



Solid Management for Stable Returns

15th Period

NBF Report July – December 2008



Nippon Building Fund Inc.

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

Solid Management for Stable Returns

Profile

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

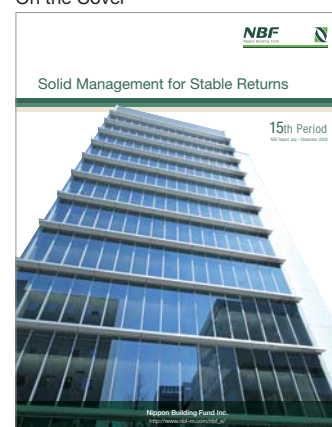
NBF employs funds raised through shareholder subscriptions and borrowing to invest in real estate, real estate-backed securities, trust beneficiary rights and other assets with the objective of sustainable growth in portfolio value and stable profits on a medium-to-long-term

basis. Its fiscal periods are six months long. NBF primarily invests in office buildings in the central business districts of Tokyo, Greater Tokyo and other cities in Japan. The Investment Trust Law of Japan requires an external entity to manage the assets of an investment corporation; NBF entrusts asset management to Nippon Building Fund Management Ltd. (NBFM). NBF maintains a close relationship with NBFM's major shareholder Mitsui Fudosan Co., Ltd., and employs this company's expertise to invest in carefully selected, high-quality properties, with the aim of generating further asset growth.

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On the Cover



NBF acquired the Surugadai Project (tentative name) for ¥20.8 billion in April 2009. NBF had already completed a purchase contract for the project before its completion. The Surugadai Project is a prime, high-spec property located in Chiyoda-ku, Tokyo, where the number of large-scale office buildings is growing.



Over the 15 periods, or roughly seven and a half years, since its listing on the J-REIT section of the Tokyo Stock Exchange in September 2001, NBF has established a track record of stable profit distribution.

As a result of steady growth, NBF has built a solid position in the J-REIT market from several perspectives, including scale advantage, portfolio scope, financial stability and level of return.

NBF will continue to make maximum use of its strengths and competitive advantages, as well as the expertise of Mitsui Fudosan Co., Ltd., to steadily increase value for shareholders.

Japan's First and Largest J-REIT

- ◆ In September 2001, NBF was listed as the first real estate investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.
- ◆ The largest total market capitalization of any J-REIT (¥**530.0** billion)*
- ◆ The largest scale of managed assets (¥**762.3** billion)* (total acquisition price)

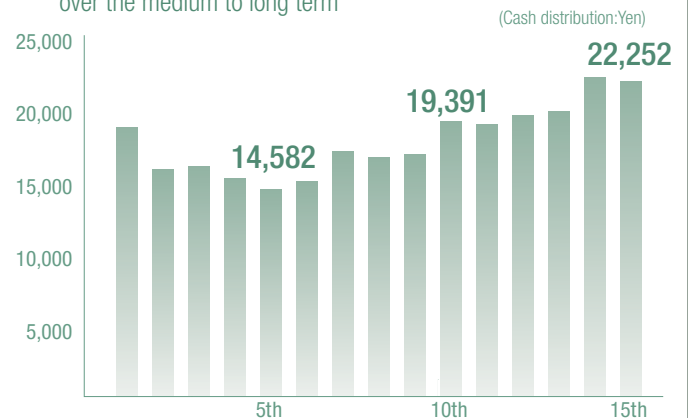
High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **60** properties*, mainly large-scale office buildings in the Tokyo Central Business Districts
- ◆ Diversified in other Tokyo markets as well as in regional cities
- ◆ Total rentable area of **763,658**m²*
- ◆ **946*** diversified tenants

NBF's Strengths

Stable Returns

- ◆ Cash distribution of ¥**22,252** per share for the 15th Period
- ◆ Aims to increase distributions to shareholders over the medium to long term



Sound Finances

- ◆ Ratings*
 - Standard & Poor's
Long-term Corporate: A+, Short-term Corporate: A-1
 - Moody's Issuer Rating: A1
 - R & I Issuer Rating: AA
- ◆ LTV: **45.5%***
- ◆ Percentage of long-term, fixed-rate debt included in interest-bearing debt: **76.0%***
- ◆ Average years remaining on long-term, fixed-rate interest-bearing debt: **4.94** years*
- ◆ Total average cost: **1.58%***

Strategic Partnership with Mitsui Fudosan

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

* As of December 31, 2008

Financial Highlights

		15th Period from July 1, 2008 to December 31, 2008	14th Period from January 1, 2008 to June 30, 2008	13th Period from July 1, 2007 to December 31, 2007	12th Period from January 1, 2007 to June 30, 2007	15th Period from July 1, 2008 to December 31, 2008
		(Yen in millions, except per share data or where otherwise indicated)				U.S. dollars in thousands (Note 1)
Operating revenues	Note 2	¥ 31,218	¥ 30,088	¥ 27,814	¥ 26,641	\$ 343,851
Income before income taxes		12,062	12,223	10,227	10,064	132,853
Net income		12,061	12,222	10,226	10,063	132,841
Funds from operations	Note 3	17,417	16,630	15,394	15,188	191,835
Net operating income from property leasing activities	Note 3	21,346	20,318	18,905	18,442	235,113
Total amount of cash distribution	(a)	12,061	12,222	10,226	10,063	132,840
Total assets		766,249	725,627	672,195	680,266	8,439,794
Interest-bearing debt		318,500	280,500	272,500	281,500	3,508,096
Net assets	(b)	398,237	398,398	356,672	356,509	4,386,349
LTV (Loan to value)	Note 3	45.5%	42.8%	44.3%	44.9%	
Total number of common shares issued (shares)	(c)	542,000	542,000	508,000	508,000	
Net assets per share (Yen/\$)	(b) / (c)	734,753	735,050	702,110	701,790	8,093
Distribution per share (Yen/\$)	(a) / (c)	22,252	22,549	20,129	19,809	245
Funds from operations per share (Yen/\$)	Note 3	32,134	31,066	30,303	29,897	354

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥90.79 = U.S.\$1.00, the approximate exchange rate on December 31, 2008.

2. Operating revenues do not include consumption taxes.

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

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

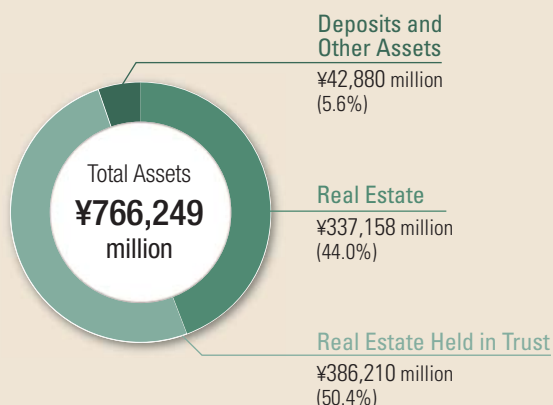
Loan to value: (Interest-bearing debt + Deposits under management) / Total assets

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

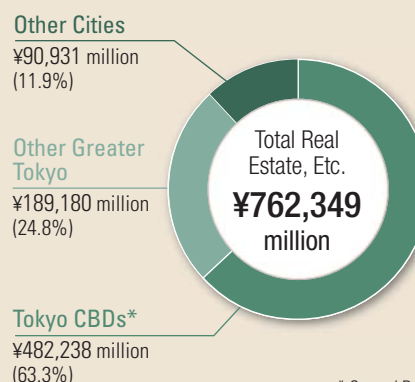
Weighted average number of common shares issued and outstanding during the period

Portfolio Highlights (As of December 31, 2008)

Asset Allocation

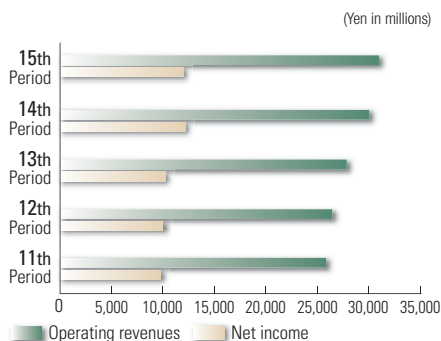


Regional Allocation

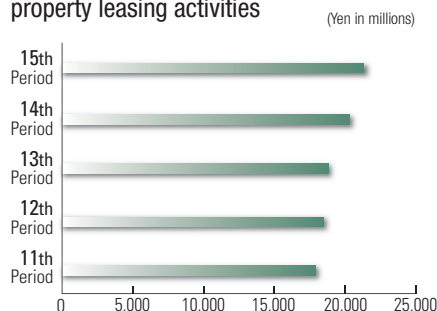


* Central Business Districts

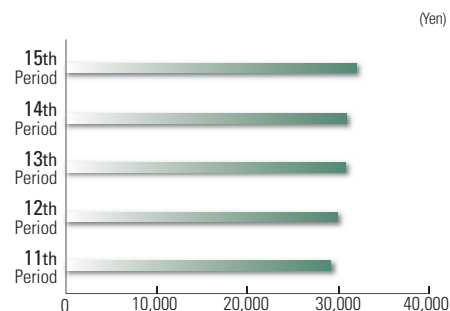
Operating revenues / Net income



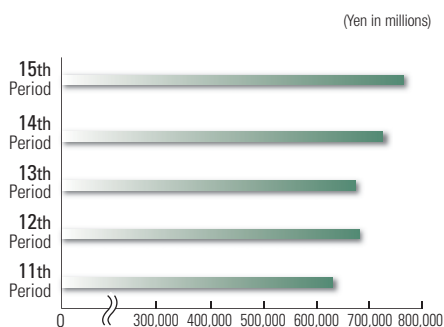
Net operating income from property leasing activities



