rents. After carefully selecting and reviewing information, NBF acquired six properties (including additional acquisitions) during the 20th Period for a total of ¥57.55 billion. With the September 2011 acquisition of the Mitsubishi Heavy Industries Head Office Building (¥36.3 billion), NBF has acquired properties worth approximately ¥93.9 billion since the beginning of 2011. NBF has also decided to sell the NBF Sudacho Verde Building in line with its asset replacement strategy.

In its existing portfolio, NBF carried out repair work as appropriate for buildings damaged by earthquakes and systematically conducted property management, renovations and new construction to further increase tenant satisfaction. NBF also worked to secure stable rental revenue by maintaining a sound grasp of the market, setting appropriate rents for new tenants and revising rents for tenants renewing their lease contracts.

As a result of these efforts, NBF's real estate portfolio as of June 30, 2011 totaled 64 properties. Total investment on an acquisition price basis was ¥837.1 billion. Total rentable area was 828,491m² (250,618 *tsubo*). The occupancy rate increased 0.5 percentage points from December 31, 2010 to 97.1 percent. The number of tenants totaled 1,011.

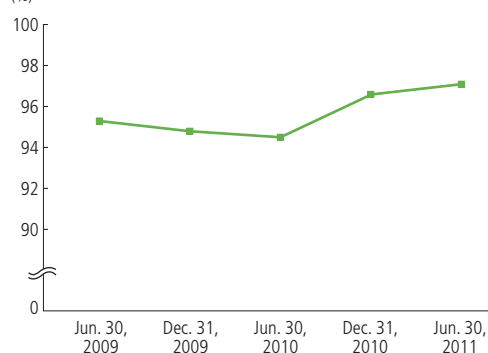
Total investment

(Yen in billions)



Occupancy rate

(%)



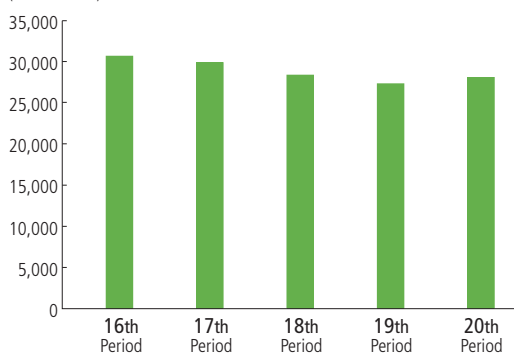
Overview of Performance

Operating revenues for the six months ended June 30, 2011 increased ¥767 million, or 2.8 percent, compared with the previous six-month period to ¥28,081 million, mainly because of the increase in revenue from new occupancy in the six properties acquired during the period, including additional acquisitions. Operating income increased ¥600 million, or 5.3 percent, to ¥11,919 million. Net income increased ¥358 million, or 4.3 percent, to ¥8,757 million. Distribution per unit was ¥15,138.

NBF also carried out earthquake repair work totaling ¥238 million during the period for buildings damaged by the Great East Japan Earthquake. This consisted of an extraordinary loss of ¥206 million on construction costs and property construction of ¥32 million.

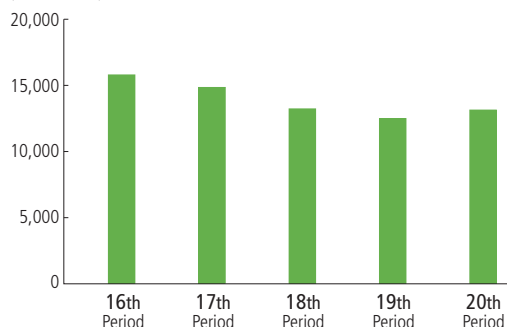
Operating revenues

(Yen in millions)



Operating income from property leasing activities

(Yen in millions)



Distribution for the Current Period

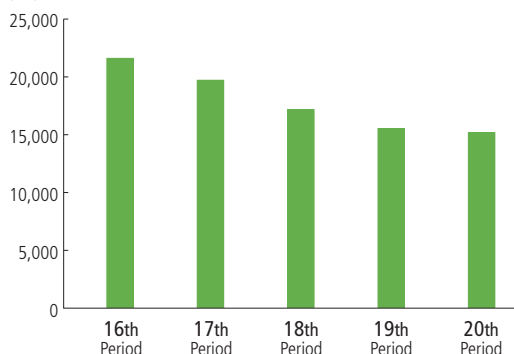
Distribution per unit for the current period was ¥15,138. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
(Yen in thousands, except per unit amounts)			
Retained earnings	¥8,757,477	¥8,398,598	¥9,281,802
Undistributed earnings	144	308	52
Total cash distribution	8,757,333	8,398,290	9,281,750
(Cash distribution per unit)	15,138	15,495	17,125
Distribution of accumulated earnings	8,757,333	8,398,290	9,281,750
(Distribution of accumulated earnings per unit)	15,138	15,495	17,125
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

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

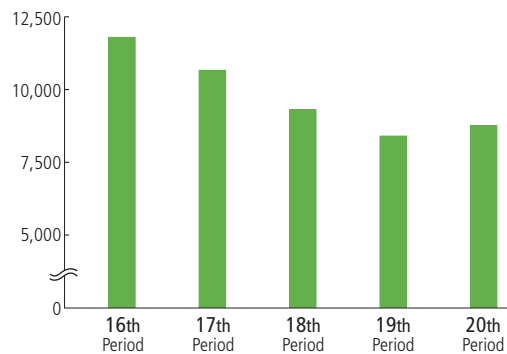
Distribution per unit

(Yen)



Total amount of cash distribution

(Yen in millions)



Changes in Assets, Liabilities and Net Assets

Assets

As of June 30, 2011, total assets increased ¥58,502 million to ¥823,705 million compared with December 31, 2010. Return on average total assets (ROA) for the six months ended June 30, 2011 increased to 1.13 percent from 1.09 percent for the previous six-month period.

Current assets increased ¥3,470 million to ¥38,100 million compared with December 31, 2010. Investment properties increased ¥54,518 million to ¥780,355 million compared with December 31, 2010.

Liabilities

Current liabilities increased ¥24,887 million to ¥82,426 million compared with December 31, 2010, primarily because of an increase in long-term debt due within one year compared with December 31, 2010.

Long-term debt increased ¥625 million to ¥277,000 million compared with December 31, 2010.

