

Semi-Annual Report

First Half of 2023

(44th Period – January to June 2023)

Nippon Building Fund Inc.

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Performance Results:

During the period under review, the Japanese economy entered a period of transition to post-Covid19, with a recovery in capital investment by companies and a rebound in personal consumption driven by rising wages amid downward pressure from high prices.

On the other hand, the impact of changes in financial markets, such as rising interest rates due to monetary tightening in Europe and the U.S. and the collapse of a regional bank in the U.S., was limited in Japan.

In the office building rental market in Tokyo CBD, there are signs of a recovery in demand as companies reaffirm their recognition of office functions, such as positive relocations to increase floor space and improve locations, amid the ongoing review of required office space triggered by the Covid-19. On the other hand, the vacancy rate in Tokyo CBD has remained in the 6% range and has not yet reached a decreasing trend.

With regard to the office building trading market, the market remained firm even during the phase of rising interest rates due to global monetary tightening. The competitive environment for property acquisitions continued, as information on sales of prime properties remained limited.

Even under this environment, NBF enhanced its portfolio by acquiring " IIDABASHI GRAND BLOOM " (real property; acquisition price: 25.4 billion yen (additional acquisition)) and " Toyosu Bayside Cross Tower " (real property; acquisition price: 21.6 billion yen (additional acquisition)) in March 2023, and disposed " Shin-Kawasaki Mitsui Bldg." (trust beneficiary interest, disposition price: 24.0billion yen) in January 2023.

Regarding the existing portfolio, NBF executes above leasing activities, in order to reach the cruising occupancy rate in the 97% range. With existing tenants, NBF strives to retain and improve rent levels, prevent cancellations based on the fundamental policy of maintaining favorable relationships and enhancing tenant satisfaction. As a result of these activities, occupancy rates and rental revenues remains stable.

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

Overview of Performance and Distribution:

As the result of above operations, NBF's performance results during the period under review consisted of operating revenues of ¥47,030 million (a decrease of ¥336 million, or 0.7%, compared with the previous period), excluding profits from dispositions, real estate rental revenues of ¥45,148 million (a decrease of ¥24 million, or 0.1%, compared with the previous period), almost unchanged from the previous period, operating income from leasing activities of ¥20,870 million (a decrease of ¥630 million, or 2.9%, compared with the previous period), operating income of ¥20,640 million (a decrease of ¥956 million, or 4.4% compared with the previous period), ordinary income of ¥19,336 million (a decrease of ¥953 million, or 4.7%, compared with the previous period), and net income of ¥19,335 (a decrease of ¥953 million, or 4.7%, compared with the previous period).

In accordance with the distribution policy prescribed in its Articles of Incorporation, NBF decided to distribute ¥19,561 million, the entire amount arrived at by deducting provision of reserve for advanced depreciation (¥1,912 million) from the sum of retained earnings (¥19,335 million) and reversal of reserve for advanced depreciation (¥2,138 million), so that it will be able to deduct the maximum amount of cash distribution of profit from its

taxable income through the application of preferential tax measures to investment corporations (Article 67-15 of the Act on Special Measures Concerning Taxation) (Net reversal of reserve for advanced depreciation is ¥225 million). As a result, the distribution per unit was ¥11,500 (same as the previous period).

Summary of Selected Financial Data

		44th Period from January 1, 2023 to June 30, 2023	43rd Period from July 1, 2022 to December 31, 2022	42nd Period from January 1, 2022 to June 30, 2022	44th Period from January 1, 2023 to June 30, 2023
		Yen in millions, except per unit data or where otherwise indicated (Note 1)			U.S. dollars in thousands except per unit data (Note 1, 2)
Operating revenues	Note 3	¥ 47,030	¥ 47,366	¥ 52,215	\$325,540
Revenues from property leasing		45,148	45,172	45,227	312,512
Gains on sales of real estate properties		1,882	2,194	6,988	13,027
Operating expenses		26,390	25,770	25,408	182,669
Rental expenses		24,278	23,672	23,200	168,053
Ordinary income		19,336	20,289	25,440	133,846
Net income	(a)	19,335	20,288	25,439	133,839
Funds from operations	Note 4	25,327	26,012	26,180	175,312
Net operating income from property leasing activities	Note 4	28,743	29,418	29,756	198,958
Total amount of cash distribution	(b)	19,561	19,561	22,922	135,401
Depreciation and amortization		7,873	7,917	7,728	54,499
Capital expenditures		5,118	3,650	8,820	35,432
Total assets	(c)	1,385,920	1,368,739	1,367,719	9,593,137
Interest-bearing debt		594,500	577,500	574,500	4,115,041
Net assets	(d)	706,295	706,521	709,154	4,888,873
Total number of units issued (Units)	(e)	1,700,991	1,700,991	1,700,991	
Net assets per unit (Yen/\$)	(d) / (e)	415,225	415,358	416,906	2,874
Distribution per unit (Yen/\$)	(b) / (e)	11,500	11,500	13,476	79
Funds from operations per unit (Yen/\$)	Note 4	14,889	15,292	15,435	103
ROA	Note 4	1.4%	1.5%	1.9%	
(Annual rate)		(2.8%)	(3.0%)	(3.8%)	
ROE	Note 4	2.7%	2.9%	3.7%	
(Annual rate)		(5.5%)	(5.7%)	(7.4%)	
Loan to value (LTV)	Note 4	42.9%	42.2%	42.0%	
Capital ratio	(d) / (c)	51.0%	51.6%	51.8%	
Payout ratio	(b) / (a), Note 5	101.1%	96.4%	90.1%	
Number of days		181	184	181	
Number of real estate properties	Note 6	70	71	73	
Number of tenants	Note 6	1,552	1,547	1,601	
Total rentable area (m ²)		1,202,427	1,219,233	1,237,167	
Occupancy rate (Average)	Note 6	97.0%	95.9%	96.3%	

- Notes:
1. The amounts of yen in the annual report are rounded down to the nearest million yen. The amounts of U.S. dollar are rounded after the decimal.
 2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥144.47 = U.S. \$1.00, the approximate exchange rate on June 30, 2023.
 3. Operating revenues do not include consumption tax.
 4. All valuations are calculated through the following formulas. The figures in parentheses after ROA and ROE are annualized based on the six-month figures for the period.
Funds from operations: Net income (excluding Gains and Losses on sales of real estate properties) + Depreciation and amortization
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization
Funds from operations per unit: (Net income (excluding Gains and Losses on Sales of real estate Properties) + Depreciation and amortization) / Weighted average number of units issued and outstanding during the period
ROA: Ordinary income / (Initial total assets + Total assets at end of period) ÷ 2
ROE: Net income / (Initial net assets + Net assets at end of period) ÷ 2
LTV: Interest-bearing debt / Total assets
 5. Payout ratio figures are calculated to one decimal place only.
 6. Number of real estate properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building. Occupancy rate, end-tenant basis, is the weighted average of month-end occupancy rate on a floor space basis.

Management's Discussion and Analysis

1. Distribution for the Current Period

Distribution per unit for the current period was ¥11,500. NBF expects to distribute almost all retained earnings at the current period end remaining after deducting the amount appropriated to the reserve for advanced depreciation of replacing specified assets as stipulated in Article 65-7 of the Act on Special Measures Concerning Taxation to be eligible for special tax treatment (Article 67-15 of the Act on Special Measures Concerning Taxation) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended June 30, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
(Yen in thousands, except per unit amounts)			
Retained earnings	¥19,335,863	¥20,288,900	¥25,439,937
Undistributed earnings	—	—	—
Transfer to reserve for reduction entry	1,912,612	1,639,062	2,517,382
Reversal of reserve for reduction entry	2,138,145	911,559	—
Total cash distribution	19,561,396	19,561,396	22,922,554
(Cash distribution per unit)	11,500	11,500	13,476
Distribution of accumulated earnings	19,561,396	19,561,396	22,922,554
(Distribution of accumulated earnings per unit)	11,500	11,500	13,476
Cash distribution in excess of accumulated earnings	—	—	—
(Per unit)	—	—	—

Notes:

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

2. Changes in Assets, Liabilities and Net Assets

Assets

As of June 30, 2023, total assets increased by ¥17,181 million to ¥1,385,920 million compared with December 31, 2022. Return on average total assets (ROA) for the six months ended June 30, 2023 decreased to 1.4 percent from 1.5 percent for the previous six-month period.