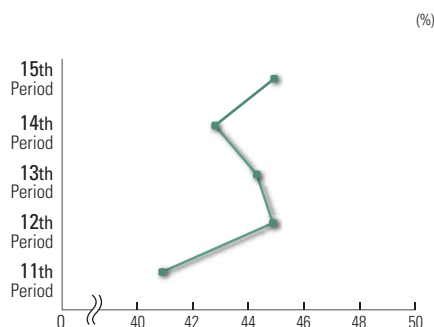
Funds from operations per share



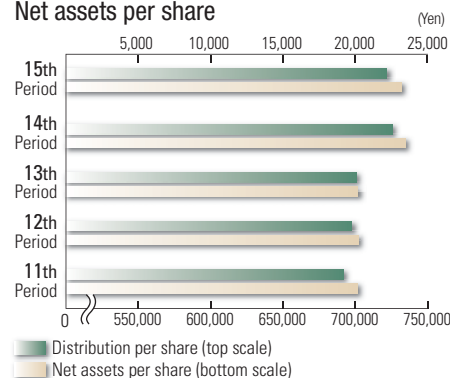
Total assets



LTV



Distribution per share / Net assets per share



List of Major Tenants

Name	Leased Space (m ²)	Percentage of Total Leased Area ³
1 Mitsui Fudosan Co., Ltd. ¹	169,913	23.0%
2 IBM Japan, Ltd. ²	28,184	3.8%
3 GlaxoSmithKline K.K. ²	20,515	2.8%
4 Hakuodo DY Holdings Inc.	18,781	2.5%
5 AXA Life Insurance Co., Ltd. ²	17,895	2.4%
6 Fuji Xerox Co., Ltd.	16,252	2.2%
7 Nippon Steel Corporation ²	15,333	2.1%
8 Transcosmos Inc. ²	14,370	1.9%
9 Nikkei Business Publications, Inc. ²	13,135	1.8%
10 The Resolution and Collection Corporation	8,569	1.2%

Notes: 1. NBF receives lease revenue from Mitsui Fudosan Co., Ltd. after Mitsui Fudosan has taken a fixed percentage commission of the lease revenue from the tenants of the sub-leased space.

2. Indicates tenants with long-term lease contracts (IBM Japan, Ltd.'s contract (NBF Toyosu Canal Front) expires December 2009; GlaxoSmithKline K.K.'s contract (GSK Building) expires September 2010; Hakuodo DY Holdings Inc.'s contract (NBF Toyosu Garden Front) expires March 2013; AXA Life Insurance Co., Ltd.'s contract (NBF Platinum Tower) expires November 2010; Nippon Steel Corporation's contract (Nippon Steel Building No. 2) expires November 2009; Transcosmos Inc.'s contracts (Shibuya Garden Front and NBF Sapporo Minami Nijo Building) expire September 2009 and October 2009, respectively; Nikkei Business Publications, Inc.'s contract (NBF Platinum Tower) expires November 2009)

3. Percentage of total leased area = Leased space / Total leased area of all properties in portfolio



Koichi Nishiyama

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

Based on its sound financial strategy, NBF aims for steady distributions to shareholders over the medium-to-long term by generating well-balanced internal and external growth.

Performance during the Six Months Ended December 31, 2008

Due to occupancy at properties acquired during the 15th Period, distribution per share was ¥22,252.

During the six months ended December 31, 2008 (the "15th Period"), uncertainty about the outlook for the Japanese economy increased as turmoil in global financial markets stemming from the U.S. subprime mortgage crisis accelerated.

In the office building leasing market, vacancy rates trended upward nationwide and rents for new tenants decreased, particularly for higher-priced properties. However, we believe that NBF's portfolio of highly competitive office buildings limited the impact of these factors on its performance.

In the real estate acquisition market, properties for sale are forecast to increase due to changes in financial conditions. NBF will maintain its policy of investing selectively in outstanding properties. Under this policy, NBF acquired two properties (total acquisition price: ¥37.1 billion) during the 15th Period, resulting in a portfolio comprising 60 properties with a total investment value of ¥762.3 billion on an acquisition price basis as of December 31, 2008.

Operating revenues for the six months ended December 31, 2008 increased 3.8 percent, or ¥1,130 million, compared with the previous six-month period to ¥31,218 million. Operating revenues increased due to occupancy at properties acquired during the 15th Period and other factors, although ¥868 million from the sale of properties recorded in the previous six-month period did not recur. Operating income increased 0.4 percent, or ¥62 million, to ¥14,591 million. Net income decreased 1.3 percent, or ¥161 million, to ¥12,061 million. Distribution per share decreased ¥297 to ¥22,252.

Initiatives to Generate Internal Growth

NBF sets appropriate rents to prevent a decrease in occupancy.

Amid an increase in vacancy rates throughout Japan, the vacancy rate was relatively low in the central business districts (CBDs) of Tokyo, NBF's core investment area. The occupancy rate of NBF's properties was 96.8 percent as of December 31, 2008. However, with a downward trend in demand from new tenants and a longer time required from solicitation to contract, NBF will base its operations on maintaining its occupancy rate by

Performance Outlook (As of February 13, 2009)

(Yen in millions)

	16th Period (Projected) from January 1, 2009 to June 30, 2009	17th Period (Projected) from July 1, 2009 to December 31, 2009
Operating revenues	¥30,658	¥30,526
Net income	11,111	10,623
Distribution per share (Yen)	20,500	19,600

setting rents in response to the market and other measures.

In addition, through an ongoing focus on raising rents at lease contract negotiation, NBF achieved rent increases totaling ¥30 million per month from existing tenants at below-market rates during the 15th Period.

Initiatives to Generate External Growth

NBF generates steady external growth by selectively investing in outstanding properties to build a strong portfolio.

In the real estate market, although properties for sale increased as the balance of supply and demand loosened, the top-quality buildings that NBF targets remained scarce.

Under these conditions, we will continue to make the most of the information pipeline we have built to date to strengthen our portfolio by investing selectively in outstanding properties. During the 15th Period, we acquired the Shibakouen Takahashi Building (acquisition price: ¥6,100 million) and the NBF Minami-Aoyama Building (acquisition price: ¥31,000 million). We also decided to acquire the Higashi-Ueno 4-chome Building (tentative name) (scheduled date of transfer: April 2010, acquisition price: ¥11,175 million).

We will continue to base our consideration on selective investments and the replacement of existing properties.

Financial Strategies

Continuing to implement a conservative approach to financial operations

With the tightening of credit worldwide, fund procurement is becoming more challenging as financial institutions take a more cautious stance on investment and the procurement spread widens.

Under these conditions, NBF will continue to implement a conservative approach to financial operations, maintaining a targeted LTV (loan-to-value) ratio between 40 percent and 50 percent, with 60 percent as the maximum. With respect to procurement, NBF will utilize long-term fixed interest loans that disperse the repayment methods.

Fundamental Management Policies and Outlook

Deploying its sound financial strategy, NBF aims for steady growth of distributions to shareholders over the medium-to-long term, with continued well-balanced internal and external growth.

In the six months ending June 30, 2009 (the "16th Period"), amid an uncertain outlook for the Japanese economy, we will set appropriate rents to maintain our occupancy rate while further strengthening our portfolio by investing selectively in outstanding properties.

Through these initiatives, for the 16th Period, NBF projects operating revenues of ¥30,658 million, operating income of ¥13,853 million, net income of ¥11,111 million and a distribution of ¥20,500 per share. For the six months ending December 31, 2009 (the "17th Period"), we project operating revenues of ¥30,526 million, operating income of ¥13,583 million, net income of ¥10,623 million, and a distribution of ¥19,600 per share. (These projections are valid as of February 13, 2009 and assume no acquisitions or transfers of buildings other than those under contract at that time, and no issue of new shares.)

As Japan's first and largest J-REIT, NBF aims for steady distributions to shareholders over the medium-to-long term by generating well-balanced internal and external growth, based on our sound financial strategy and on making the most of our relationship with Mitsui Fudosan Co., Ltd. and the high level of management know-how we have accumulated since our establishment.