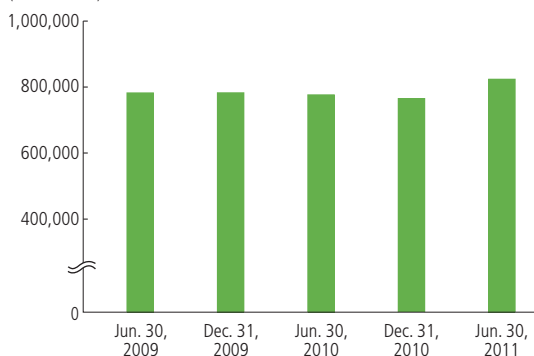
As a result, total interest-bearing liabilities increased ¥25,625 million to ¥350,750 million compared to December 31, 2010. However, the ratio of long-term fixed-rate debt (less amounts due within one year) to total interest-bearing liabilities decreased to 79.0 percent as of June 30, 2011 from 85.0 percent as of December 31, 2010. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 46.5 percent as of June 30, 2011 from 46.3 percent as of December 31, 2010.

In addition, NBF worked to diversify funding sources. In January 2009, NBF updated a shelf registration to publicly offer up to ¥200 billion in bonds.

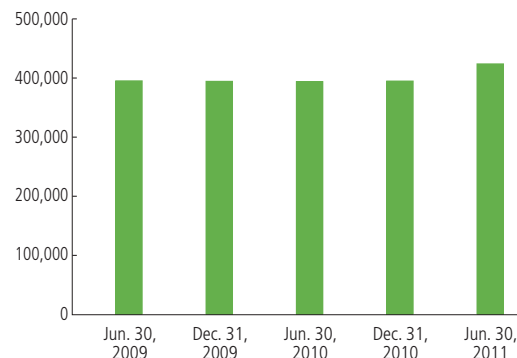
Net assets

Net assets increased ¥29,297 million to ¥423,872 million compared with December 31, 2010.

Total assets
(Yen in millions)



Net assets
(Yen in millions)



Funding

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of June 30, 2011, NBF had issued 578,500 units out of 2,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

Issue date	Remarks	Units issued and outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(Units)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3
July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4
August 11, 2004	Third party allocation	4,000	364,700	2,942	210,679	Note 5
August 10, 2005	Public offering	58,000	422,700	51,491	262,170	Note 6
March 16, 2006	Public offering	80,000	502,700	79,040	341,210	Note 7
March 29, 2006	Third party allocation	5,300	508,000	5,236	346,446	Note 8
February 4, 2008	Public offering	31,800	539,800	37,159	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,571	386,176	Note 10
January 26, 2011	Public offering	34,000	576,000	26,957	413,133	Note 11
February 22, 2011	Third party allocation	2,500	578,500	1,982	415,115	Note 12

Notes: 1. NBF was established with initial capital of ¥500,000 per unit.
2. Follow-on private offering at ¥500,000 per unit to raise funds for acquisition of 22 properties.
3. Public offering of new units for ¥625,000 per unit (excluding underwriting fee: ¥603,125) to repay debt and to fund property acquisition.
4. Public offering of new units for ¥759,500 per unit (excluding underwriting fee: ¥735,475) to repay debt, etc.
5. Additional issue of new units (third party allocation) for ¥735,475 per unit undertaken pursuant to the public offering in Note 4.
6. Public offering of new units for ¥916,300 per unit (excluding underwriting fee: ¥887,782) to repay debt and to fund property acquisition.
7. Public offering of new units for ¥1,019,200 per unit (excluding underwriting fee: ¥988,000) to repay debt and to fund property acquisition.
8. Additional issue of new units (third party allocation) for ¥988,000 per unit undertaken pursuant to the public offering in Note 7.
9. Public offering of new units for ¥1,205,400 per unit (excluding underwriting fee: ¥1,168,500) to repay debt and to fund property acquisition.
10. Additional issue of new units (third party allocation) for ¥1,168,500 per unit undertaken pursuant to the public offering in Note 9.
11. Public offering of new units for ¥818,025 per unit (excluding underwriting fee: ¥792,855) to repay debt and to fund property acquisition.
12. Additional issue of new units (third party allocation) for ¥792,855 per unit undertaken pursuant to the public offering in Note 11.

Market Price of Units

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

	For the six months ended June 30, 2011	For the six months ended December 31, 2010 (Yen)	For the six months ended June 30, 2010
High	¥871,000	¥850,000	¥815,000
Low	735,000	702,000	704,000

Borrowings

Borrowings from financial institutions as of June 30, 2011 are shown below.

Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Gunma Bank, Ltd.	¥2,000	0.5%	July 29, 2011	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5)
The 77 Bank, Ltd.	2,000	0.5%	August 31, 2011			
Shinkin Central Bank	1,000	0.5%	July 29, 2011			
The Joyo Bank, Ltd.	1,000	0.5%	August 31, 2011			
The Yamaguchi Bank, Ltd.	1,000	0.7%	October 31, 2011			
The Chugoku Bank, Limited	1,000	0.7%	December 30, 2011			
Total short-term loans	¥8,000					

Long-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	(Note 2) (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			
	4,500	2.2%	April 28, 2019			
	9,250	2.2%	August 30, 2019	Bullet payment	(Note 4)	Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
Sumitomo Life Insurance Company	5,000	2.1%	July 19, 2011			
	7,000	2.1%	May 23, 2018			
	5,000	1.9%	May 23, 2016			
	5,000	1.7%	July 16, 2014			
	3,000	1.8%	February 3, 2016			
Sumitomo Mitsui Banking Corporation	5,000	1.5%	April 30, 2013			
	5,000	1.8%	June 27, 2013			
	4,000	1.5%	December 28, 2012			
	6,000	1.9%	April 28, 2014			
	1,000	1.8%	June 30, 2014			
Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
The Chuo Mitsui Trust and Banking Co., LIMITED	10,000	1.4%	December 30, 2011			
	10,000	1.2%	June 1, 2018			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
	8,000	1.7%	July 31, 2013			
	7,000	1.2%	November 30, 2018			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
	3,000	1.9%	May 29, 2014			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,000	1.6%	September 30, 2013			
	4,000	1.8%	September 30, 2014			
	4,000	1.0%	June 1, 2017			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			
	7,000	1.6%	April 27, 2012			
Mitsubishi UFJ Trust and Banking Corporation	3,000	1.8%	July 31, 2014			
	1,000	1.8%	September 30, 2014			
	7,000	1.5%	March 4, 2016			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.4%	December 30, 2011			
	3,000	1.0%	June 1, 2017			
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			
Resona Bank, Limited.	3,000	1.3%	September 9, 2011			
	3,000	2.0%	October 30, 2015			
	1,000	1.0%	June 1, 2017			
THE BANK OF FUKUOKA, Ltd.	4,000	1.9%	July 12, 2012			
	2,000	1.0%	June 1, 2017			
Nippon Life Insurance Company	2,000	1.4%	April 1, 2015			
	2,000	1.3%	October 19, 2018			
	2,000	1.3%	May 31, 2019			
DAIDO LIFE INSURANCE COMPANY	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
	2,000	1.6%	February 3, 2015			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
	2,000	1.8%	June 26, 2014			
	1,000	1.8%	March 30, 2015			
TAIYO LIFE INSURANCE COMPANY	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
	1,000	2.0%	August 31, 2015			