Current assets decreased by ¥6,247 million to ¥10,922 million compared with December 31, 2022. Real estate properties increased by ¥23,267 million to ¥1,332,363 million compared with December 31, 2022. Intangible assets decreased by ¥18 million to ¥35,692 million compared with December 31, 2022.

Liabilities

Current liabilities decreased by ¥9,365 million to ¥64,794 million compared with December 31, 2022, primarily because of a decrease in Long-term debt due within one year compared with December 31, 2022.

Long-term debt increased by ¥25,000 million to ¥542,500 million compared with December 31, 2022.

As a result, total interest-bearing liabilities increased by ¥17,000 million to ¥594,500 million compared with December 31, 2022. As of the end of the period under review, the ratio of long-term fixed interest-bearing debt was 90.6 percent.

The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities to total assets, increased to 42.9 percent as of June 30, 2023 from 42.2 percent as of December 31, 2022.

Notes:

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

Net assets

Net assets decreased by ¥225 million to ¥706,295 million compared with December 31, 2022.

3. Funding

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of June 30, 2023, NBF had issued 1,700,991 units out of 4,000,000 total authorized units. NBF's units were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of units, NBF's units comprise the sole class of units authorized and issued by NBF.

Issue date	Remarks	Units issued and outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(units)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3

July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4
August 11, 2004	Third party allocation	4,000	364,700	2,941	210,678	Note 5
August 10, 2005	Public offering	58,000	422,700	51,491	262,170	Note 6
March 16, 2006	Public offering	80,000	502,700	79,040	341,210	Note 7
March 29, 2006	Third party allocation	5,300	508,000	5,236	346,446	Note 8
February 4, 2008	Public offering	31,800	539,800	37,158	383,605	Note 9
March 4, 2008	Third party allocation	2,200	542,000	2,570	386,175	Note 10
January 26, 2011	Public offering	34,000	576,000	26,957	413,132	Note 11
February 22, 2011	Third party allocation	2,500	578,500	1,982	415,114	Note 12
January 25, 2012	Public offering	30,000	608,500	18,172	433,287	Note 13
February 21, 2012	Third party allocation	4,500	613,000	2,725	436,013	Note 14
January 23, 2013	Public offering	74,000	687,000	63,973	499,986	Note 15
January 31, 2013	Third party allocation	5,000	692,000	4,322	504,308	Note 16
January 1, 2014	Unit split	692,000	1,384,000	—	504,308	Note 17
March 19, 2014	Public offering	26,500	1,410,500	14,022	518,331	Note 18
March 28, 2014	Third party allocation	1,500	1,412,000	793	519,124	Note 19
October 26, 2020	Public offering	229,000	1,641,000	117,041	636,166	Note 20
November 6, 2020	Third party allocation	11,500	1,652,500	5,877	642,044	Note 21
January 19, 2022	Public offering	47,500	1,700,000	30,369	672,413	Note 22
January 28, 2022	Third party allocation	991	1,700,991	633	673,047	Note 23

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

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

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

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

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

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

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

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

9. Public offering of new units for ¥1,205,400 per unit (excluding underwriting fee: ¥1,168,500) to repay debt and to fund property acquisition.

10. Additional issue of new units (third party allocation) for ¥1,168,500 per unit undertaken pursuant to the public offering in Note 9.

11. Public offering of new units for ¥818,025 per unit (excluding underwriting fee: ¥792,855) to repay debt and to fund property acquisition.

12. Additional issue of new units (third party allocation) for ¥792,855 per unit undertaken pursuant to the public offering in Note 11.

13. Public offering of new units for ¥624,975 per unit (excluding underwriting fee: ¥605,745) to repay debt and to fund property acquisition.

14. Additional issue of new units (third party allocation) for ¥605,745 per unit undertaken pursuant to the public offering in Note 13.

15. Public offering of new units for ¥891,800 per unit (excluding underwriting fee: ¥864,500) to repay debt and to fund property acquisition.
16. Additional issue of new units (third party allocation) for ¥864,500 per unit undertaken pursuant to the public offering in Note 15.
17. Effective January 1, 2014, NBF implemented a 2-for-1 unit split of its investment units.
18. Public offering of new units for ¥545,860 per unit (excluding underwriting fee: ¥529,150) to repay debt and to fund property acquisition.
19. Additional issue of new units (third party allocation) for ¥529,150 per unit undertaken pursuant to the public offering in Note 18.
20. Public offering of new units for ¥527,240 per unit (excluding underwriting fee: ¥511,100) to fund property acquisition.
21. Additional issue of new units (third party allocation) for ¥511,100 per unit undertaken pursuant to the public offering in Note 20.
22. Public offering of new units for ¥659,540 per unit (excluding underwriting fee: ¥639,350) to fund property acquisition.
23. Additional issue of new units (third party allocation) for ¥639,350 per unit undertaken pursuant to the public offering in Note 22.

Market Price of Units

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

	For the six months ended June 30, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
		(Yen)	
High	¥589,000	¥708,000	¥723,000
Low	540,000	580,000	627,000

Borrowings

Borrowings from financial institutions as of June 30, 2023 are shown below.

Short-term loans

Lender	Balance	Interest rate (%)	Due on	Repayment method	Use of funds	Notes
		(Note 2)	(Note 1)			
(Yen in millions)						
Mizuho Bank, Ltd.	¥5,000	0.085%	July 31, 2023	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)
Total short-term loans	¥5,000					

Long-term loans

Lender	Balance	Interest rate (%)	Due on	Repayment method	Use of funds	Notes
		(Note 2)	(Note 1)			
(Yen in millions)						
MUFG Bank, Ltd.	¥7,000	0.358%	June 1, 2028			
	4,000	0.180%	March 1, 2027			
	3,000	0.104%	February 28, 2025			
	3,000	0.138%	February 27, 2026			
	5,000	0.400%	July 2, 2029			
	8,000	0.400%	February 28, 2030			

	2,000	0.270%	February 26, 2027			
	7,000	0.270%	May 31, 2027			
	6,000	0.150%	July 31, 2024			
	4,000	0.400%	July 31, 2030			
	5,000	0.320%	January 7, 2028			
	5,000	0.400%	January 7, 2030			
	5,000	0.450%	January 7, 2031	Bullet		Unsecured
	6,000	0.450%	February 28, 2031	payment	(Note 3)	/unguaranteed
	4,000	0.180%	February 27, 2026			/pari passu
	3,000	0.400%	June 28, 2030			See (Note 4)
	2,000	0.335%	January 31, 2029			
	4,000	0.396%	March 31, 2028			
Development Bank of Japan Inc.	13,000	0.747%	September 10, 2027			
	10,000	0.357%	February 15, 2028			
	10,000	0.256%	April 8, 2026			
	5,000	0.250%	June 1, 2026			
	5,000	0.387%	September 14, 2028			
	10,000	0.491%	September 27, 2029			
	6,000	0.230%	May 30, 2024			
	2,500	0.417%	May 23, 2029			
	5,000	0.400%	August 3, 2029			
	3,000	0.450%	January 7, 2031			
	9,000	0.528%	June 28, 2030			
Sumitomo Mitsui Banking Corporation	11,000	0.164%	June 1, 2029			
		(Note 5)				
	6,000	0.150%	April 26, 2024			
	20,000	0.450%	January 7, 2031			
	10,000	0.320%	January 7, 2028			
	1,000	0.350%	June 29, 2029			
	4,000	0.383%	December 30, 2026			
	5,000	0.468%	February 26, 2027			
	3,000	0.693%	February 28, 2029			
	2,000	0.806%	February 28, 2030			
	3,000	0.318%	April 30, 2027			
	2,000	0.597%	April 30, 2030			
Sumitomo Mitsui Trust Bank, Limited	6,000	0.223%	May 31, 2024			
	4,000	0.093%	May 31, 2024			
		(Note 5)				
	5,000	0.090%	January 25, 2024			
	3,000	0.270%	September 11, 2026			
	10,000	0.210%	December 30, 2025			
	3,000	0.270%	January 27, 2027			
	10,000	0.400%	January 7, 2030			
	5,000	0.450%	March 30, 2032			
	3,000	0.815%	December 29, 2028			
Sumitomo Life Insurance Company	3,000	0.300%	February 3, 2026			
	5,000	0.250%	May 22, 2026			
	5,000	0.655%	July 16, 2032			
	5,000	0.646%	April 28, 2033			
	2,000	0.403%	April 28, 2028			
	2,000	0.364%	March 31, 2032			
	3,000	0.650%	May 23, 2034			
	5,000	0.500%	January 7, 2032			
	5,000	0.700%	January 7, 2036	Bullet		Unsecured
	5,000	0.700%	July 16, 2036	payment	(Note 3)	/unguaranteed
	1,000	0.931%	October 31, 2034			/pari passu,
	2,000	0.890%	September 30, 2033			See (Note 4)
	2,000	1.005%	March 30, 2035			
Shinkin Central Bank	5,000	0.250%	September 14, 2026			
	3,000	0.381%	December 30, 2026			
	3,000	0.356%	June 1, 2027			
	4,000	0.433%	July 12, 2027			
	4,000	0.219%	March 29, 2024			
	3,000	0.100%	December 30, 2025			
	2,000	0.188%	April 28, 2028			
	6,000	0.307%	June 22, 2029			
	5,000	0.450%	January 7, 2031			
Mizuho Bank, Ltd.	7,000	0.100%	November 30, 2025			
		(Note 5)				