Koichi Nishiyama

Koichi Nishiyama

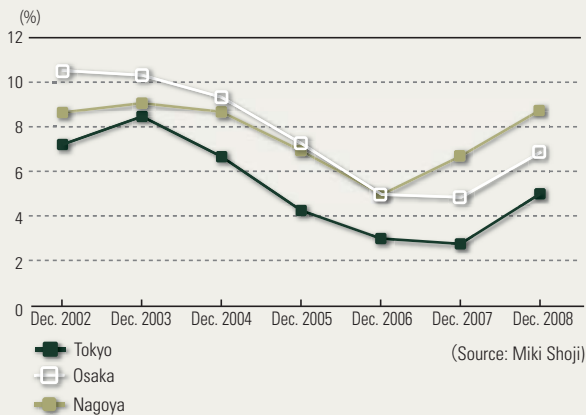
Executive Director of Nippon Building Fund Inc.

President and CEO of Nippon Building Fund Management Ltd.

Solid Management for Stable Returns

Stable Asset Management

Vacancy Rate in Tokyo CBDs, Osaka CBDs and Nagoya CBDs



Occupancy Rate for NBF Properties



We will work to maintain our occupancy rate by setting rents that are responsive to market conditions.

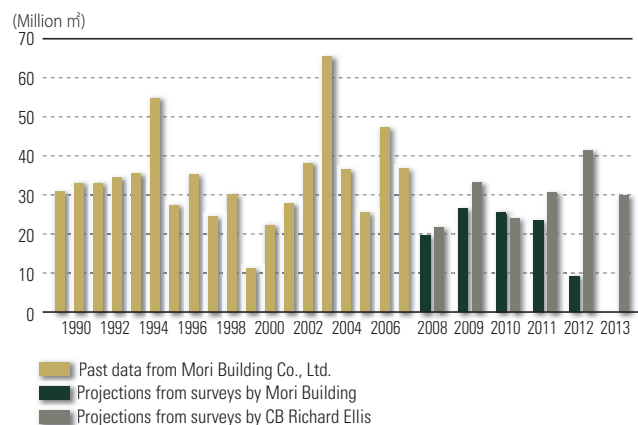
Office Building Leasing Market: Vacancy Rate

Although the vacancy rate of the office building leasing market has been low over the last several years, it has been rising nationwide as uncertainty about the economic outlook increases. However, the vacancy rate is relatively low in the central business districts (CBDs) of Tokyo, NBF's core investment area, where the supply of new office buildings is limited. The period from tenant withdrawal to new lease completion has begun to show signs of lengthening, though, as office demand declines in tandem with worsening corporate performance.

NBF's Initiatives

Under these conditions, maintaining the occupancy rate is a priority issue for NBF, which will focus on preventing a decrease by setting rents that are responsive to market conditions. Nevertheless, NBF is factoring in a slight decline in its occupancy rate in light of growing uncertainty about Japan's economic outlook. Although the rate for the 15th Period was 96.8 percent, NBF forecasts a rate of 96.2 percent for the 16th Period and 95.8 percent for the 17th Period.

Office Floor Space Supply in Greater Tokyo



Note: Compiled by Nomura Securities Financial & Economic Research Center using data from Mori Building and CB Richard Ellis

Office Building Leasing Market: Average Asking Rents

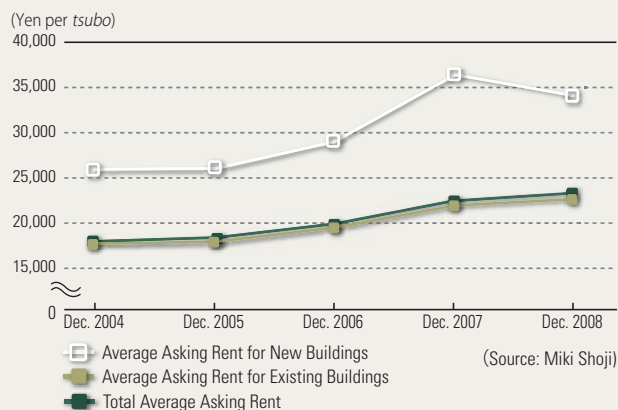
Average asking rents, which had increased over the last several years, are on a downward trend due to a decline in office demand in a weak Japanese economy. In particular, asking rents for new large-scale office buildings in Tokyo CBDs have declined significantly. However, rents have remained stable overall with steady average asking rents for existing properties, which comprise the majority of buildings in Tokyo.

NBF's portfolio is structured to diversify rent levels. It remains stable due to the relatively slight impact of the drop in average asking rents in the leasing market, particularly evident among high-priced properties, because over half of the portfolio's contracts are for less than ¥25,000 yen per *tsubo* per month.

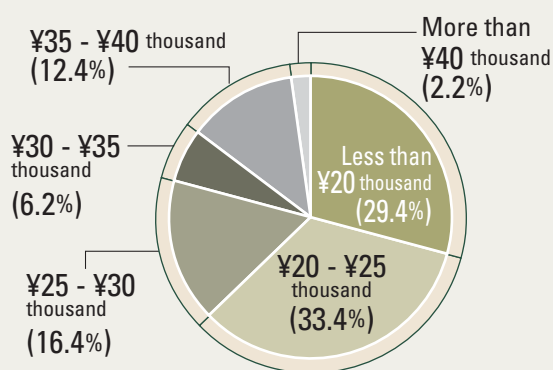
NBF's Outlook

Among overall weakness in the leasing market, setting appropriate rents is essential to maintaining the occupancy rate, a priority issue for NBF. NBF achieved rent increases totaling ¥30 million per month in the 15th Period. However, given recent conditions in the leasing market, NBF will take a flexible stance on rent negotiations, and assumes that internal growth will remain flat, with rent decreases paralleling rent increases. Taking a more conservative stance, NBF forecasts that total monthly rents will decrease ¥5 million in the 16th Period and increase ¥5 million in the 17th Period.

Average Asking Rents in Tokyo CBDs



A Wider Range of NBF Rents (Monthly Rent per *tsubo* at Lease Renewal)



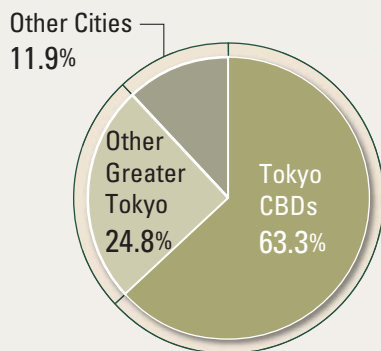
(As of December 31, 2008)

Selective Investment

Selectively invest in outstanding properties while also considering portfolio turnover.

Area Decentralization

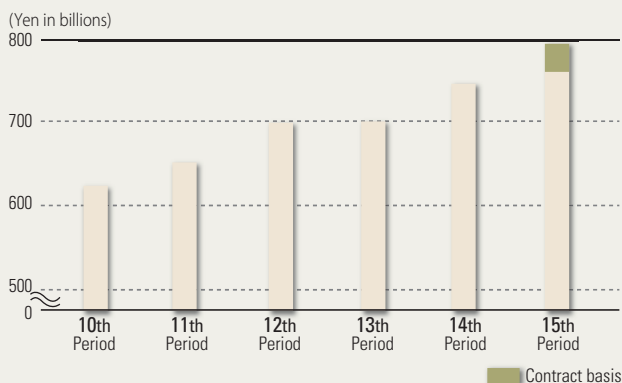
(Acquisition Price Basis)



(As of December 31, 2008)

Steady and Continuous External Growth

(Acquisition Price – Contract Basis)



Real Estate Acquisition Market

The number of properties for sale has been increasing since 2008 amid changes in global financial conditions and the effect of worsening economic sentiment on the real economy. However, buildings of the outstanding quality that NBF targets remain scarce.

NBF's Selective Investment

In an environment of financial crisis and economic slowdown, NBF recognizes the need to be extremely cautious in new investment but also sees excellent opportunities to acquire high-quality assets with high returns. Therefore, NBF will continue to selectively invest in outstanding assets based on strict guidelines while also considering asset turnover.

Guided by these basic policies, NBF acquired two properties in the 15th Period. In July 2008 NBF acquired the Shibakouen Takahashi Building (acquisition price: ¥6,100 million), and in August 2008 it acquired the NBF Minami-Aoyama Building (acquisition price: ¥31,000 million) and completed a contract to acquire the Higashi-Ueno 4-chome Building (tentative name) (acquisition price: ¥11,175 million, scheduled date of transfer: April 2010). The Shibakouen Takahashi Building and the NBF Minami-Aoyama Building are located in Tokyo CBDs and have contributed to earnings with 100 percent occupancy rates since NBF took possession.

NBF will work to increase its portfolio quality through selective investments, including turnover of properties.

NBF will maintain a conservative approach to financial management.