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014	Bullet payment	(Note 4)	Fixed rate Unsecured /unguaranteed /pari passu, See (Note 5) Fixed rate
	2,000	1.0%	February 25, 2016			
The Yamanashi Chuo Bank, Ltd.	1,000	1.1%	December 28, 2012			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
The Yamaguchi Bank, Ltd.	1,000	0.9%	January 4, 2017			
Total long-term loans	¥272,750					
Total borrowings (Note 6)	¥280,750					

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

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Long-term loans	¥27,750	¥41,750	¥26,750	¥61,750

NBF Bonds

Issue	Issue date	Balance as of June 30, 2011 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Notes 2 and 4
No. 5 Unsecured Bonds	September 22, 2004	10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Notes 2 and 4
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 8 Unsecured Bonds	March 7, 2007	10,000	1.48%	March 7, 2012	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No.10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
No.11 Unsecured Bonds	January 28, 2010	10,000	1.23%	January 28, 2015	Bullet payment	Note 1	Notes 3 and 5
Total (Note 6)		¥70,000					

Notes: 1. Use of funds includes acquisition of real estate, etc., repayment of borrowings and working capital.
2. These bonds are only issued to qualified institutional investors.
3. Rank pari passu with all other publicly and privately issued bonds.
4. Subject to provision of collateral and financial restrictions pursuant to material decline in credit rating.
5. Subject to provision of collateral restrictions.
6. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

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

Others

NBF has security deposits totaling ¥40,328 million as of June 30, 2011.

Capital Expenditures

1. Planning

As of June 30, 2011, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from January 1, 2011 to June 30, 2011)	Cumulative amount paid
				(Yen in millions)	
Sumitomo Densetsu Bldg.	Renovation of air conditioning (2nd stage)	From January 2012 to June 2012	¥192	¥ —	¥ —
Yokohama ST Bldg.	Renovation of disaster prevention equipment (2nd stage)	From July 2011 to December 2011	123	—	—
Aqua Dojima NBF Tower	Renovation of wall through air conditioning (1st stage)	From October 2011 to December 2011	122	—	—
Aqua Dojima NBF Tower	Renovation of wall through air conditioning (2nd stage)	From January 2012 to April 2012	122	—	—
GSK Bldg.	Renovation of hot and chilled water generator	From March 2012 to April 2012	117	—	—
Shin-Kawasaki Mitsui Bldg.	Renovation of heat insulator for hot and chilled water plumbing	From September 2011 to February 2012	113	—	—
Sumitomo Densetsu Bldg.	Renovation of air conditioning (1st stage)	From August 2011 to December 2011	107	—	—
NBF Takanawa Bldg.	Renovation of air conditioning (4th stage)	From July 2011 to December 2011	106	—	—
Yotsuya Medical Bldg.	Leasehold improvement	From January 2012 to March 2012	91	—	—
NBF Ogawamachi Bldg.	Renovation of air conditioning (5th stage)	From September 2011 to December 2011	53	—	—
NBF Atsugi Bldg.	Renovation of air conditioning (1st, 8th, 9th floor)	From January 2012 to March 2012	52	—	—
NBF Atsugi Bldg.	Renovation of air conditioning (6th, 7th floor)	From July 2011 to September 2011	35	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥1,695 million in capital expenditures together with ¥579 million for repairs and maintenance expenses and ¥163 million for loss on disaster. In addition, NBF recorded ¥43 million as provision for loss on disaster, to provide for construction planned after June 30, 2011.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsui Bldg. No. 2	Renovation of refrigeration system (2nd stage), renovation of air conditioning (4th to 6th floors), renovation of restroom, etc.	From January 2011 to June 2011	¥ 468
NBF Shin-Urayasu Tower	Renovation of wash basin, renovation of air conditioning (2nd stage), leasehold improvement of 17th floor, etc.		135
NBF Hibiya Bldg.	Renovation of air conditioning (2nd to 8th floors), renovation of central monitoring facilities, renovation of air conditioning (4th basement floor, 2nd stage), etc.		107
NBF Atsugi Bldg.	Renovation of air conditioning (1st stage), renovation of halon extinction equipment, etc.		92
NBF Urawa Bldg.	Renovation of air conditioning (1st, 2nd basement floor), renovation of halon extinction equipment, renovation of multistory parking, etc.		24
NBF Sapporo Minami Nijo Bldg.	Renovation of chiller for air-cooling, renovation of halon extinction equipment (2nd stage), renovation of ventilation equipment (oil tank room), etc.		22
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction		847
Total			¥1,695

3. Cash Reserve for Capital Improvements

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

	As of June 30, 2011	As of December 31, 2010
	(Yen in millions)	
Reserve balance at the beginning of the period	¥1,182	¥1,398
Amount accumulated in the current period	4,414	1,690
Withdrawal from reserves in the current period	2,841	1,906
Amount carried forward	¥2,755	¥1,182

Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.
2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥4,855 million as of June 30, 2011.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
	(Yen in millions)		
Asset management fees	¥ 973	¥ 943	¥ 988
Asset custody fees	36	37	37
Agent fees (stock transfer, accounting and administrative)	51	44	45
Directors' remuneration	17	19	19
Auditor's fees	13	13	13
Other expenses	121	115	99
Total	¥1,211	¥1,171	¥1,201

Trading Activities during the Current Period

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

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

(Yen in millions)		
Name of building	Acquisitions	
	Date	Acquisition price (Note 1)
NBF Ueno Bldg.	January 31, 2011	¥10,400
River City M-SQUARE	February 28, 2011	13,350
Nihonbashi Kabuto-cho M-SQUARE	February 28, 2011	4,850
Hakata Gion M-SQUARE	February 28, 2011	8,000
Gate City Ohsaki (additional acquisition)	March 31, 2011	11,631
Chofu South Gate Bldg.	April 15, 2011	9,320
Total		¥57,551

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

2. Trading of Other Assets Including Total Amount and Transactions

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

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

(1) Ongoing Transactions

Category	Amount of purchase price, etc. (Note 2) (Note 3)	
	Purchase price, etc. (Yen in millions)	Sale price, etc. (Yen in millions)
	¥57,551	¥—
Total amount	Amount of purchases from related parties, etc. 37,831 (65.7)	Amount of sales from related parties — (—)
Breakdown of transactions with related parties, etc.		
Mitsui Fudosan Co., Ltd.	18,200 (31.6)	— (—)
Sumitomo Life Insurance Company	11,631 (20.2)	— (—)
Cool Spring Investment TMK (special purpose company)	8,000 (13.9)	— (—)
Total	37,831 (65.7)	— (—)