	10,000	0.450%	January 7, 2031		
	5,000	0.425%	July 7, 2030		
	10,000	0.145%	May 27, 2032		
	(Note 5)				
The Norinchukin Bank	3,000	0.246%	April 30, 2026		
	3,000	0.300%	June 21, 2027		
	2,000	0.270%	June 19, 2026		
	2,000	0.300%	March 24, 2028		
	5,000	0.270%	September 30, 2027		
	5,000	0.320%	January 7, 2028		
	1,000	0.616%	October 31, 2030		
	3,000	0.851%	March 30, 2033		
Nippon Life Insurance Company	3,000	0.760%	May 31, 2032		
	2,000	0.400%	May 23, 2029		
	2,000	0.200%	May 29, 2026		
	2,000	0.450%	December 27, 2030		
	5,000	0.425%	January 30, 2032		
	5,000	0.712%	April 30, 2032		
Mizuho Trust & Banking Co., Ltd.	3,000	0.868%	April 30, 2033		
	4,000	0.145%	October 31, 2032		
	(Note 5)				
	4,000	0.095%	February 29, 2028		
	(Note 5)				
	3,000	0.085%	February 28, 2025		
	(Note 5)				
	3,000	0.085%	February 27, 2026		
	(Note 5)				
TAIJU LIFE INSURANCE COMPANY LIMITED	2,000	1.486%	May 30, 2025		
	2,000	1.047%	December 13, 2023		
	1,000	0.084%	March 31, 2025		
	1,000	0.416%	January 31, 2030		
	1,000	0.400%	February 13, 2030		
	2,000	0.491%	January 30, 2032		
	2,000	1.008%	November 1, 2034		
THE BANK OF FUKUOKA, Ltd.	2,000	0.987%	March 30, 2035		
	2,000	0.238%	May 31, 2024		
	2,000	0.300%	May 21, 2027		
	2,000	0.400%	January 7, 2030		
	2,000	0.710%	June 30, 2032		
	1,000	0.767%	October 29, 2032		
	2,000	0.164%	June 30, 2033		
	(Note 5)				
Daishi Hokuetsu Bank, Ltd.	2,000	0.257%	March 1, 2024		
	2,000	0.245%	June 28, 2024		
	2,000	0.400%	January 7, 2030		
The Yamaguchi Bank, Ltd.	2,000	0.320%	April 27, 2029		
	1,000	0.477%	January 10, 2029		
	2,000	0.400%	May 23, 2029		
	1,000	0.500%	August 31, 2032		
	1,000	0.500%	January 7, 2032		
	1,000	0.855%	October 31, 2033		
The Hachijuni Bank, Limited	2,000	0.936%	March 30, 2034		
	2,000	0.270%	June 26, 2027		
	1,000	0.270%	December 2, 2027		
	1,000	0.320%	January 7, 2028		
The Yamanashi Chuo Bank, Ltd.	1,000	0.767%	October 31, 2032	Bullet payment	Unsecured /unguaranteed /pari passu, See (Note 4)
	1,000	0.272%	October 11, 2024	(Note 3)	
	1,000	0.275%	May 14, 2025		
	1,000	0.322%	March 28, 2031		
The Iyo Bank, LTD.	1,000	0.767%	October 29, 2032		
	1,000	0.029%	June 30, 2025		
	(Note 5)				
	1,000	0.320%	April 28, 2028		
	1,000	0.320%	January 26, 2029		
	1,000	0.145%	October 29, 2032		
	(Note 5)				
DAIDO LIFE INSURANCE COMPANY	1,000	0.417%	September 11, 2023		
	1,000	0.302%	March 7, 2029		
	1,000	0.400%	October 2, 2030		

	1,000	0.716%	June 30, 2034
TAIYO LIFE INSURANCE COMPANY	1,000	0.650%	May 31, 2035
	1,500	0.350%	July 9, 2029
	1,500	0.500%	July 9, 2032
The 77 Bank, Ltd.	1,000	0.400%	May 23, 2029
	1,000	0.400%	March 25, 2030
	2,000	0.616%	June 30, 2031
The Joyo Bank, Ltd.	1,000	0.386%	March 3, 2027
	1,000	0.300%	February 28, 2028
	1,000	0.616%	October 31, 2030
The Chugoku Bank, Limited	1,000	0.270%	May 19, 2027
	2,000	0.320%	May 26, 2028
The Gunma Bank, Ltd.	1,000	0.320%	January 7, 2028
	1,000	0.539%	October 31, 2029
	1,000	0.598%	March 30, 2030
SBI Shinsei Bank, Limited	1,000	1.533%	May 30, 2025
	1,000	0.450%	January 31, 2031
	1,000	0.851%	March 30, 2033
The Keiyo Bank, Ltd.	1,000	0.450%	April 27, 2032
	1,000	0.616%	October 31, 2030
	1,000	0.503%	March 30, 2029
The Asahi Shinkin Bank	3,000	0.851%	March 30, 2033
The Chiba Bank, Ltd.	1,000	0.258%	June 27, 2025
	1,000	0.270%	May 22, 2026
THE SHIGA BANK, LTD.	1,000	0.616%	October 31, 2030
	1,000	0.767%	October 29, 2032
Momiji Bank, Ltd.	1,000	0.724%	September 30, 2031
	1,000	0.851%	March 30, 2033
	1,000	0.124%	June 1, 2027
Resona Bank, Limited.	1,000	(Note 5)	
Mitsui Sumitomo Insurance Company, Limited	1,000	0.320%	January 7, 2028
Kiraboshi Bank, Ltd.	1,000	0.792%	September 30, 2032
Kansai Mirai Bank, Limited	1,000	0.767%	October 31, 2032

Total long-term loans (Note 6)	¥542,500
Total borrowings	¥547,500

Notes:

- 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.
- Interest Rate is rounded down to the 3rd decimal point.
- Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital, etc.
- 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.
- This loan is a floating rate loan. Other long-term loans are all fixed rate loans.
- 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	¥20,000	¥61,000	¥52,000	¥81,000

NBF Bonds

Issue	Issue date	Balance as of June 30, 2023 (Yen in millions)	Coupon		Redemption	Use of funds	Notes
			(Note 1)	Maturity date			
No. 14 Unsecured Bonds	June 9, 2016	¥5,000	1.000%	June 8, 2046	Bullet payment	Note 2	Notes 3 and 4
No. 15 Unsecured Bonds	May 22, 2017	5,000	0.914%	May 22, 2037	Bullet payment	Note 2	Notes 3 and 4
No. 16 Unsecured Bonds	May 23, 2018	5,000	0.220%	May 23, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 17 Unsecured Bonds	May 23, 2018	5,000	0.888%	May 21, 2038	Bullet payment	Note 2	Notes 3 and 4
No. 18 Unsecured Bonds	December 19, 2018	7,000	0.200%	January 10, 2024	Bullet payment	Note 2	Notes 3 and 4
No. 19 Unsecured Bonds	August 14, 2020	15,000	0.180%	August 14, 2025	Bullet payment	Note 2	Notes 3 and 4
No. 20 Unsecured Bonds (Green Bonds)	March 22, 2021	5,000	0.150%	March 19, 2026	Bullet payment	Note 2	Notes 3 and 4
Total (Note 5)		¥47,000					

Notes:

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

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

Others

NBF has security deposits totaling ¥72,202 million as of June 30, 2023.