Conservative Finances

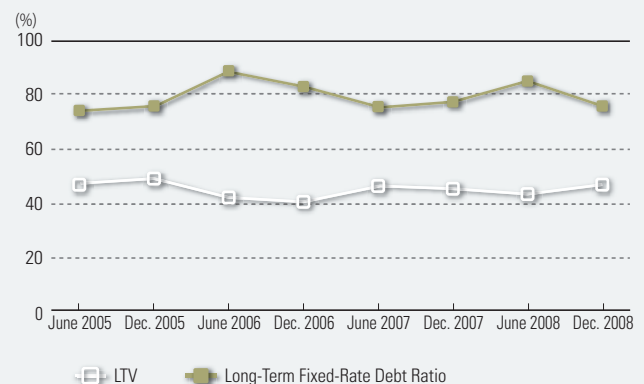
Fund Raising Conditions for J-REITs

Loan procurement has become more difficult with the negative stance on lending to companies in the real estate sector taken by financial institutions since the collapse of Lehman Brothers in September 2008. Refinancing is a collective concern within the J-REIT industry in this environment.

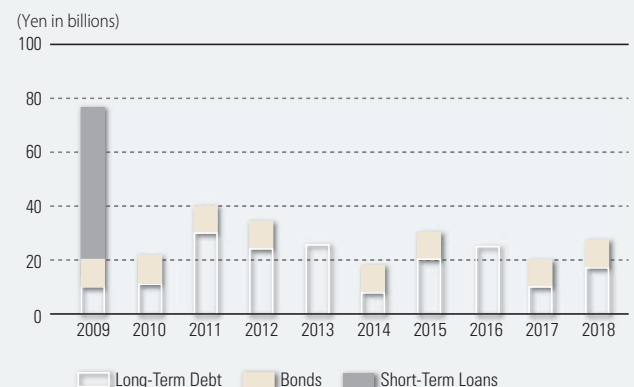
NBF's Strong Financial Foundation

In consideration of the above, NBF will maintain positive relationships with financial institutions and continue to take a conservative financial approach. Specifically, NBF has set a targeted LTV (loan-to-value) ratio between 40 and 50 percent, with 60 percent as the maximum. The LTV ratio as of the end of the 15th Period was 45.5 percent. To deal with refinancing risk, NBF will procure long-term fixed-rate loans. The ratio of fixed-rate long-term debt to total interest-bearing liabilities as of December 31, 2008 was 76.0 percent, compared with a target of 80 to 90 percent. Furthermore, in addition to dispersing repayment periods, NBF has established a commitment line totaling ¥50.0 billion to secure a stable foundation for loan procurement. In addition to these initiatives, NBF has earned the approval of its robust group of sponsor companies, including Sumitomo Life Insurance Company, Sumitomo Mitsui Banking Corporation and the Chuo Mitsui Trust and Banking Company, Limited as well as Mitsui Fudosan Co., Ltd., and high ratings from ratings organizations.

Stable Financial Track Record

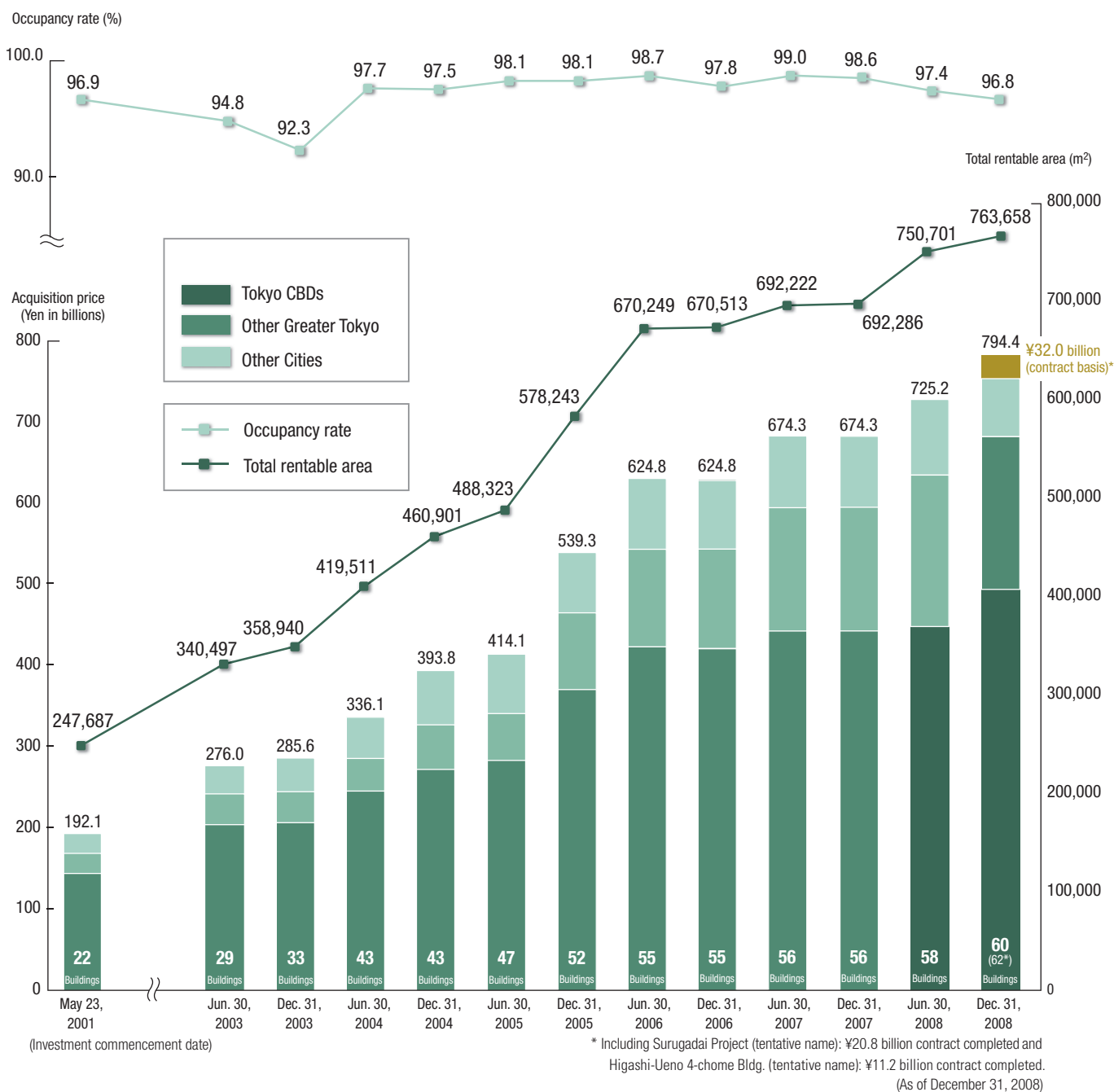


Diversified Maturities of Interest-Bearing Debt



A Continuing Record of Achievement

A Track Record of Steady Growth and High Occupancy Rates

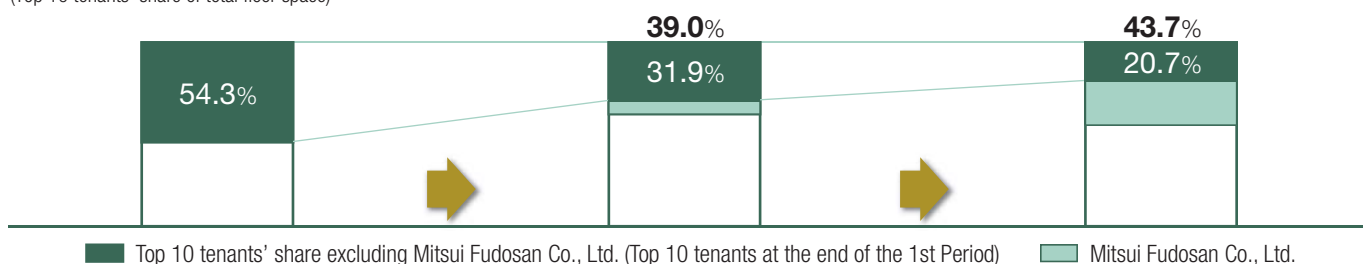


Ongoing Improvement in Portfolio Quality

End of the 1st Period (December 31, 2001)	End of the 9th Period (December 31, 2005)	End of the 15th Period (December 31, 2008)
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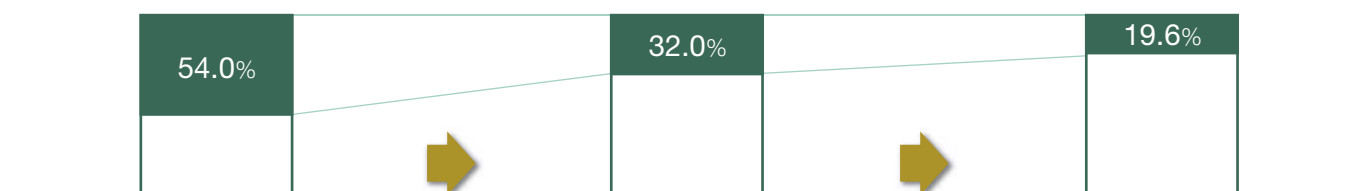
Diversifying tenant risk