(2) Fees Paid for the Period from January 1, 2011 to June 30, 2011

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A
Office management fees, etc. (Note 4)	¥1,167	Mitsui Fudosan Co., Ltd. NBF Office Management Co., Ltd.	¥1,130 32	96.8% 2.7%
Property maintenance fees	2,796	First Facilities Co., Ltd. Mitsui Fudosan Co., Ltd. Mitsui Fudosan Building Management Co., Ltd. First Facilities West Co., Ltd. First Facilities Yokohama Co., Ltd. Mitsui Fudosan Housing Lease Co., Ltd.	492 338 164 124 11 3	17.6% 12.1% 5.9% 4.4% 0.4% 0.1%
Leasing related service fees	63	Mitsui Fudosan Co., Ltd. NBF Office Management Co., Ltd. Mitsui Real Estate Sales Co., Ltd.	23 12 1	35.7% 19.6% 1.2%

Notes: 1. "Related parties" are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the period from January 1, 2011 to June 30, 2011, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd., and Mitsui Real Estate Sales Co., Ltd. which meet either of the said definitions, are as described above.

2. Figures indicate contractual sales prices.

3. Figures indicate percentages of total prices.

4. Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.

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

(Yen in millions)	
First Facilities Co., Ltd.	¥943
Mitsui Fudosan Co., Ltd.	174
Mitsui Fudosan Building Management Co., Ltd.	170
First Facilities West Co., Ltd.	86
Mitsui Fudosan Housing Lease Co., Ltd.	15
LaLaport Management Co., Ltd.	3
Mitsui Real Estate Sales Co., Ltd.	0
Daiichi Engei Co., Ltd.	0
Mitsui Home Linkage Co., Ltd.	0

Balance Sheets

NIPPON BUILDING FUND INC.
As of June 30, 2011 and December 31, 2010

	As of June 30, 2011	As of December 31, 2010
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents (Note 4)	¥ 35,995	¥ 33,668
Tenant receivables	286	281
Other current assets	1,819	681
Total current assets	38,100	34,630
Investment Properties:		
Land including trust accounts (Notes 5, 15)	503,240	473,463
Buildings and improvements including trust accounts (Notes 5, 15)	307,783	278,481
Other tangible assets (Notes 5, 15)	9,585	8,624
Less: accumulated depreciation (Notes 5, 15)	(75,905)	(70,385)
Leasehold rights in trust accounts and other intangible assets (Note 15)	35,652	35,654
Total investment properties, net	780,355	725,837
Other Assets	5,250	4,736
Total Assets	¥823,705	¥765,203
Liabilities		
Current Liabilities:		
Short-term loans (Notes 4, 7)	¥ 8,000	¥ 8,000
Long-term debt due within one year (Notes 4, 7)	65,750	40,750
Accounts payable	3,630	3,779
Rents received in advance	3,648	3,348
Provision for loss on disaster (Note 10)	43	—
Accrued expenses and other liabilities	1,355	1,662
Total current liabilities	82,426	57,539
Long-term Debt (Notes 4, 7)	277,000	276,375
Tenant Security Deposits Including Trust Accounts (Note 4)	40,328	36,637
Other Liabilities	79	77
Total Liabilities	399,833	370,628
Net Assets (Note 6)		
Unitholders' Equity		
Unitholders' capital	415,115	386,176
Units authorized: 2,000,000 units		
Units issued and outstanding: 578,500 units		
Retained earnings	8,757	8,399
Total Net Assets	423,872	394,575
Total Liabilities and Net Assets	¥823,705	¥765,203

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

Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2011, December 31, 2010 and June 30, 2010

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
	(Yen in millions)		
Operating Revenues and Expenses			
Operating Revenues:			
Rental (Note 8)	¥25,773	¥24,747	¥25,583
Other revenues related to property leasing (Note 8)	2,308	2,567	2,452
Gain on sale of investment properties (Note 9)	—	—	306
Total Operating Revenues	28,081	27,314	28,341
Operating Expenses:			
Property management fees (Note 8)	3,947	3,776	3,798
Real estate taxes (Note 8)	2,678	2,621	2,648
Repairs and maintenance (Note 8)	579	718	883
Insurance (Note 8)	32	32	36
Other rental expenses (Note 8)	2,181	2,506	2,224
Depreciation and amortization (Note 8)	5,534	5,171	5,239
Loss on sale of investment properties (Note 9)	—	—	140
Asset management fees	973	943	988
Other operating expenses	238	228	213
Total Operating Expenses	16,162	15,995	16,169
Operating Income	11,919	11,319	12,172
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	4	7	8
Non-Operating Expenses:			
Interest expense	(2,861)	(2,888)	(2,862)
Amortization of bond issuance costs	(5)	(5)	(5)
New investment units issuance costs	(58)	—	—
Other non-operating expenses, net	(35)	(33)	(30)
Ordinary Income	8,964	8,400	9,283
Extraordinary Loss:			
Loss on disaster (Note 10)	(163)	—	—
Provision for loss on disaster (Note 10)	(43)	—	—
Income before Income Taxes	8,758	8,400	9,283
Current and deferred income taxes (Note 11)	(1)	(1)	(1)
Net Income	¥ 8,757	¥ 8,399	¥ 9,282

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

Statements of Changes in Net Assets

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2011, December 31, 2010 and June 30, 2010

	Number of Units	(Yen in millions)		
		Unitholders' Capital	Retained Earnings	Total
Balance as of December 31, 2009	542,000	¥386,176	¥ 10,662	¥396,838
Cash dividends declared	—	—	(10,662)	(10,662)
Net income	—	—	9,282	9,282
Balance as of June 30, 2010	542,000	386,176	9,282	395,458
Cash dividends declared	—	—	(9,282)	(9,282)
Net income	—	—	8,399	8,399
Balance as of December 31, 2010	542,000	386,176	8,399	394,575
Cash dividends declared	—	—	(8,399)	(8,399)
Issuance of new units through public offering as of January 26, 2011	34,000	26,957	—	26,957
Issuance of new units through allocation to a third party as of February 22, 2011	2,500	1,982	—	1,982
Net income	—	—	8,757	8,757
Balance as of June 30, 2011	578,500	¥415,115	¥ 8,757	¥423,872

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

Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2011, December 31, 2010 and June 30, 2010