■ Capital Expenditures

1. Planning

As of June 30, 2023, 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, 2023 to June 30, 2023)	Cumulative amount paid
(Yen in millions)					
For the six months ending December 31, 2023 (the 45th fiscal period from July 1, 2023 to December 31, 2023)					
Shiba NBF Tower	Renovation of lighting equipment	From July 2023 to December 2023	¥263	¥—	¥—
NBF Platinum Tower	Renovation of lighting equipment	From June 2023 to December 2023	210	—	—
River City M-SQUARE	Renovation of emergency power equipment	From July 2023 to September 2023	191	—	4
Shiba NBF Tower	Renovation of water supply and drainage equipment	From July 2023 to December 2023	162	—	—
Ryukakusan Bldg.	Renovation of restroom	From December 2022 to December 2023	158	—	—
Hakata Gion M-SQUARE	Renovation of lighting equipment	From July 2023 to December 2023	158	—	—
NBF COMODIO Shiodome	Renovation of lighting equipment	From July 2023 to October 2023	153	—	—
NBF Platinum Tower	Renovation of security system	From June 2023 to December 2023	140	—	—
NBF Ikebukuro Tower	Renovation of restroom	From July 2023 to December 2023	134	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2023 to December 2023	124	—	—
NBF Takanawa Bldg.	Renovation of lighting equipment	From September 2023 to December 2023	118	—	—
Yotsuya Medical Bldg.	Renovation of air conditioning	From July 2023 to November 2023	117	—	—
Celestine Shiba Mitsui Bldg.	Renovation of central monitoring facilities	From July 2023 to December 2023	115	—	—
NBF Sapporo Minami Nijo Bldg.	Renovation of air conditioning	From September 2023 to December 2023	115	—	—

S-ino Omiya North Wing	Renovation of lighting equipment	From July 2023 to December 2023	114	—	—
NBF Ikebukuro City Bldg.	Renovation of restroom	From July 2023 to December 2023	113	—	—
Ryukakusan Bldg.	Renovation of elevator	From November 2022 to December 2023	97	—	—
Chofu South Gate Bldg.	Renovation of lighting equipment	From July 2023 to December 2023	90	—	—
NBF Matsuyama Nichigin-mae Bldg.	Renovation of lighting equipment	From February 2023 to December 2023	85	—	—
NBF Hatchobori Terrace	Renovation of substation equipment	From July 2023 to July 2023	85	—	—
Sumitomo Densetsu Bldg.	Renovation of water supply and drainage equipment	From July 2023 to December 2023	75	—	—
Sumitomo Densetsu Bldg.	Renovation of elevator	From June 2023 to November 2023	64	—	—
NBF Kumamoto Bldg.	Renovation of exterior	From July 2023 to December 2023	56	—	—
Nihonbashi Kabuto-cho M-SQUARE	Renovation of lighting equipment	From November 2023 to December 2023	49	—	—
Sapporo L-Plaza	Renovation of security system	From July 2023 to December 2023	43	—	—
For the six months ending June 30, 2024 (the 46th fiscal period from January 1, 2024 to June 30, 2024)					
Shiba NBF Tower	Renovation of water supply and drainage equipment	From January 2024 to June 2024	¥308	¥—	¥—
Shinjuku Mitsui Bldg.	Renewal construction of low-rise	From July 2023 to March 2024	300	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning	From July 2023 to February 2024	292	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2024 to June 2024	200	—	—
NBF Platinum Tower	Renovation of lighting equipment	From November 2023 to June 2024	200	—	—
Yotsuya Medical Bldg.	Renovation of air conditioning	From January 2024 to June 2024	194	—	—
Gate City Ohsaki	Renovation of restroom	From July 2023 to March 2024	157	—	—
Sakaitsuji-Honmachi Center Bldg.	Renovation of air conditioning	From November 2023 to April 2024	151	—	—
NBF COMODIO Shiodome	Renovation of lighting equipment	From November 2023 to February 2024	131	—	—
Celestine Shiba Mitsui Bldg.	Renovation of central monitoring facilities	From January 2024 to June 2024	122	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From January 2024 to June 2024	115	—	—
NBF Ikebukuro City Bldg.	renovation of restroom	From January 2024 to June 2024	113	—	—
Aqua Dojima NBF Tower	Renovation of lighting equipment	From January 2024 to June 2024	110	—	—
Hakata Gion M-SQUARE	Renovation of lighting equipment	From January 2024 to June 2024	108	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of common area	From August 2023 to February 2024	107	—	—

Nakameguro GT Tower	Renovation of central monitoring facilities	From August 2023 to March 2024	105	—	—
NBF Ikebukuro Tower	Renovation of lighting equipment	From January 2024 to June 2024	85	—	—
NBF Ogawamachi Bldg.	Renovation of substation equipment	From May 2024 to May 2024	77	—	—
Ryukakusan Bldg.	Renovation of lighting equipment	From January 2024 to June 2024	69	—	—
NBF Akasaka Sanno Square	Renovation of substation equipment	From May 2023 to June 2024	68	—	—
Jingumae M-SQUARE	Renovation of lighting equipment	From January 2024 to June 2024	45	—	—
Hiroshima Fukuromachi Bldg.	Renovation of lighting equipment	From January 2024 to June 2024	22	—	—
For the six months ending December 31, 2024 (the 47th fiscal period from July 1, 2024 to December 31, 2024)					
Nakanoshima Mitsui Bldg.	Renovation of air conditioning	From June 2022 to July 2024	¥751	¥—	¥—
Shiba NBF Tower	Renovation of water supply and drainage equipment	From July 2024 to December 2024	279	—	—
NBF Toyosu Garden Front	Renovation of air conditioning	From October 2023 to July 2024	251	—	—
NBF Osaki Bldg.	Renovation of lighting equipment	From August 2023 to December 2024	226	—	—
NBF Platinum Tower	Renovation of lighting equipment	From May 2024 to December 2024	220	—	—
Yokohama ST Bldg.	Renovation of elevator	From July 2024 to December 2024	152	—	—
Sakaisuji-Honmachi Center Bldg.	Renovation of air conditioning	From May 2024 to October 2024	150	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From July 2024 to December 2024	150	—	—
NBF Ikebukuro East	Renovation of substation equipment	From June 2023 to October 2024	132	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From July 2024 to December 2024	114	—	—
Aqua Dojima NBF Tower	Renovation of lighting equipment	From July 2024 to December 2024	110	—	—
NBF Shibuya East	Renovation of substation equipment	From July 2023 to December 2024	102	—	—
Jingumae M-SQUARE	Renovation of lighting equipment	From July 2024 to December 2024	100	—	—
For the six months ending June 30, 2025 (the 48th fiscal period from January 1, 2025 to June 30, 2025)					
Gate City Ohsaki	Renovation of restroom	From July 2024 to March 2025	¥419	¥—	¥—
Parale Mitsui Bldg.	Renovation of restroom	From January 2024 to March 2025	363	—	—
Shiba NBF Tower	Renovation of water supply and drainage equipment	From January 2025 to June 2025	336	—	—
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning	From April 2024 to February 2025	300	—	—
NBF Osaki Bldg.	Renovation of lighting equipment	From August 2023 to June 2025	226	—	—
Kowa Nishi-Shinbashi Bldg. B	Renovation of air conditioning	From January 2025 to June 2025	185	—	—