(Top 10 tenants' share of total floor space)



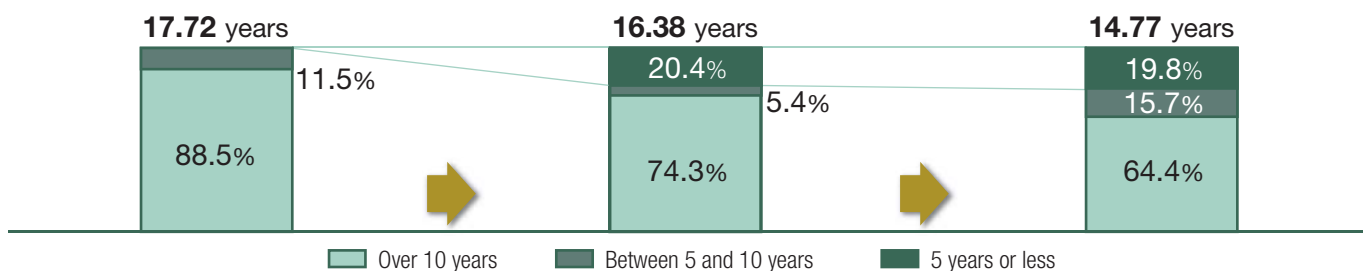
Diversifying property concentration risk

(Ratio of total acquisition price of top three properties to total acquisition price of all owned properties)

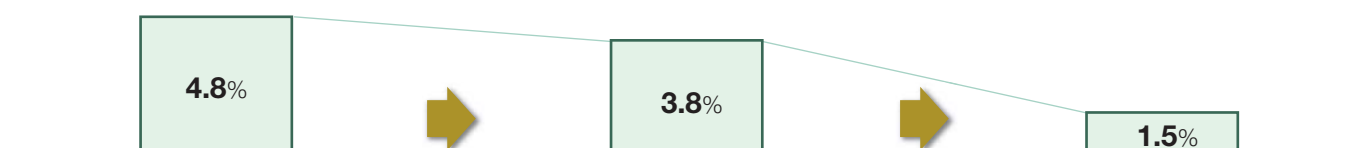


Average age

(Average age of properties weighted by acquisition price of each property at the end of each period)



Portfolio PML (Probable Maximum Loss)



Note: Analysis method of earthquake risk changed as of February 2007.

Acquisitions during the 15th Period



⑤ NBF Minami-Aoyama Building

Acquisition date	August 1, 2008
Site area	3,272.74m ²
Floor area of building	18,720.59m ²
Structure	11 floors above ground, 2 floors below
Location	1-31, Minami-Aoyama 3-chome, Minato-ku, Tokyo
Acquisition price	¥31,000 million

②③ Shibakouen Takahashi Building

Acquisition date	July 7, 2008
Site area	836.45m ² (NBF share: 733.12m ²)
Floor area of building	5,350.75m ² (NBF share: approx. 87%)
Structure	9 floors above ground, 1 floor below
Location	8-12, Shibakouen 1-chome, Minato-ku, Tokyo
Acquisition price	¥6,100 million



Planned Acquisitions in the 16th Period and Beyond

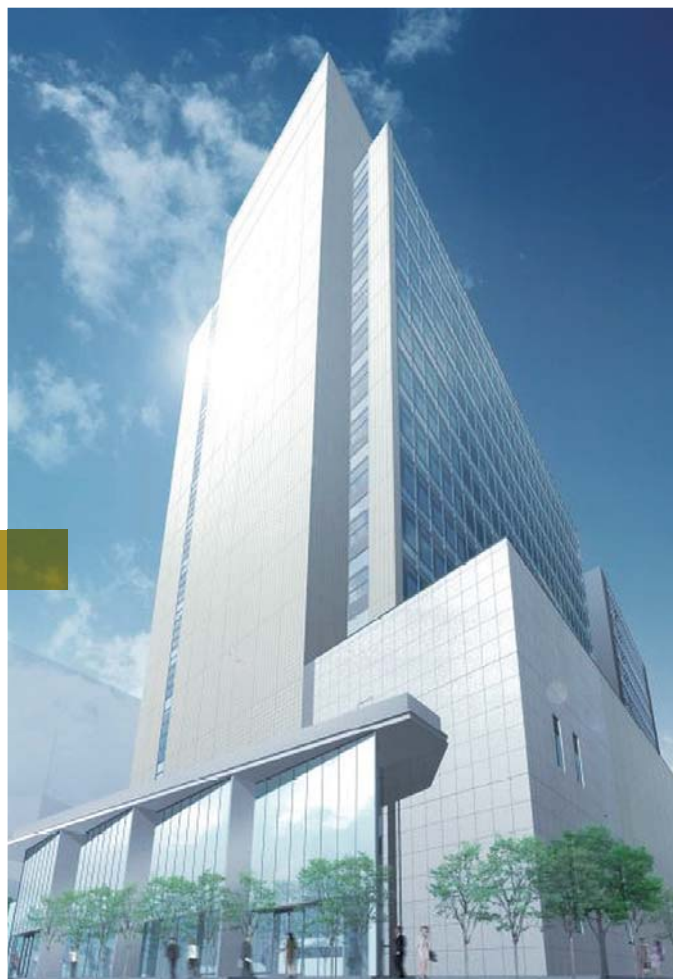


61 Surugadai Project (tentative name)

Acquisition date	April 30, 2009 (scheduled)
Site area	1,767.94m ²
Floor area of building	9,773.30m ²
Structure	11 floors above ground, 1 floor below
Location	3, Kanda-Surugadai 2-chome, Chiyoda-ku, Tokyo
Acquisition price	¥20,840 million

62 Higashi-Ueno 4-chome Building (tentative name)

Acquisition date	April 30, 2010 (scheduled)
Site area	2,405.22m ² (estimated)
Floor area of building	15,949.26m ² (NBF share: approx. 77%)
Structure	13 floors above ground, 2 floors below
Location	38-2, Higashi-Ueno 4-chome, Taito-ku, Tokyo
Acquisition price	¥11,175 million



Main Properties

① Yamato Seimei Building



② Nishi-Shinjuku Mitsui Building



④ NBF Platinum Tower



③ Shiba NBF Tower



⑥ Gate City Ohsaki



⑦ Toranomom Kotohira Tower

⑨ Nakameguro GT Tower



⑬ NBF Toranomom Building



61 Nakanosakaue Sunbright Twin



64 Shin-Kawasaki Mitsui Building

62 NBF Toyosu Canal Front (top) / 63 NBF Toyosu Garden Front (bottom)



45 Yokohama ST Building



47 Shin-Urayasu Center Building



50 55 Aqua Dojima NBF Tower, Aqua Dojima East



51 Shinanobashi Mitsui Building



Location of Office Properties

As of December 31, 2008

Tokyo CBDs

- ① Yamato Seimei Building
- ② Nishi-Shinjuku Mitsui Building
- ③ Shiba NBF Tower
- ④ NBF Platinum Tower
- ⑤ NBF Minami-Aoyama Building
- ⑥ Gate City Ohsaki
- ⑦ Toranomon Kotohira Tower
- ⑧ NBF Nihonbashi Muromachi Center Building
- ⑨ Nakameguro GT Tower
- ⑩ NBF Ginza Street Building
- ⑪ Shinjuku Mitsui Building No. 2
- ⑫ GSK Building
- ⑬ NBF Toranomon Building
- ⑭ Kowa Nishi-Shinbashi Building B
- ⑮ Nippon Steel Building No. 2
- ⑯ NBF Alliance
- ⑰ Yotsuya Medical Building
- ⑱ Shibuya Garden Front
- ⑲ NBF Shibuya East
- ⑳ NBF Shibakouen Building
- ㉑ NBF Takanawa Building
- ㉒ NBF Akasaka Sanno Square
- ㉓ Shibakouen Takahashi Building
- ㉔ Sumitomo Densetsu Building
- ㉕ NBF Higashi-Ginza Square
- ㉖ NBF Ogawamachi Building
- ㉗ NBF Ikebukuro Tower
- ㉘ NBF Ikebukuro City Building
- ㉙ NBF Sudacho Verde Building
- ㉚ NBF Ebisu-Minami Building
- ㉛ Surugadai Project (tentative name)
(Scheduled for acquisition in April 2009)



Other Greater Tokyo

- ③① Nakanosakaue Sunbright Twin
- ③② NBF Toyosu Canal Front
- ③③ NBF Toyosu Garden Front
- ⑥② Higashi-Ueno 4-chome Building (tentative name)
(Scheduled for acquisition in April 2010)