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 8,758	¥ 8,400	¥ 9,283
Depreciation and amortization	5,534	5,171	5,239
Amortization of bond issuance costs	5	5	5
Increase in provision for loss on disaster	43	—	—
Interest expense	2,861	2,888	2,862
(Increase) Decrease in tenant receivables	(6)	21	(8)
Increase (Decrease) in accounts payable	(162)	757	(197)
Increase (Decrease) in rents received in advance	300	(28)	(159)
Decrease in investment properties due to sale	—	—	3,272
Cash payments of interest expense	(2,864)	(2,887)	(2,815)
(Increase) Decrease in consumption tax refund receivable	(1,102)	—	—
Others, net	(272)	(226)	(203)
Net Cash Provided by Operating Activities	13,095	14,101	17,279
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(60,042)	(1,756)	(1,501)
Proceeds from tenant security deposits	5,039	4,213	3,408
Payments for tenant security deposits	(1,348)	(4,727)	(5,103)
Payments for security deposits paid to lessors	(10)	(15)	(8)
Others, net	(517)	(92)	(119)
Net Cash Used in Investing Activities	(56,878)	(2,377)	(3,323)
Cash Flows from Financing Activities:			
Proceeds from (Repayment of) short-term loans, net	—	(8,000)	(8,000)
Proceeds from long-term debt	32,000	2,000	24,000
Repayment of long-term debt	(6,375)	(2,375)	(20,375)
Proceeds from issuance of new units	28,881	—	—
Payments for bond issuance costs	—	—	(54)
Payment of dividends	(8,396)	(9,281)	(10,658)
Net Cash Provided by (Used in) Financing Activities	46,110	(17,656)	(15,087)
Net Change in Cash and Cash Equivalents	2,327	(5,932)	(1,131)
Cash and Cash Equivalents at the Beginning of Period	33,668	39,600	40,731
Cash and Cash Equivalents at the End of Period	¥ 35,995	¥ 33,668	¥ 39,600

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2011, December 31, 2010 and June 30, 2010

Note 1 Organization and Basis of Presentation

Organization

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

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

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

As of June 30, 2011, NBF had ownership or beneficiary interests in 64 office properties containing approximately 828,491 square meters of rentable office space. As of June 30, 2011, NBF had leased office space to 1,011 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.1%.

Basis of Presentation

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

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

Note 2 Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

Buildings and improvements	2-50 years
Structures	2-50 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-19 years

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

Investment Corporation Bond Issuance Costs

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

New Investment Units Issuance Costs

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

Provision for Loss on Disaster

Provision for loss on disaster is recorded at the amount reasonably estimated as of June 30, 2011 to provide for repair costs for assets damaged by the Great East Japan Earthquake.

Income Taxes

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

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥293 million for the period ended June 30, 2011. No capitalized real estate taxes were incurred for the periods ended December 31, 2010, and June 30, 2010.

Revenue Recognition

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

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended June 30, 2011.

Note 3 Change in Accounting Policy

The New Accounting Standard for Asset Retirement Obligations

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

Note 4 Financial Instruments

(For the six months ended June 30, 2011)

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

Short-term loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the debt-asset ratio low and the level of long-term fixed-rate debt high.

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of June 30, 2011 are as follows.

The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2. below).

	Book value	Fair value	Difference
(Yen in millions)			
Assets			
(1) Cash and cash equivalents	¥ 35,995	¥ 35,995	¥ —
Total	¥ 35,995	¥ 35,995	¥ —
Liabilities			
(1) Short-term loans	¥ 8,000	¥ 8,000	¥ —
(2) Long-term debt due within one year	65,750	66,089	339
(3) Long-term debt	277,000	286,276	9,276
Total	¥350,750	¥360,365	¥9,615

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

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

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥20,000	¥20,079	¥ 79
(2) Long-term loans	45,750	46,010	260
Total	¥65,750	¥66,089	¥339

1) Investment corporation bonds

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

2) Long-term loans

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

(3) Long-term debt

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

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 50,000	¥ 51,763	¥1,763
(2) Long-term loans	227,000	234,513	7,513
Total	¥277,000	¥286,276	¥9,276

1) Investment corporation bonds

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

2) Long-term loans

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

2. Financial Instruments for Which It Is Very Difficult to Estimate the Fair Value.

(Yen in millions)

Book value	
Tenant Security Deposits Including Trust Accounts	¥40,328

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

3. Redemption Schedule for Monetary Claims

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and cash equivalents	¥35,995	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	¥ 8,000	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	20,000	—	10,000	10,000	10,000	20,000
Long-term loans	45,750	27,750	41,750	26,750	61,750	69,000
Total	¥73,750	¥27,750	¥51,750	¥36,750	¥71,750	¥89,000

(For the six months ended December 31, 2010)

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

Short-term loans are exposed to interest-rate fluctuation. NBF limits the impact of such risks by maintaining the debt-asset ratio low and the level of long-term fixed-rate debt high.

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of December 31, 2010 are as follows.

The financial instruments for which it is very difficult to estimate the fair value are excluded from the following table (See Note 2. below).

(Yen in millions)

	Book value	Fair value	Difference
Assets			
(1) Cash and cash equivalents	¥ 33,668	¥ 33,668	¥ —
Total	¥ 33,668	¥ 33,668	¥ —
Liabilities			
(1) Short-term loans	¥ 8,000	¥ 8,000	¥ —
(2) Long-term debt due within one year	40,750	40,991	241
(3) Long-term debt	276,375	284,119	7,744
Total	¥325,125	¥333,110	¥7,985

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

Assets:

(1) Cash and cash equivalents

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

Liabilities:

(1) Short-term loans

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

(2) Long-term debt due within one year

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

(Yen in millions)

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

1) Investment corporation bonds

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

2) Long-term loans

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

(3) Long-term debt

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

(Yen in millions)

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

1) Investment corporation bonds

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

2) Long-term loans

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

2. Financial Instruments for Which It Is Very Difficult to Estimate the Fair Value.

(Yen in millions)

	Book value
Tenant Security Deposits Including Trust Accounts	¥36,637

Security deposits from tenants are not subject to fair value disclosure because they are not marketable, and actual deposit period is not estimable as leases may be cancelled, renewed or re-signed even if a lease term is set in the lease contract, making a reasonable estimate of future cash flows difficult.