Nishi-Shinjuku Mitsui Bldg.	Renovation of restroom	From August 2024 to February 2025	129	—	—
Nakameguro GT Tower	Renovation of central monitoring facilities	From April 2024 to March 2025	129	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From January 2025 to June 2025	115	—	—
Aqua Dojima NBF Tower	Renovation of lighting equipment	From January 2025 to June 2025	101	—	—
NBF Ikebukuro Tower	Renovation of substation equipment	From April 2025 to April 2025	50	—	—
For the six months ending December 31, 2025 (the 49th fiscal period from July 1, 2025 to December 31, 2025)					
NBF Osaki Bldg.	Renovation of lighting equipment	From August 2023 to December 2025	¥226	¥—	¥—
Shiba NBF Tower	Renovation of water supply and drainage equipment	From July 2025 to December 2025	113	—	—
S-ino Omiya North Wing	Renovation of lighting equipment	From July 2025 to December 2025	110	—	—
For the six months ending June 30, 2026 (the 50th fiscal period from January 1, 2026 to June 30, 2026)					
Nishi-Shinjuku Mitsui Bldg.	Renovation of restroom	From May 2025 to February 2026	¥324	¥—	¥—
Nakameguro GT Tower	Renovation of central monitoring facilities	From April 2025 to March 2026	134	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥5,118 million in capital expenditures together with ¥1,189 million for repairs and maintenance expenses. In total, ¥6,308 million was spent on construction.

Name of property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsui Bldg.	Renovation of automatic fire information facilities, renovation of security system, renovation of lifting pump, etc.	From January 2023 to June 2023	¥627
Shiba NBF Tower	Renovation of emergency power equipment, renovation of lighting equipment, renovation of air conditioning, etc.		510
Gate City Ohsaki	Renovation of air conditioning, renovation of automatic fire information facilities, renovation of lighting equipment, etc.		381
NBF COMODIO Shiodome	Renovation of lighting equipment, renovation of central monitoring facilities, renovation of security system, etc.		354

River City M-SQUARE	Renovation of emergency power equipment, renovation of security system, renovation of electric energy meter, etc.	From January 2023 to June 2023	282
NBF ALLIANCE	Leasehold improvement, renovation of restroom, etc.		251
Ryukakusan Bldg.	Renovation of restroom, renovation of security system, renovation of air conditioning, etc.		171
Nishi-Shinjuku Mitsui Bldg.	Renovation of air conditioning, renovation of lighting equipment, etc.		166
Yokohama ST Bldg.	Renovation of access control system, renovation of foam fire extinguishing system, renovation of lighting equipment, etc.		152
NBF Ikebukuro Tower	Renovation of restroom, renovation of air conditioning, renovation of parking facilities, etc.		143
Sumitomo Mitsui Banking Nagoya Bldg.	Renovation of air conditioning, renovation of elevator, renovation of disaster prevention system, etc.		139
Roppongi T-CUBE	Renovation of air conditioning, renovation of restroom, renovation of substation equipment, etc.		129
Nakanoshima Mitsui Bldg.	Renovation of lighting equipment, renovation of air conditioning, renovation of chair gondola, etc.		125
Chofu South Gate Bldg.	Renovation of lighting equipment, renovation of central monitoring facilities, renovation of security system, etc.		113
Nakanoshima Central Tower	Renovation of lighting equipment, renovation of access control system, leasehold improvement, etc.		107
Nagoya Mitsui Main Bldg.	Renovation of air conditioning, renovation of central monitoring facilities, renovation of lighting equipment, etc.		102
NBF Ikebukuro City Bldg.	Renovation of lighting equipment, renovation of air conditioning, leasehold improvement, etc.		86

NBF Takanawa Bldg.	Renovation of lighting equipment, renovation of restroom, renovation of water supply and drainage equipment, etc.	From January 2023 to June 2023	78
Hiroshima Fukuromachi Bldg.	Renovation of air conditioning, renewal construction of common area, renovation of restroom, etc.		66
Sumitomo Densetsu Bldg.	Renovation of elevator, renovation of electric energy meter, renovation of air conditioning, etc.		57
NBF Sapporo Minami Nijo Bldg.	Renovation of parking facilities, etc.		38
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction, etc.		1,032
Total			¥5,118

■ 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,	For the six months ended December 31,	For the six months ended June 30,
	2023	2022	2022
	(Yen in millions)		
Asset management fees	¥1,726	¥1,756	¥1,917
Asset custody fees	63	64	60
Agent fees (stock transfer, accounting and administrative)	54	48	48
Directors' remuneration	12	12	12
Auditor's fees	15	15	15
Other expenses	239	200	154
Total	¥2,111	¥2,097	¥2,208

■ Trading Activities during the Current Period

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

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

(Yen in millions)		
Acquisition		
Name of building	Date	Acquisition price (Note 1)
IIDABASHI GRAND BLOOM(additional acquisition)	March 31, 2023	¥25,400
Toyosu Bayside Cross Tower(additional acquisition)	March 31, 2023	¥21,600
Total		¥47,000

(Yen in millions)		
Sale		
Name of building	Date	Sale price
Shin-kawasaki Mitsui Bldg.	January 11, 2023	¥24,000
Total		¥24,000

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

2. Trading of Other Assets Including Total Amount and Transactions

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

3. Transactions with Related Parties of Asset Management Company

(1) Ongoing Transactions

Category	Amount of purchases or sales price, etc. (Note 2)(Note 3)	
	Purchase price, etc. (Yen in millions)	Sale price, etc. (Yen in millions)
	¥47,000 (100%)	¥24,000 (100%)
Total amount	Amount of purchases from related parties, etc.	Amount of sales to related parties, etc.
	47,000 (100.0%)	— (—)
Breakdown of transactions with related parties, etc.		
Mitsui Fudosan Co., Ltd.	47,000 (100.0%)	— (—)
Total	¥47,000 (100.0%)	— (—)

(2) Fees Paid for the Period from January 1, 2023 to June 30, 2023

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		B/A
		Paid to	Amount of payment (B) (Yen in millions)	
Office management fees, etc. (Note 4)	¥1,297	Mitsui Fudosan Co., Ltd.	¥1,234	95.1%
		NBF Office Management Co., Ltd.	63	4.9%
Property maintenance fees	4,960	Mitsui Fudosan Co., Ltd.	1,417	28.6%
		Mitsui Fudosan Facilities Co., Ltd.	538	10.9%
		Mitsui Fudosan Building Management Co., Ltd.	351	7.1%
		Mitsui Fudosan Facilities West Co., Ltd.	212	4.3%
		Mitsui Fudosan Residential Lease Co., Ltd.	1	0.0%
Leasing related service fees	74	Mitsui Fudosan Co., Ltd.	39	53.6%
		NBF Office Management Co., Ltd.	15	21.0%

Notes:

- “Related parties” are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. During the period from January 1, 2023 to June 30, 2023, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., Mitsui Fudosan Facilities Co., Ltd., Mitsui Fudosan Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd. and Mitsui Fudosan Residential Lease Co., Ltd. which meet either of the said definitions, are as described above.
- Figures indicate contractual sales prices.
- Figures in parentheses indicate percentages of total prices.
- In terms of properties for which NBF has not entrusted office management businesses to Mitsui Fudosan Co., Ltd. due to its master leasing (21 properties: Shinjuku Mitsui Bldg., IIDABASHI GRAND BLOOM, Roppongi T-CUBE, Nishi-Shinjuku Mitsui Bldg., Celestine Shiba Mitsui Bldg., Toranomon Kotohira Tower, Yotsuya Medical Bldg., NBF Ogawamachi Bldg., Panasonic Tokyo Shiodome Bldg., Gate City Ohsaki, Osaki Bright Core – Bright Plaza, Nakameguro GT Tower, Toyosu Bayside Cross Tower, OSAKI BRIGHT TOWER, Higashi Gotanda Square, Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Nagoya Mitsui New Bldg., Nagoya Mitsui Main Bldg., Nakanoshima Mitsui Bldg., and Shinanobashi Mitsui Bldg.), NBF has entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
- In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work, etc.