⑧ NBF Nihonbashi
Muromachi Center Building



⑰ Yotsuya Medical Building



⑯ NBF Alliance

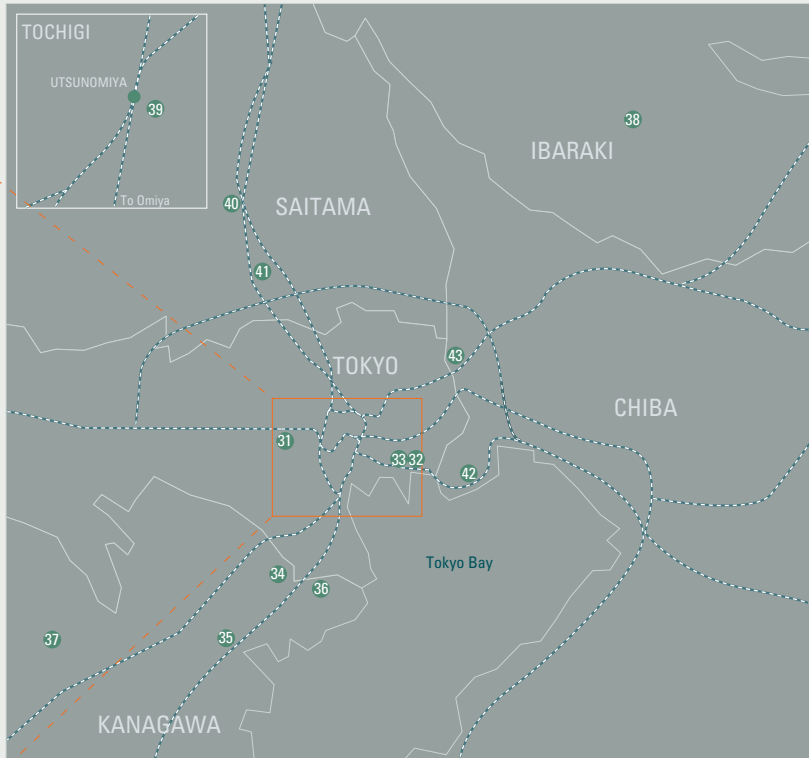


⑱ Shibuya Garden Front



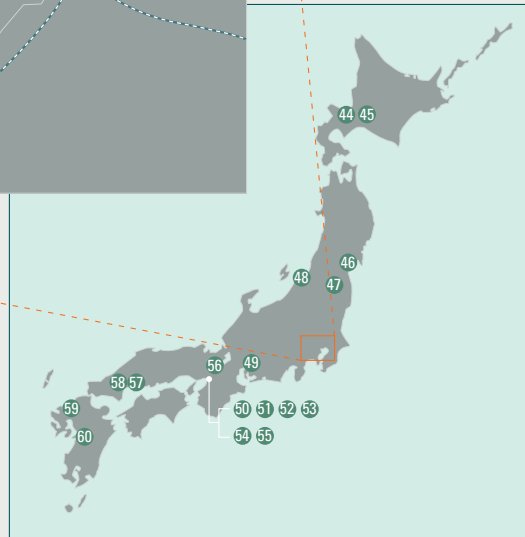
⑳ NBF Shibakouen
Building

Other Greater Tokyo



- 34 Shin-Kawasaki Mitsui Building
- 35 Yokohama ST Building
- 36 Parale Mitsui Building
- 37 NBF Atsugi Building
- 38 Tsukuba Mitsui Building
- 39 NBF Utsunomiya Building
- 40 S-ino Omiya North Wing
- 41 NBF Urawa Building
- 42 Shin-Urayasu Center Building
- 43 NBF Matsudo Building

Other Cities



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



36 Parale Mitsui Building



40 S-ino Omiya North Wing



44 Sapporo L-Plaza



52 Sun Mullion NBF Tower



53 Sakaisuji-Honmachi Center Building

Portfolio Overview

NBF's properties as of December 31, 2008 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership	Year Built	Acquisition Price	Book Value
			(%)	(Yen in millions)		
Tokyo CBDs						
① Yamato Seimei Building	Trust	Fee simple	100.0	1984	63,500	64,481
② Nishi-Shinjuku Mitsui Building	Ownership	Comparted ownership	85.1	1999	44,903	36,333
③ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	30,713
④ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	30,426
⑤ NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,795
⑥ Gate City Ohsaki	Ownership	Comparted ownership	12.9	1999	30,100	24,577
⑦ Toranomon Kotohira Tower	Ownership	Comparted ownership	100.0	2004	24,543	21,015
⑧ NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,181
⑨ Nakameguro GT Tower	Ownership	Comparted ownership	93.1	2002	23,856	21,773
⑩ NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,616
⑪ Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	15,938
⑫ GSK Building	Trust	Fee simple	100.0	1990	15,616	13,921
⑬ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,624
⑭ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of comparted ownership	83.0	1994	13,217	12,044
⑮ Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,584
⑯ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,489
⑰ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,534
⑱ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,279
⑲ NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,226
⑳ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,733
㉑ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,278
㉒ NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,252
㉓ Shibakouen Takahashi Building	Trust	Fee simple	87.0	1991	6,100	6,322
㉔ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,783
㉕ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,994
㉖ NBF Ogawamachi Building	Ownership	Comparted ownership	83.8	1986	4,940	4,951
㉗ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,487
㉘ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,445
㉙ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,378
㉚ NBF Ebisu-Minami Building	Ownership	Fee simple	100.0	1991	1,000	1,017
Other Greater Tokyo						
㉛ Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of comparted ownership	81.0 Note 4	1996	40,750	39,520
㉜ NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	33,698
㉝ NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	25,287
㉞ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	19,339
㉟ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,764
㊱ Parale Mitsui Building	Ownership	Co-ownership of comparted ownership	97.5	1990	3,800	3,283
㊲ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,133
㊳ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,446
㊴ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,526
㊵ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	15,738
㊶ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,925
㊷ Shin-Urayasu Center Building	Ownership	Fee simple	100.0	1990	15,700	15,891
㊸ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,262
Other Cities						
㊹ Sapporo L-Plaza	Ownership	Comparted ownership	46.2	2003	4,404	4,065
㊺ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,729
㊻ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,667
㊼ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,253
㊽ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,669
㊾ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	7,305
㊿ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,906
㊱ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,770
㊲ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,808
㊳ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of comparted ownership	49.3	1991	6,500	6,274
㊴ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,992
㊵ Aqua Dojima East	Trust	Co-ownership of comparted ownership	23.7	1993	1,914	1,826
㊶ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,399
㊷ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,961
㊸ Hiroshima Fukuromachi Building	Ownership	Co-ownership of comparted ownership	10.4	2002	835	740
㊹ NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,315
㊺ NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,625
Total					762,349	723,369

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

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

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

4. This figure does not include the Nakanosakaue Sunbright Annex, in which NBF has 50.3% ownership interest.

Appraisal Value	Rentable Area	Leased Area at End of Period	Occupancy Rate at End of Period	Total Number of Tenants at End of Period	Revenue	Percentage of Total Revenues (Note 1)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)
68,800	27,640	24,725	89.5	61	1,938	6.2
57,900	32,968	32,968	100	1	1,498	4.8
35,800	24,728	24,728	100	27	1,186	3.8
57,000	33,503	33,503	100	5	1,515	4.9
25,100	9,618	9,618	100	9	555	1.8
34,600	20,714	20,714	100	1	1,173	3.8
36,600	16,848	16,848	100	1	1,070	3.4
32,400	16,306	16,306	100	14	957	3.1
31,400	21,423	21,423	100	1	1,138	3.6
16,100	3,440	3,440	100	1	Note 2	Note 2
22,500	14,921	14,221	95.3	43	770	2.5
23,600	20,426	20,426	100	1	Note 2	Note 2
18,900	10,123	9,320	92.1	11	578	1.9
21,000	10,088	10,088	100	3	Note 2	Note 2
14,880	17,338	17,338	100	2	Note 2	Note 2
11,500	4,043	2,555	63.2	6	249	0.8
8,690	7,450	7,450	100	1	263	0.8
16,700	8,258	8,258	100	1	Note 2	Note 2
7,770	4,993	4,993	100	5	226	0.7
9,050	7,087	7,087	100	7	344	1.1
8,400	10,473	10,258	97.9	4	345	1.1
8,440	5,258	5,258	100	7	280	0.9
5,870	3,431	3,431	100	7	182	0.6
6,450	5,991	5,991	100	1	Note 2	Note 2
7,850	4,871	4,871	100	8	259	0.8
6,380	4,805	4,805	100	1	199	0.6
5,870	5,652	5,389	95.3	12	234	0.8
5,600	5,127	4,936	96.3	11	205	0.7
4,070	2,971	2,855	96.1	3	Note 2	Note 2
1,530	1,595	1,595	100	3	63	0.2
38,100	32,082	32,082	100	8	1,267	4.1
40,200	36,668	36,655	100	9	1,156	3.7
32,500	28,330	28,330	100	3	1,172	3.8
20,900	27,924	27,924	100	1	1,002	3.2
19,500	20,069	18,405	91.7	85	783	2.5
4,390	12,545	12,545	100	1	287	0.9
2,360	5,230	5,107	97.7	18	144	0.5
9,310	16,755	15,329	91.5	67	511	1.6
2,770	6,197	5,793	93.5	33	146	0.5
21,800	20,698	20,344	98.3	34	808	2.6
2,170	3,455	3,455	100	14	113	0.4
15,000	22,789	21,064	92.4	39	649	2.1
2,730	4,770	4,166	87.3	22	126	0.4
6,610	11,396	11,396	100	12	324	1.0
1,740	5,351	5,351	100	4	110	0.4
3,940	7,539	7,415	98.4	9	211	0.7
3,810	13,390	11,848	88.5	51	272	0.9
3,700	10,214	7,539	73.8	33	217	0.7
8,610	9,890	8,748	88.5	13	295	0.9
23,600	21,917	20,514	93.6	42	843	2.7
15,100	25,237	25,237	100	1	742	2.4
10,600	14,954	14,193	94.9	30	469	1.5
7,640	11,438	10,847	94.8	43	340	1.1
2,170	5,308	5,125	96.5	20	131	0.4
2,370	3,243	2,813	86.7	19	119	0.4
1,670	3,931	3,730	94.9	18	91	0.3
3,170	5,612	5,076	90.5	25	151	0.5
902	1,309	1,309	100	17	41	0.1
2,740	5,416	5,416	100	8	157	0.5
3,960	7,913	5,909	74.7	9	127	0.4
924,812	763,658	739,061	96.8	946	31,218	100.0