3. Redemption Schedule for Monetary Claims

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and cash equivalents	¥33,668	—	—	—	—	—

4. Repayment Schedule for Loans and Investment Corporation Bonds

(Yen in millions)

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

Note5 Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2011 and December 31, 2010 consisted of the following:

	As of June 30, 2011			As of December 31, 2010		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥248,256	¥ —	¥248,256	¥218,479	¥ —	¥218,479
Land in trust	254,984	—	254,984	254,984	—	254,984
Land including trust total	503,240	—	503,240	473,463	—	473,463
Buildings and improvements	170,905	(29,674)	141,231	142,649	(26,866)	115,783
Buildings and improvements in trust	136,878	(42,298)	94,580	135,832	(39,904)	95,928
Building and improvements including those in trust	307,783	(71,972)	235,811	278,481	(66,770)	211,711
Structures	2,673	(941)	1,732	2,260	(861)	1,399
Machinery and equipment	1,424	(553)	871	1,138	(496)	642
Tools, furniture and fixtures	1,071	(416)	655	850	(369)	481
Structures in trust	1,936	(680)	1,256	1,918	(631)	1,287
Machinery and equipment in trust	1,373	(728)	645	1,339	(684)	655
Tools, furniture and fixtures in trust	1,101	(615)	486	1,071	(574)	497
Construction in process	—	—	—	48	—	48
Construction in process in trust	7	—	7	—	—	—
Other tangible assets total	9,585	(3,933)	5,652	8,624	(3,615)	5,009
Total	¥820,608	¥(75,905)	¥744,703	¥760,568	¥(70,385)	¥690,183

Note 6 Net Assets

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

Note 7 Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2011 and December 31, 2010 ranged from 0.54% to 0.65% and from 0.64% to 0.75%, respectively. Long-term debt is at fixed rates and as of June 30, 2011 and December 31, 2010 consisted of the following:

	As of June 30, 2011	As of December 31, 2010
	(Yen in millions)	
Unsecured loans due 2011 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 0.9% to 2.4%	¥272,750	¥247,125
1.60% unsecured bonds due 2011 (Note 1)	10,000	10,000
1.48% unsecured bonds due 2012 (Note 2)	10,000	10,000
1.74% unsecured bonds due 2014 (Note 2)	10,000	10,000
1.23% unsecured bonds due 2015 (Note 2)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 2)	10,000	10,000
2.04% unsecured bonds due 2017 (Note 2)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 1)	10,000	10,000
	342,750	317,125
Less: amount due within one year	65,750	40,750
	¥277,000	¥276,375

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

The annual maturities of long-term debt as of June 30, 2011 were as follows:

(Yen in millions)

Due after one to two years	¥27,750
Due after two to three years	51,750
Due after three to four years	36,750
Due after four to five years	71,750
Due after five years	89,000

During the period ended June 30, 2011, NBF obtained committed credit lines of ¥50 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥50 billion on June 30, 2011.

Note 8 Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2011, December 31, 2010 and June 30, 2010 were as follows:

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
	(Yen in millions)		
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥23,061	¥22,025	¥22,757
Common area charges	2,598	2,608	2,706
Others	114	114	120
Subtotal	25,773	24,747	25,583
Other revenues related to property leasing:			
Parking lots	554	531	534
Facility charge	156	138	140
Incidental income	1,483	1,808	1,486
Cancellation fees	64	46	228
Miscellaneous income	51	44	64
Subtotal	2,308	2,567	2,452
Total revenues from property leasing	28,081	27,314	28,035
Rental Expenses:			
Property management fees	3,947	3,776	3,798
Real estate taxes	2,678	2,621	2,648
Repairs and maintenance	579	718	883
Insurance	32	32	36
Other rental expenses	2,181	2,506	2,224
Depreciation and amortization	5,534	5,171	5,239
Total rental expenses	14,951	14,824	14,828
Operating Income from Property Leasing Activities	¥13,130	¥12,490	¥13,207

Note 9 Gain and Loss on Sale of Investment Properties

Gain and loss on sale of investment properties for the period ended June 30, 2010 were as follows. No investment properties were sold during the periods ended June 30, 2011 and December 31, 2010.

NBF Ebisu-Minami Building		(Yen in millions)
Proceeds from sale of investment property	¥1,350	
Cost of sale of investment property	1,001	
Other related sale expenses	43	
Gain on sale of investment property	¥ 306	

NBF Hakata Gion Building		(Yen in millions)
Proceeds from sale of investment property	¥2,200	
Cost of sale of investment property	2,271	
Other related sale expenses	69	
Loss on sale of investment property	¥ 140	

Note 10 Extraordinary Loss

Repair costs for assets damaged by the Great East Japan Earthquake have been recognized as extraordinary loss.

Note 11 Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.01% for the periods ended June 30, 2011, December 31, 2010 and June 30, 2010. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
Statutory tax rate (Note 1)	39.33%	39.33%	39.33%
Deductible dividends	(39.33)	(39.33)	(39.33)
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

Note 12 Per Unit Information

Information about earnings per unit for the periods ended June 30, 2011, December 31, 2010 and June 30, 2010 and net assets per unit as of June 30, 2011, December 31, 2010 and June 30, 2010 were as follows.

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

	For the six months ended June 30, 2011	For the six months ended December 31, 2010	For the six months ended June 30, 2010
(Yen)			
Earnings per Unit:			
Net income	¥15,280	¥15,495	¥17,124
Weighted average number of units outstanding	573,086	542,000	542,000
	As of June 30, 2011	As of December 31, 2010	As of June 30, 2010
Net Assets per Unit	¥732,709	¥727,996	¥729,626

Note 13 Leases

As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2011 and December 31, 2010, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2011	As of December 31, 2010
	(Yen in millions)	
Due within one year	¥22,450	¥19,396
Due after one year	32,119	28,947
Total	¥54,569	¥48,343

As Lessee

NBF leases some of its investment properties from outside parties under non-cancelable operating leases. As of June 30, 2011 and December 31, 2010, future minimum rental expenses under the non-cancelable operating leases are as follows:

	As of June 30, 2011	As of December 31, 2010
	(Yen in millions)	
Due within one year	¥2	¥—
Due after one year	4	—
Total	¥6	¥—

Note 14 Transactions with Related Parties

(For the six months ended June 30, 2011)

- (1) Parent Company and Major Corporate Unitholders
None applicable.
- (2) Affiliates
None applicable.
- (3) Sister Companies
None applicable.
- (4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction Yen in millions	Account	Balance at end of period 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)	¥1,244 (Note 2) (Note 4)	Accounts payable	¥285 (Note 4)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 3)	¥7 (Note 4)	Accounts payable	¥1 (Note 4)

- Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and the fee amount is subject to the conditions set forth in the by-laws of NBF.
2. The amount of asset management fees includes ¥272 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 the fee amount is set forth in the "General Administration Regarding the Management of Institutions" 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.

(For the six months ended December 31, 2010)

- (1) Parent Company and Major Corporate Unitholders
None applicable.
- (2) Affiliates
None applicable.
- (3) Sister Companies
None applicable.

(4) Directors and Major Individual Unitholders

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

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

(For the six months ended June 30, 2010)

(1) Parent Company and Major Corporate Unitholders

None applicable.