(Yen in millions)

Mitsui Fudosan Co., Ltd.	¥1,677
Mitsui Fudosan Building Management Co., Ltd.	1,286
Mitsui Fudosan Facilities West Co., Ltd.	81
Mitsui Fudosan Facilities Co., Ltd.	22
MITSUI Designtec Co., Ltd.	19
Harajuku-no-mori Co., Ltd.	4
Mitsui Fudosan Residential Lease Co., Ltd.	1

Financial Statements

NIPPON BUILDING FUND INC. BALANCE SHEETS

As of June 30, 2023 and December 31, 2022

	As of June 30, 2023	As of December 31, 2022
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥ 9,956	¥ 16,058
Tenant receivables	333	314
Prepaid expenses	456	580
Other current assets	175	217
Total current assets	10,922	17,169
Real Estate Properties:		
Land including trust accounts (Notes 4,13)	1,034,059	1,009,029
Buildings and improvements including trust accounts (Notes 4,13)	477,154	478,864
Other tangible assets (Notes 4,13)	16,866	16,666
Less: accumulated depreciation (Notes 4,13)	(195,717)	(195,464)
Total real estate properties, net	1,332,363	1,309,095
Intangible assets:		
Superficies (Note 13)	11,882	11,882
Leasehold rights in trust accounts (Note 13)	23,726	23,726
Other intangible assets (Note 13)	82	101
Total intangible assets	35,692	35,711
Long-term Prepaid Expenses (Note 13)	5	5
Other Assets	6,937	6,757
Total Assets	¥1,385,920	¥1,368,739
Liabilities		
Current Liabilities:		
Short-term loans (Note 6)	¥ 5,000	¥ 8,000
Long-term debt due within one year (Notes 3,6)	47,000	52,000
Accounts payable	7,416	6,884
Rents received in advance	4,360	4,427
Accrued expenses and other liabilities	1,017	2,848
Total current liabilities	64,794	74,160
Long-term debt (Notes 3,6)	542,500	517,500
Tenant Security Deposits Including Trust Accounts (Note 3)	72,202	70,408
Other Liabilities	127	149
Total Liabilities	679,625	662,218
Net Assets (Note 5)		
Unitholders' Equity		
Unitholders' capital	673,047	673,047
Units authorized: 4,000,000 units		
Units issued and outstanding: 1,700,991 units		
Reserve for reduction entry	13,912	13,185
Retained earnings	19,335	20,288
Total Net Assets	706,295	706,521
Total Liabilities and Net Assets	¥1,385,920	¥1,368,739

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

NIPPON BUILDING FUND INC. STATEMENTS OF INCOME

For the six months ended June 30, 2023, December 31, 2022 and June 30, 2022

	For the six months ended June 30, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
(Yen in millions)			
Operating Revenues and Expenses			
Operating Revenues:			
Rental revenue (Note 7)	¥41,895	¥41,508	¥41,113
Other revenues related to property leasing (Note 7)	3,253	3,664	4,114
Gains on sales of real estate properties (Note 8)	1,882	2,194	6,988
Total Operating Revenues	47,030	47,366	52,215
Operating Expenses:			
Property management fees (Note 7)	6,164	6,258	5,971
Real estate taxes (Note 7)	4,587	4,191	4,285
Repairs and maintenance (Note 7)	1,189	979	1,693
Insurance (Note 7)	43	42	38
Other rental expenses (Note 7)	4,419	4,282	3,481
Depreciation and amortization (Note 7)	7,873	7,917	7,728
Asset management fees	1,726	1,756	1,917
Other operating expenses	384	340	291
Total Operating Expenses	26,390	25,770	25,408
Operating Income	20,640	21,596	26,806
Non-Operating Revenues and Expenses			
Non-Operating Revenues:			
Interest income	0	0	0
Property tax refund and interest on tax refund	—	1	0
Other non-operating revenues	5	3	5
Non-Operating Expenses:			
Interest expense	(1,251)	(1,253)	(1,264)
Amortization of bond issuance costs	(20)	(20)	(20)
New investment units issuance costs	—	—	(50)
Other non-operating expenses	(37)	(38)	(37)
Ordinary Income	19,336	20,289	25,440
Income before Income Taxes	19,336	20,289	25,440
Current and deferred income taxes (Note 9)	(0)	(0)	(0)
Net Income	¥ 19,335	¥ 20,288	¥ 25,439

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

NIPPON BUILDING FUND INC.
STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30, 2023, December 31, 2022 and June 30, 2022

	(Yen in millions)				
	Number of	Unitholders'	Reserve for	Retained	
	Units	Capital	reduction	Earnings	Total
			entry		
Balance as of December 31, 2021.	1,652,500	642,044	8,518	21,727	672,290
Issuance of new units through public offering as of January 19, 2022.	47,500	30,369	—	—	30,369
Issuance of new units through allocation to a third party as of January 28, 2022	991	633	—	—	633
Transfer to reserve for reduction entry	—	—	4,170	(4,170)	—
Reversal of reserve for reduction entry	—	—	(2,021)	2,021	—
Cash dividends declared	—	—	—	(19,578)	(19,578)
Net income	—	—	—	25,439	25,439
Balance as of June 30, 2022.	1,700,991	673,047	10,667	25,439	709,154
Transfer to reserve for reduction entry	—	—	2,517	(2,517)	—
Cash dividends declared	—	—	—	(22,922)	(22,922)
Net income	—	—	—	20,288	20,288
Balance as of December 31, 2022.	1,700,991	¥ 673,047	¥ 13,185	¥ 20,288	¥ 706,521
Transfer to reserve for reduction entry	—	—	1,639	(1,639)	—
Reversal of reserve for reduction entry	—	—	(911)	911	—
Cash dividends declared	—	—	—	(19,561)	(19,561)
Net income	—	—	—	19,335	19,335
Balance as of June 30, 2023.	1,700,991	¥ 673,047	¥ 13,912	¥ 19,335	¥ 706,295

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

NIPPON BUILDING FUND INC. STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2023, December 31, 2022 and June 30, 2022

	For the six months ended June 30, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 19,336	¥ 20,289	¥ 25,440
Depreciation and amortization	7,873	7,917	7,728
Amortization of bond issuance costs	20	20	20
Interest expense	1,251	1,253	1,264
(Increase) Decrease in tenant receivables	(19)	9	(14)
Increase (Decrease) in accounts payable	418	(1,312)	(283)
Increase (Decrease) in rents received in advance	(66)	102	(236)
Decrease in real estate properties due to sales	21,482	14,697	7,313
Cash payments of interest expense	(1,277)	(1,352)	(1,218)
(Increase) Decrease in consumption tax refund receivable	—	430	(430)
Others, net	(1,663)	1,976	(768)
Net Cash Provided by Operating Activities	47,357	44,032	38,814
Cash Flows from Investing Activities:			
Payments for purchases of real estate properties	(52,116)	(18,791)	(89,347)
Proceeds from tenant security deposits	4,103	2,276	6,018
Payments for tenant security deposits	(2,309)	(2,286)	(4,750)
Payments for security deposits paid to lessors	(3)	(0)	(7)
Refunds from security deposits paid to lessors	—	3	3
Others, net	(572)	(686)	(654)
Net Cash Used in Investing Activities	(50,897)	(19,486)	(88,739)
Cash Flows from Financing Activities:			
Net proceeds from (repayment of) short-term loans	(3,000)	(6,000)	14,000
Proceeds from long-term debt	69,000	33,000	27,000
Repayment of long-term debt	(49,000)	(24,000)	(17,000)
Proceeds from issuance of new units	—	—	30,951
Payment of dividends	(19,561)	(22,919)	(19,577)
Net Cash Provided by (Used in) Financing Activities	(2,561)	(19,919)	35,374
Net Change in Cash and Cash Equivalents	(6,101)	4,627	(14,551)
Cash and Cash Equivalents at the Beginning of Period	16,058	11,430	25,981
Cash and Cash Equivalents at the End of Period	¥ 9,956	¥ 16,058	¥ 11,430

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

NIPPON BUILDING FUND INC.