Management Team and Management Structure

(As of December 31, 2008)

Corporate Structure and Management

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

Nippon Building Fund Inc.

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

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

General Meeting of Shareholders

Specific matters pertaining to NBF that are subject to the Investment Trust Law of Japan or the Company's articles of incorporation are decided by resolution of the General Meeting of Shareholders, which convenes at least once every two years, in principle. The sixth General Meeting of Shareholders convened on March 12, 2009. The date of the next General Meeting of Shareholders has not been set.

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

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

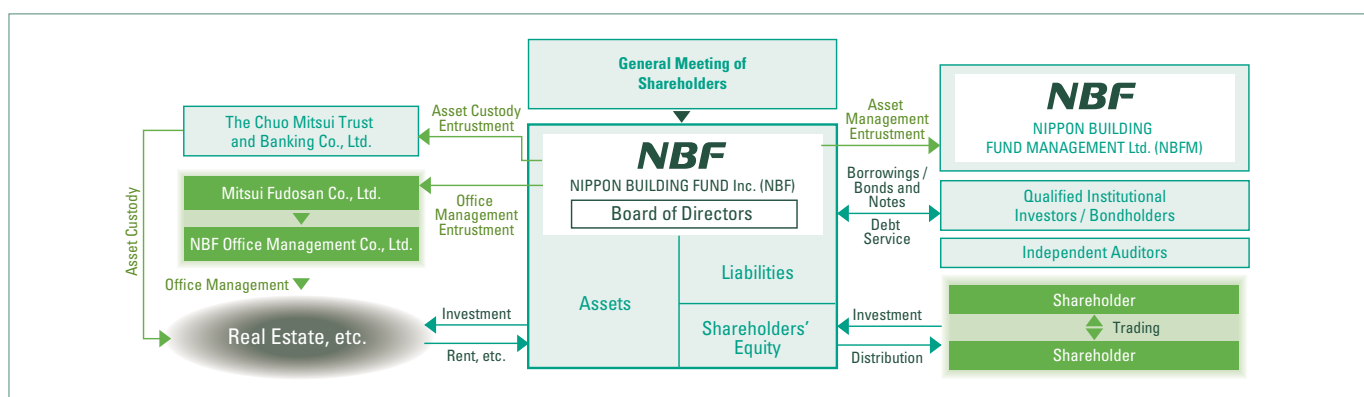
Executive Directors, Supervisory Directors and the Board of Directors

NBF's articles of incorporation stipulate that NBF must have one or more executive directors and four or fewer supervisory directors (but the number of supervisory directors must always be at least one greater than the number of executive directors). As of December 31, 2008, NBF had two executive directors and four supervisory directors.

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

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

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



Management Team



From left:
Sadao Kamiyama
Sadafumi Abe
Hideo Fukazawa
Hatsuo Komatsu
Koichi Nishiyama
Yoshiyuki Hirai

	Name	Background Summary
Executive Directors	Sadafumi Abe	Appointed Executive Director of NBF in March 2005 after serving as Corporate Auditor of Mitsui Fudosan Co., Ltd.
	Koichi Nishiyama	Representative Director of Nippon Building Fund Management Ltd. Executive Director of NBF since August 2001.
Supervisory Directors	Hideo Fukazawa	Appointed Supervisory Director of NBF in March 2005 after serving as a deputy director of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), and director of the Government Housing Loan Corporation.
	Hatsuo Komatsu	Attorney. Appointed Supervisory Director of NBF in March 2007.
	Sadao Kamiyama	Certified Public Accountant. Certified Public Tax Accountant. Appointed Supervisory Director of NBF in March 2007.
	Yoshiyuki Hirai	Appointed Supervisory Director of NBF in March 2009. Real Estate Appraiser.

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

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

The terms of office of executive directors and supervisory directors are

two years from the time they assume office. The terms of executive directors and supervisory directors selected to fill a vacancy or because of an increase in the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two executive directors and all four supervisory directors were elected at the General Meeting of Shareholders held on March 12, 2009, and assumed office on March 17, 2009.

Nippon Building Fund Management Ltd.

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

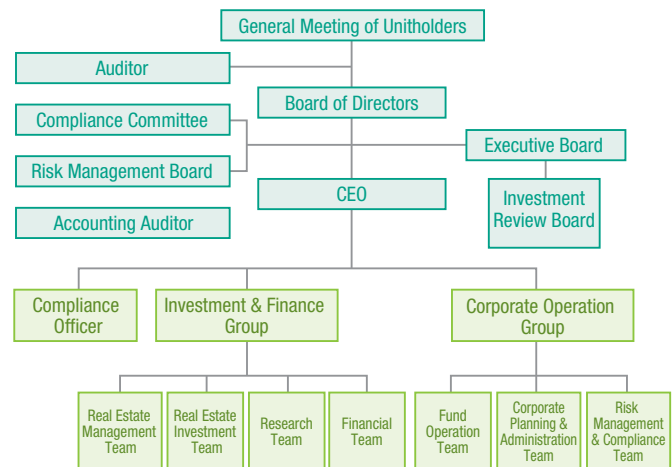
Matters Entrusted to Nippon Building Fund Management Ltd.

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

Management Structure of Nippon Building Fund Management Ltd.

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

Management Structure



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

Nippon Building Fund Management Ltd. Management Team

Name	Title	Career Summary
Koichi Nishiyama	President and CEO and Representative Director	<p>April 1974 Joined Mitsui Fudosan Co., Ltd.</p> <p>April 2000 Manager of Building Fund Office, Building Division of Mitsui Fudosan</p> <p>Sept. 2000 President and representative director of MF Asset Management Co., Ltd. (now Nippon Building Fund Management Ltd.) (current position)</p> <p>Aug. 2001 Became Executive Director of NBF (current position)</p>
Yasushi Nakayama	Director, Head of Investment & Finance Group	<p>April 1981 Joined Mitsui Fudosan Co., Ltd.</p> <p>April 2001 Head of Building Business Division, Building Department of Mitsui Fudosan</p> <p>April 2006 Manager of Building Department, Chiyoda Development Division of Mitsui Fudosan</p> <p>April 2007 Became Director of Nippon Building Fund Management Ltd. (current position)</p>
Riichi Morihiro	Director, Head of Corporate Operation Group	<p>April 1978 Joined Sumitomo Life Insurance Company</p> <p>Oct. 2002 Assistant Manager, Financial Corporation Division of Sumitomo Life Insurance</p> <p>April 2005 Director and Manager of Residential Planning Division, Eisen Realty Co., Ltd.</p> <p>April 2006 Became Director of Nippon Building Fund Management Ltd. (current position)</p>
Hideharu Matsumoto	Director (Part-time)	March 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Masato Shikata	Director (Part-time)	April 2009 Became Director of Nippon Building Fund Management Ltd. (current position)
Noriaki Moromachi	Corporate Auditor (Part-time)	April 2003 Became Auditor of Nippon Building Fund Management Ltd. (current position)
Toru Suzuki	Corporate Auditor (Part-time)	April 2008 Became Auditor of Nippon Building Fund Management Ltd. (current position)

Compliance Initiatives

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

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

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

Risk Management System

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

■ NBF

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

■ Nippon Building Fund Management Ltd.