(2) Affiliates

None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Unitholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥988 (Note 3)	Accounts payable	¥303 (Note 3)
			Payment of fees to NBFM for the provision of general administration services relating to organizational management (Note 2)	¥2 (Note 3)	Accounts payable	¥1 (Note 3)

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

Note 15 Investment and Rental Property

(For the six months ended June 30, 2011)

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

(Yen in millions)

Carrying amount			Fair value
As of December 31, 2010	Net increase	As of June 30, 2011	As of June 30, 2011
¥725,823	¥54,558	¥780,381	¥822,483

Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.
 2. The major increase in the carrying amount during the period was mainly due to the acquisitions of 6 properties (NBF Ueno Bldg., River City M-SQUARE, Nihonbashi Kabuto-cho M-SQUARE, Hakata Gion M-SQUARE, Gate City Ohsaki (additional acquisition), and Chofu South Gate Bldg., ¥58,409 million) and the major decrease was mainly due to recognition of depreciation costs.
 3. Fair value as of June 30, 2011 is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the six months ended June 30, 2011 is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Gain and Loss on Sale of Investment Properties).

(For the six months ended December 31, 2010)

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

			(Yen in millions)
Carrying amount		Fair value	
As of June 30, 2010	Net decrease	As of December 31, 2010	As of December 31, 2010
¥729,233	¥3,410	¥725,823	¥772,178

Notes: 1. Carrying amounts represent acquisition cost less accumulated depreciation.

2. The major decrease in the carrying amount during the period was mainly due to recognition of depreciation costs.

3. Fair value as of December 31, 2010 is based on appraisals provided by independent real estate appraisers.

Information about profit and loss from investment and rental properties for the six months ended December 31, 2010 is disclosed in Note 8 (Rental Revenues and Expenses) and Note 9 (Gain and Loss on Sale of Investment Properties).

Note 16 Segment Information

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

(For the six months ended June 30, 2011)

Segment Information

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

Related Information

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Investment properties

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

3. Information on Major Tenants

			(Yen in millions)
Tenant	Operating revenues	Related segment	
Mitsui Fudosan Co., Ltd.	¥6,320	Real estate leasing business	

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

(For the six months ended December 31, 2010)

Segment Information

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

Related Information

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Investment properties

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

3. Information on Major Tenants

(Yen in millions)

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

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

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

Note 17 Significant Subsequent Events

On September 15, 2011 NBF issued unsecured bonds as described below through a public offering, pursuant to a comprehensive resolution concerning issuance of domestic unsecured bonds adopted by its Board of Directors on July 21, 2011.

No. 12 Unsecured Bonds

1. Name: Number 12 Unsecured Investment Corporation Bonds (with pari passu conditions among specified Investment Corporation Bonds)
2. Total Issue Amount: ¥10 billion
3. Issue Price: ¥100 with a par value of ¥100
4. Redemption Value: ¥100 with a par value of ¥100
5. Interest rate: 0.64%
6. Collateral and Guarantee: Unsecured and unguaranteed
7. Redemption: The redemption date for the total amount of principal is September 15, 2016 (if that day is a bank holiday in Japan, the redemption date shall be the first preceding business day.). The unsecured bonds may be redeemed at the option of NBF at any time from the day immediately after the issuance date unless otherwise determined by the book-entry transfer agent.
8. Interest Payment Dates: March 15 and September 15 each year (if that day is a bank holiday in Japan, the redemption date shall be the first preceding business day.).
9. Use of Proceeds: To be used for a part of the redemption of Number 5 Unsecured Investment Bonds (¥10,000,000,000) which matures on September 22, 2011.

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of June 30, 2011 and December 31, 2010, and the related statements of income, changes in net assets and cash flows for each of the six months ended June 30, 2011, December 31, 2010 and June 30, 2010 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of June 30, 2011 and December 31, 2010, and the results of its operations and its cash flows for each of the six months ended June 30, 2011, December 31, 2010 and June 30, 2010, in conformity with accounting principles generally accepted in Japan.

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

KPMG AZSA LLC

Tokyo, Japan
September 28, 2011

Appendix

Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of June 30, 2011, NBFM has been entrusted as an asset management company only by NBF.

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

Operation

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

Fees for the Asset Management Operation

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

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

History of NBFM

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

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

List of Shareholders (as of June 30, 2011)

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

Directors and Staff

As of June 30, 2011, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 17 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Yasushi Akimoto	Director, Head of Investment & Finance Group (standing)
Hiroshi Yabuki	Director, Head of Administration Group (standing)
Masato Shikata	Director
Fukuhisa Kumada	Director
Noriaki Moromachi	Corporate Auditor
Toru Suzuki	Corporate Auditor

Outline of Financial Condition

An outline of the financial condition of NBFM is as follows. Outline of principal assets and liabilities for the most recent fiscal year:

As of March 31, 2011	(Yen in millions)
Total Assets	¥1,879
Total Liabilities	341
Total Net Assets	1,538

Profit and loss for the most recent fiscal year:

Year ended March 31, 2011	(Yen in millions)
Operating Income	¥2,165
Ordinary Profit	1,409
Net Income	832

Investment and Distribution Policies

Investment Policies of NBF

A. Basic Policies

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

B. Investment Strategy

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

(1) Strategy for Creation of the Portfolio

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

Area Diversification

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

The following table sets forth above said area diversification strategy.

Area and Allocation Ratio	Area Analysis
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 sale.
Other Greater Tokyo Other 14 wards of Tokyo and neighboring cities (see Note 1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama, etc.	<ul style="list-style-type: none"> 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, with some variance by each area's characteristics; also, relatively small market scale and low growth rates. Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
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Total of above area: 30% or less

Notes: 1. "Neighboring cities" refers to the metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaraki, Gunma and Tochigi.
 2. Due to unforeseeable events, such as extreme fluctuations in macro-economic trends, financial trends, real estate market trends and so forth, it may not always be possible to operate in accordance with each of the above criteria ("Investment Objectives and Policies," Articles of Incorporation).

(2) Acquisition Strategy

a) Ratio of Real Estate Assets

NBF will maintain a ratio of 75% or more with respect to the "Designated Real Estate Ratio" ("Investment Objectives and Policies," Articles of Incorporation). As of June 30, 2011, NBF satisfied the criteria.

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

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

b) Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from the acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of measures responding to risks of deterioration and obsolescence, insurability and so forth of the relevant office properties (or Beneficiary

Certificates backed by such office properties) ("Investment Objectives and Policies," Articles of Incorporation). The details of the relevant criteria are set forth in the following table.

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

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> 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. Desired 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 (obtain structural appraisal/assessment (appraisal/assessment of the building structure pursuant to the Building Standards Law conducted by The Building Center of Japan), etc.).
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.

c) Uncompleted or Unleasable Properties

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

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

(3) Management and Disposition Policies

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

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

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

a) Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of June 30, 2011, foreseen reserves provided from July 2011 to June 2012 are as follows:

Item	Reason
Reserves for long-term renovations	<ul style="list-style-type: none"> 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)	<ul style="list-style-type: none"> Expenses of providing "free access floor" Expenses for other move-in construction costs (partitions, etc.)