Notes To Financial Statements

For the six months ended June 30, 2023, December 31, 2022 and June 30, 2022

Note 1 – Organization and Basis of Presentation

Organization

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

NBF is an externally managed real estate fund, formed as an investment corporation. NBFM, as NBF's asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Mitsui Fudosan Co., Ltd. currently owns 46% of NBFM while Sumitomo Life Insurance Company owns 35% and the remaining 19% is mainly owned by financial institutions.

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

As of June 30, 2023, NBF had ownership or beneficiary interests in 70 office properties containing approximately 1,202,427 square meters of rentable office space. As of June 30, 2023, NBF had leased office space to 1,552 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 97.0%.

Basis of Presentation

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

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

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Real Estate Properties

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

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

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

Investment Corporation Bond Issuance Costs

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

Income Taxes

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

Revenue Recognition

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

(1) Sales of real estate properties

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

(2) Utilities income

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

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis and expensed when incurred. In terms of newly purchased properties, NBF capitalizes a portion of the real estate taxes that relate to a period from the purchase date of each property until the end of the calendar year as part of the acquisition cost of the relevant property. Capitalized real estate taxes amounted to ¥111 million for the period ended June 30, 2023, ¥9 million for the period ended December 31, 2022 and ¥277 million for the period ended June 30, 2022.

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 – Financial Instruments

Status of Financial Instruments

Policy for Financial Instruments

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

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

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

Financial Instruments, Their Risks and Risk Management System

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

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

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

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

Supplemental Explanation regarding Fair Values of Financial Instruments

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

Estimated Fair Value of Financial Instruments

Book value, fair value and difference between the two as of June 30, 2023 are as follows.

Since “Cash and cash equivalents” and “Short-term loans” are cash or due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥ 47,000	¥ 46,995	¥ (4)
(2) Long-term debt	542,500	539,935	(2,564)
(3) Tenant security deposits including trust accounts	72,202	71,276	(926)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

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

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 7,000	¥ 7,000	¥ —
(2) Long-term loans	40,000	39,995	(4)
Total	¥ 47,000	¥ 46,995	¥ (4)

(1) Investment corporation bonds

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

(2) Long-term loans

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

(2) Long-term debt

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

(As of June 30, 2023)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 40,000	¥ 38,453	¥ (1,547)
(2) Long-term loans	502,500	501,482	(1,017)
Total	¥ 542,500	¥ 539,935	¥ (2,564)

(1) Investment corporation bonds

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

(2) Long-term loans

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

(3) Tenant security deposits including trust accounts

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

Book value, fair value and difference between the two as of December 31, 2022 are as follows.

Since “Cash and cash equivalents” and “Short-term loans” are cash or due to be settled in a short period, and their fair values approximate their book values, the notes are omitted.

(As of December 31, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Long-term debt due within one year	¥ 52,000	¥ 52,161	¥ 161
(2) Long-term debt	517,500	508,459	(9,040)
(3) Tenant security deposits including trust accounts	70,408	69,552	(855)

Notes:

1. Methods to Estimate Fair Value of Financial Instruments

(1) Long-term debt due within one year

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

(As of December 31, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 10,000	¥ 10,045	¥ 45
(2) Long-term loans	42,000	42,116	116
Total	¥ 52,000	¥ 52,161	¥ 161

(1) Investment corporation bonds

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

(2) Long-term loans

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

(2) Long-term debt

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

(As of December 31, 2022)

(Yen in millions)

	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 47,000	¥ 44,680	¥ (2,319)
(2) Long-term loans	470,500	463,778	(6,721)
Total	¥ 517,500	¥ 508,459	¥ (9,040)

(1) Investment corporation bonds

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

(2) Long-term loans

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

(3) Tenant security deposits including trust accounts

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

2. Repayment Schedule for Loans and Investment Corporation Bonds as of June 30, 2023

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥7,000	¥5,000	¥20,000	¥ —	¥ —	¥15,000
Long-term loans	40,000	20,000	61,000	52,000	81,000	288,500
Total	¥47,000	¥25,000	¥81,000	¥52,000	¥81,000	¥303,500

Repayment Schedule for Loans and Investment Corporation Bonds as of December 31, 2022

(Yen in millions)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds	¥10,000	¥7,000	¥20,000	¥5,000	¥ —	¥15,000
Long-term loans	42,000	44,000	30,000	50,000	52,000	294,500
Total	¥52,000	¥51,000	¥50,000	¥55,000	¥52,000	¥309,500

Note 4 – Tangible Assets of Real Estate Properties

Tangible assets as of June 30, 2023 and December 31, 2022 consisted of the following:

	As of June 30, 2023			As of December 31, 2022		
	(Yen in millions)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Land	¥696,313	¥ —	¥696,313	¥671,283	¥ —	¥671,283
Land in trust	337,745	—	337,745	337,745	—	337,745
Land including trust total	1,034,059	—	1,034,059	1,009,029	—	1,009,029
Buildings and improvements	277,089	(92,387)	184,701	281,021	(95,251)	185,770
Buildings and improvements in trust	200,064	(92,735)	107,329	197,842	(89,733)	108,108
Buildings and improvements including those in trust total	477,154	(185,123)	292,031	478,864	(184,984)	293,879
Structures	3,736	(2,194)	1,541	3,796	(2,304)	1,491
Machinery and equipment	2,356	(1,663)	692	2,274	(1,608)	665
Tools, furniture and fixtures	3,320	(1,720)	1,600	3,261	(1,715)	1,545
Structures in trust	2,880	(1,893)	987	2,866	(1,846)	1,020
Machinery and equipment in trust	2,060	(1,542)	518	1,993	(1,509)	483
Tools, furniture and fixtures in trust	2,512	(1,579)	932	2,474	(1,494)	980
Construction in process	—	—	—	—	—	—
Other tangible assets total	16,866	(10,593)	6,272	16,666	(10,479)	6,186
Total	¥1,528,080	¥(195,717)	¥1,332,363	¥1,504,559	¥(195,464)	¥1,309,095

Note 5 – Net Assets

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

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

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2023 was at 0.085%. Long-term debt as of June 30, 2023 and December 31, 2022 consisted of the following:

	As of June 30, 2023	As of December 31, 2022
(Yen in millions)		
Unsecured loans due 2023 to 2036 principally from banks and insurance companies with interest rates mainly ranging from 0.029% to 1.533%.....	¥542,500	¥512,500
1.168% unsecured bonds due 2023 (Note 1)	—	10,000
0.200% unsecured bonds due 2024 (Note 1)	7,000	7,000
0.180% unsecured bonds due 2025 (Note 1)	15,000	15,000
0.220% unsecured bonds due 2025 (Note 1)	5,000	5,000
0.150% unsecured bonds due 2026 (Note 1)	5,000	5,000
0.914% unsecured bonds due 2037 (Note 1)	5,000	5,000
0.888% unsecured bonds due 2038 (Note 1)	5,000	5,000
1.000% unsecured bonds due 2046 (Note 1)	5,000	5,000
	589,500	569,500
Less: amount due within one year.....	47,000	52,000
	¥542,500	¥517,500

Notes: 1. Subject to provision of collateral restrictions.

The annual maturities of long-term debt as of June 30, 2023 were as follows:

(Yen in millions)	
Due after one to two years	¥ 25,000
Due after two to three years	81,000
Due after three to four years	52,000
Due after four to five years	81,000
Due after five years	303,500

During the period ended June 30, 2023, NBF had commitment credit line contracts of ¥60 billion with several financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥60 billion as of June 30, 2023.

Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

	For the six months ended June 30, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
(Yen in millions)			
Revenues from Property Leasing:			
Rental revenue:			
Rental	¥39,699	¥39,269	¥38,769
Common area charges	1,985	2,032	2,168
Others	210	207	174
Subtotal	41,895	41,508	41,113
Other revenues related to property leasing:			
Parking lots	664	653	659
Facility charge	308	312	302
Incidental income	2,180	2,417	1,940
Cancellation fees	39	240	1,153
Miscellaneous income	60	39	58
Subtotal	3,253	3,664	4,114
Total revenues from property leasing	45,148	45,172	45,227
Rental Expenses:			
Property management fees	6,164	6,258	5,971
Real estate taxes	4,587	4,191	4,285
Repairs and maintenance	1,189	979	1,693
Insurance	43	42	38
Other rental expenses	4,419	4,282	3,481
Depreciation and amortization	7,873	7,917	7,728
Total rental expenses	24,278	23,672	23,200
Operating Income from Property Leasing Activities. . .	¥20,870	¥21,500	¥22,027

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

Gains and losses on sales of real estate properties for the periods ended June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

For the six months ended June 30, 2023

Shin-Kawasaki Mitsui Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥24,000
Cost of sale of real estate property	21,482
Other related sale expenses	635
Gain on sale of real estate property	¥ 1,882

For the six months ended December 31, 2022

Toyo-cho Center Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥9,600
Cost of sale of real estate property	9,034
Other related sale expenses	56
Gain on sale of real estate property	¥ 508

NBF Niigata Telecom Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥3,900
Cost of sale of real estate property	3,196
Other related sale expenses	28
Gain on sale of real estate property	¥ 674

NBF Hiroshima Tatemachi Bldg.	(Yen in millions)
Proceeds from sale of real estate property	¥3,520
Cost of sale of real estate property	2,482
Other related sale expenses	26
Gain on sale of real estate property	¥ 1,011

For the six months ended June 30, 2022

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

Note 9 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income was 0.00% for the periods ended June 30, 2023 and December 31, 2022, and June 30, 2022. 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, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
Statutory tax rate	31.46%	31.46%	31.46%
Deductible dividends	(31.83)	(30.33)	(28.35)
Transfer to reserve for reduction entry	(3.11)	(2.54)	(3.11)
Reversal of reserve for reduction entry	3.48	1.41	—
Others	0.00	0.00	0.00
Effective tax rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

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

Note 10 – Per Unit Information

Information about earnings per unit for the periods ended June 30, 2023, December 31, 2022 and June 30, 2022 and net assets per unit as of June 30, 2023, December 31, 2022 and June 30, 2022 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, 2023	For the six months ended December 31, 2022	For the six months ended June 30, 2022
Earnings per Unit:			
Net income per unit (Yen)	¥11,367	¥11,927	¥14,998
Weighted average number of units outstanding	1,700,991	1,700,991	1,696,119
Net Assets per Unit (Yen)			
	As of June 30, 2023	As of December 31, 2022	As of June 30, 2022
	¥415,225	¥415,358	¥416,906

Note 11 – Leases

As Lessor

NBF leases some of its real estate properties to outside parties under non-cancelable operating leases. As of June 30, 2023 and December 31, 2022, future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2023	As of December 31, 2022
	(Yen in millions)	
Due within one year.....	¥ 21,425	¥ 22,422
Due after one year.....	24,951	26,260
Total.....	¥46,376	¥ 48,682

As Lessee

Not applicable.

Note 12 – Transactions with Related Parties

(1) Parent Company and Major Corporate Unitholders

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(For the six months ended June 30, 2022)

Not applicable.

(2) Affiliates

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(For the six months ended June 30, 2022)

Not applicable.

(3) Sister Companies

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(For the six months ended June 30, 2022)

Not applicable.

(4) Directors and Major Individual Unitholders

(For the six months ended June 30, 2023)

Not applicable.

(For the six months ended December 31, 2022)

Not applicable.

(For the six months ended June 30, 2022)

Not applicable.

Note 13 – Investment and Rental Properties

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

(Yen in millions)

	For the six months ended June 30, 2023	For the six months ended December 31, 2022
Carrying amount (Note 1)		
Balance at beginning of the Fiscal Period	¥ 1,344,812	¥ 1,348,671
Amount of increase (decrease) during current period (Note 2)	23,249	(3,859)
Balance at end of the Fiscal Period	1,368,061	1,344,812
Fair value at end of the period (Note 3)	¥ 1,711,380	¥ 1,683,890

Notes:

1. Carrying amounts represent acquisition cost less accumulated depreciation.
2. The major increase in the fiscal period ended June 30, 2023 was mainly due to the acquisitions of 2 properties (IIDABASHI GRAND BLOOM (additional acquisition) and Toyosu Bayside Cross Tower (additional acquisition) , ¥47,373million) and the major decrease was mainly due to sale of a property (Shin-Kawasaki Mitsui Bldg., ¥21,482 million) and recognition of depreciation costs.

The major increase in the fiscal period ended December 31, 2022 was mainly due to the acquisitions of a property (Toyosu Bayside Cross Tower, ¥14,815 million) and the major decrease was mainly due to sale of 3 properties (Toyo-cho Center Bldg., NBF Niigata Telecom Bldg. and NBF Hiroshima Tatemachi Bldg., ¥14,714 million) and recognition of depreciation costs.

3. Fair value at end of the period is based on appraisals provided by independent real estate appraisers

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

Note 14 – Segment Information

Segment Information

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

Related Information

(For the six months ended June 30, 2023)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥21,308	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, 2022)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥21,461	Real estate leasing business

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

(For the six months ended June 30, 2022)

1. Information by Products and Services

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

2. Information by Geographic Areas

(1) Operating revenues

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

(2) Real estate properties

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

3. Information on Major Tenants

(Yen in millions)

Tenant	Operating revenues	Related segment
Mitsui Fudosan Co., Ltd.	¥20,291	Real estate leasing business

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

Note 15 – Asset Retirement Obligations

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

Note 16 – Revenue recognition

Breakdown information on revenues from contracts with customers

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

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

Note 17 – Significant Subsequent Events

None applicable.

III Appendix

■ Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of June 30, 2023, NBFM has been entrusted as an asset management company only by NBF.

Operation

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

Fees for the Asset Management Operation

Management Fee 1

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

Management Fee 2

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

Management Fee 3

In the event that Real Estate, etc. is newly acquired (in the event of merger by NBF, then succeeded by said merger) as Managed Assets, the amount of the acquisition price of said Real Estate, etc. (meaning the acquisition price of both land and buildings; in the event of the simultaneous acquisition of multiple units of Real Estate, etc., then the acquisition price of each Real Estate, etc., in the event of equity investment, then the equity investment amount, and in the event of merger by NBF, then the appraised value of each Real Estate, etc. succeeded by said merger at the time of the merger; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition or succession are excluded) multiplied by the following percentage rates, in principle, in total amount (rounded down to the nearest yen) will be payable; provided, however, that with the approval of the board of directors of NBF, compensation may be

calculated using different rates not exceeding the following rates.

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

Management Fee 4

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

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

History of NBFM

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

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

List of Shareholders (as of June 30, 2023)

Name	Number of Shares Owned	Percent
Mitsui Fudosan Co., Ltd.	4,554	46.0%
Sumitomo Life Insurance Company	3,465	35.0
Sumitomo Mitsui Trust Bank, Limited	495	5.0
Sumitomo Mitsui Banking Corporation	495	5.0
Daido Life Insurance Company	297	3.0
Mitsui Sumitomo Insurance Co., Ltd.	297	3.0
Britel Fund Trustees Limited	297	3.0
Total	9,900	100.0%

Directors and Staff

As of June 30, 2023, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 41 persons.

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

Outline of Financial Condition

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

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

As of March 31, 2023	(Yen in millions)
Total Assets	¥3,529
Total Liabilities	590
Total Net Assets	2,938

Independent auditor's report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Nippon Building Fund Inc. (“the Corporation”), which comprise the balance sheets as at June 30, 2023 and December 31, 2022, and the statements of income, statements of changes in net assets and statements of cash flows for each of the six months ended, June 30, 2023, December 31, 2022 and June 30, 2022, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2023 and December 31, 2022, and its financial performance and cash flows for each of the six months ended, June 30, 2023, December 31, 2022 and June 30, 2022 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management and Supervisory Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise

professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-

audit services provided to the Corporation for the six-month period from January 1, 2023 to June 30, 2023 are 15 million yen and 2 million yen, respectively.

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

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

/S/ Hiroaki Matsumoto
Designated Engagement Partner
Certified Public Accountant

/S/ Tomoaki Takeuchi
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
September 28, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Corporation and KPMG AZSA LLC.

Disclaimer

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on September 28, 2023 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2023 to June 30, 2023, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

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