Total Foreseen Amount (annual basis): ¥3,625 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 64 properties owned by NBF as of June 30, 2011.

b) Measures to Avoid Reductions and Fluctuations in Operating Income

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

c) Disposition

In disposing of individual operating properties, selections will be made through comprehensive research and analysis based on the forecasted income, actual and predicted fluctuations in asset value, future prospects and stability of the area of location, risks of deterioration and obsolescence of real estate and predicted costs thereof as well as the composition of the portfolio, etc. Sell/hold studies will be periodically undertaken with respect to all operating properties ("Investment Objectives and Policies," Articles of Incorporation).

(4) Financial Policies

a) Issuance of Units

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

b) Debt Financing

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

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

c) Loan-to-Value Ratio

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

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

d) Derivative Transactions

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

(5) Disclosure Policy

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

a) Appraisal Value, etc.

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

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

Investment Objectives of NBF

Investment Restrictions in Articles of Incorporation

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

A. Principal Investment Objectives among Designated Assets

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

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

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

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

B. Other Investment Objectives among Designated Assets

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

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

C. Assets Other than Designated Assets

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

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

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

Distribution Policies of NBF

A. Distributions of Profits

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

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

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

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

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

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

B. Distribution in Excess of Earnings

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

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

(1) Amount determined by NBF as being eligible for the requirements of Article 39.32.3 of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Amount being less than the Taxable Income Available for Dividends.

(2) Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macro economic environments, real estate markets and leasing markets.

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions, etc.

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

Investment Restrictions

A. Investment Restrictions in Articles of Incorporation

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

(1) Investment Location and Currencies

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

(2) Borrowing

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

(3) Concentration of Investment

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

(4) Investment Objectives

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

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

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

(5) Compliance with Laws and Regulations

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

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

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

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

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

a) Internal Transactions (§ 42.2.1)

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

b) Reciprocal Transactions with Managed Assets (§ 42.2.2)

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

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

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

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

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

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

e) Other Transactions Defined by Cabinet

Office Ordinances

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

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

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

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

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

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

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

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

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

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

C. Other Restrictions

Subscription and Margin Trading of Securities

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

Corporate Data

(As of June 30, 2011)

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 http://www.nbf-m.com/nbf_e/
Date of Inception:	March 16, 2001
Capital:	Contributed capital and units issued and outstanding: ¥415,155 million 578,500 units
Unitholders:	15,348
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 Auditors:	KPMG AZSA LLC AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 29, 2011 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2011 to June 30, 2011, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

Investors' Information

(As of June 30, 2011)

Fiscal Periods

Six months ending June 30 and December 31

Total Number of Units Issued

20th Period (From January 1, 2011 to June 30, 2011)	578,500 units
19th Period (From July 1, 2010 to December 31, 2010)	542,000 units

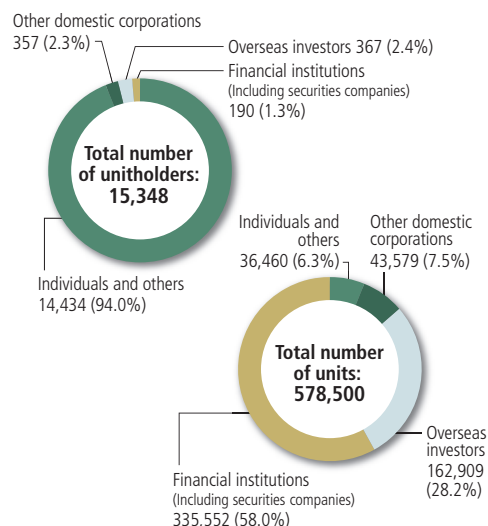
Distributions

Expected distribution for the 21st Period (ending December 2011)	
For the operating period from July 1, 2011 to December 31, 2011 (6 months)	¥15,100 per unit
Confirmed distribution for the 20th Period (ended June 2011)	
For the operating period from January 1, 2011 to June 30, 2011 (6 months)	¥15,138 per unit

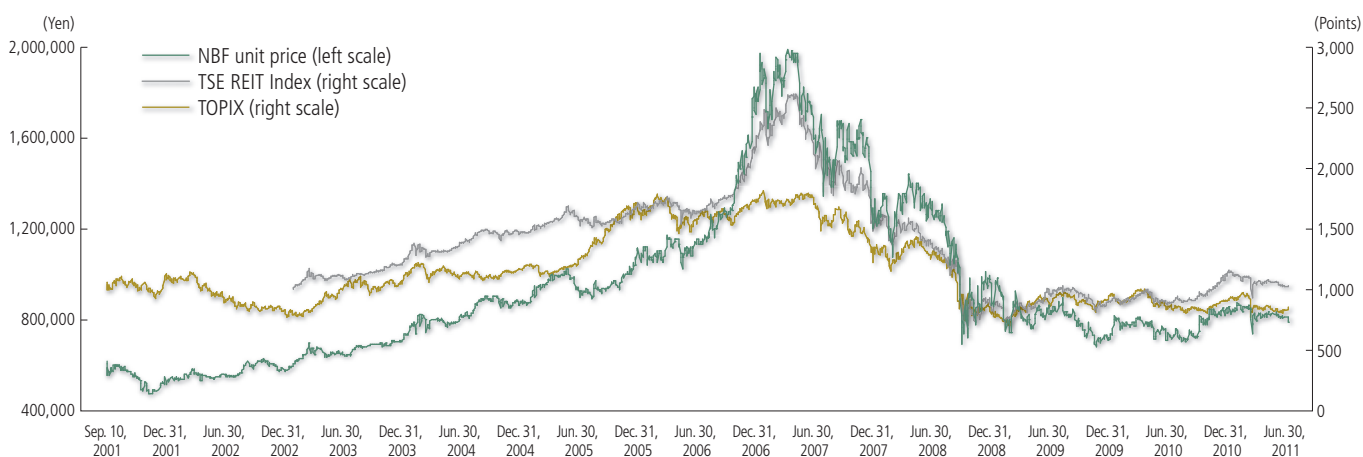
Major Unitholders

Name	Number of Units Held	Percentage of Total
Japan Trustee Services Bank, Ltd. (Trust Account)	78,994	13.7%
The Nomura Trust and Banking Co., Ltd. (Trust Account)	50,296	8.7
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	49,449	8.5
Mitsui Fudosan Co., Ltd.	20,815	3.6
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,678	3.1
Nomura Bank (Luxembourg) SA	16,763	2.9
Sumitomo Life Insurance Company	12,256	2.1
Deutsche Securities Inc.	12,124	2.1
The Chugoku Bank, Ltd.	8,863	1.5
State Street Bank West Pension Fund Clients-Exempt	7,233	1.3

Unitholders



Historical Unit Price





Nippon Building Fund Inc.

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

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