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

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

Policy and Management System for Dealing with Conflict of Interest Transactions

■ Fundamental Policy on Conflict of Interest Transactions

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

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

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

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

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

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

Management's Discussion and Analysis

Summary of Selected Financial Data

		15th Period from July 1, 2008 to December 31, 2008	14th Period from January 1, 2008 to June 30, 2008	13th Period from July 1, 2007 to December 31, 2007	15th Period from July 1, 2008 to December 31, 2008
(Yen in millions, except per share data or where otherwise indicated)					U.S. dollars in thousands except per share data (Note 1)
Operating revenues	Note 2	¥ 31,218	¥ 30,088	¥ 27,814	\$ 343,851
Revenue from property leasing		31,218	29,220	27,814	343,851
Revenue from capital gain		—	868	—	—
Operating expenses		16,627	15,559	15,357	183,140
Rental expenses		15,228	14,178	14,077	167,732
Income before income taxes		12,062	12,223	10,227	132,853
Net income	(a)	12,061	12,222	10,226	132,841
Funds from operations	Note 3	17,417	16,630	15,394	191,835
Net operating income from property leasing activities	Note 3	21,346	20,318	18,905	235,113
Total amount of cash distribution	(b)	12,061	12,222	10,226	132,840
Depreciation and amortization		5,356	5,276	5,168	58,994
Capital expenditures		2,146	1,620	1,193	23,626
Total assets	(c)	766,249	725,627	672,195	8,439,794
Interest-bearing debt		318,500	280,500	272,500	3,508,096
Net assets	(d)	398,237	398,398	356,672	4,386,349
Total number of common shares issued (shares)	(e)	542,000	542,000	508,000	—
Net assets per share (Yen)	(d) / (e)	734,753	735,050	702,110	8,093
Distribution per share (Yen)	(b) / (e)	22,252	22,549	20,129	245
Funds from operations per share (Yen)	Note 3	32,134	31,066	30,303	354
ROA	Note 3	1.6%	1.7%	1.5%	
(Annual rate)		(3.2%)	(3.5%)	(3.0%)	
ROE	Note 3	3.0%	3.2%	2.9%	
(Annual rate)		(6.1%)	(6.5%)	(5.7%)	
LTV (Loan to value)	Note 3	45.5%	42.8%	44.3%	
Capital ratio	(d) / (c)	52.0%	54.9%	53.1%	
Payout ratio	(b) / (a) Note 4	99.9%	99.9%	99.9%	
Number of days		184	182	184	
Number of investment properties	Note 5	60	58	56	
Number of tenants	Note 5	946	931	897	
Total rentable area (m ²)		763,658	750,701	692,286	
Occupancy rate	Note 5	96.8%	97.4%	98.6%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥90.79 = U.S. \$1.00, the approximate exchange rate on December 31, 2008.

2. Operating revenues do not include consumption tax.

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

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

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

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

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

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

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

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

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

Operating Environment and Results

During the six months ended December 31, 2008, Japan's economy weakened further due to the impact on corporate profits, capital investment trends and consumer spending of turmoil in global financial markets stemming from the U.S. subprime mortgage crisis and substantial volatility in stock and currency markets.

The office building leasing market began to weaken with signs of a decrease in the overall occupancy rate, which had remained at a high level for several years, amid increasing uncertainty about the outlook for the Japanese economy.

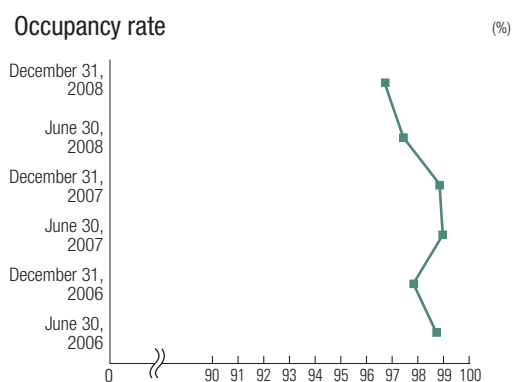
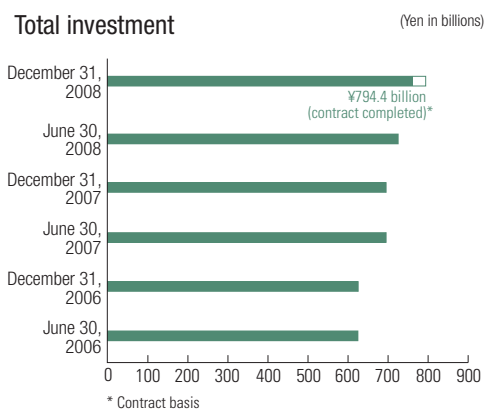
In the real estate acquisition market, demand slackened due to changes in the environment for fund raising including a more cautious stance by financial institutions toward financing, particularly following the collapse of Lehman Brothers in September 2008.

Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have relatively stable cash flow from rents based on excellent tenants.

During the 15th Period, NBF made the most of its accumulated expertise and original information channels such as the Mitsui Fudosan Group to conduct rigorous screening of information and careful deliberation in accordance with this policy. As a result, in July 2008 NBF acquired the Shibakouen Takahashi Building (acquisition price: ¥6,100 million), and in August 2008 it acquired the NBF Minami-Aoyama Building (acquisition price: ¥31,000 million) and decided to acquire the Higashi-Ueno 4-chome Building (tentative name) (acquisition price: ¥11,175 million, scheduled date of transfer: April 2010).

For its portfolio properties, NBF worked to expand internal growth by conducting property management, scheduled renovations and new construction of facilities to increase tenant satisfaction. At the same time, NBF further strengthened profitability by maintaining a sound grasp of the market, setting rent for new tenants and revising rents for existing tenants who renewed their lease contracts.

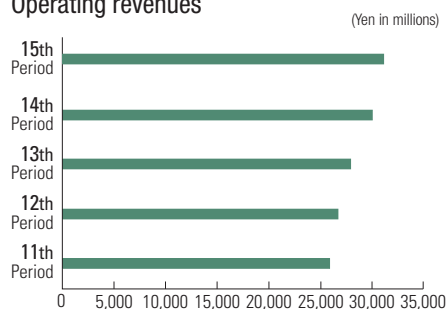
As a result of these efforts, NBF's real estate portfolio as of December 31, 2008 totaled 60 buildings. Total investment on an acquisition price basis was ¥762,349 million. Total rentable area was 763,658 m² (231,006 *tsubo*). The occupancy rate declined 0.6 percentage points from June 30, 2008 to 96.8 percent. Tenants totaled 946.



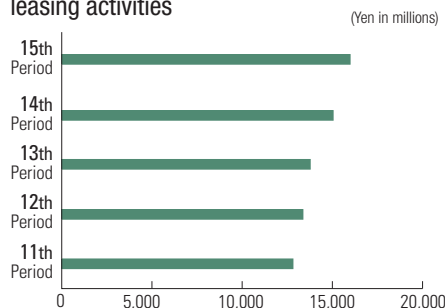
Overview of Performance

Operating revenues for the six months ended December 31, 2008 increased 3.8 percent, or ¥1,130 million, compared with the previous six-month period to ¥31,218 million. Operating revenues increased due to new occupancy in properties acquired during the 15th Period and other factors, although ¥868 million from the sale of properties recorded in the previous six-month period did not recur. Operating income increased 0.4 percent, or ¥62 million, to ¥14,591 million. Net income decreased 1.3 percent, or ¥161 million, to ¥12,061 million. Distribution per share decreased ¥297 to ¥22,252.

Operating revenues



Operating income from property leasing activities



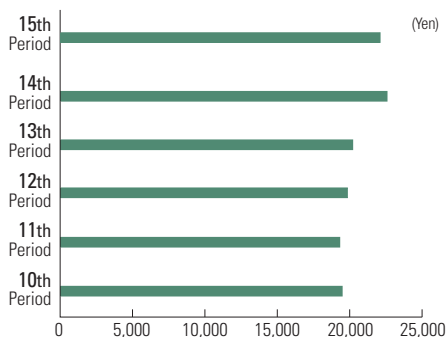
Distribution for the Current Period

Distribution per share for the current period was ¥22,252. NBF expected to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

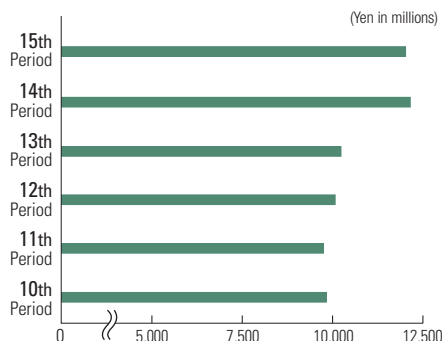
	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
(Yen in thousands, except per share amounts)			
Retained earnings	¥12,060,900	¥12,221,797	¥10,225,655
Undistributed earnings	316	239	123
Total cash distribution	12,060,584	12,221,558	10,225,532
(Cash distribution per share)	22,252	22,549	20,129
Distribution of accumulated earnings	12,060,584	12,221,558	10,225,532
(Distribution of accumulated earnings per share)	22,252	22,549	20,129
Cash distribution in excess of accumulated earnings	—	—	—
(Per share)	—	—	—

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

Distribution per share



Total cash distribution



Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2008, total assets increased ¥40,622 million to ¥766,249 million compared with June 30, 2008. Return on average total assets (ROA) for the six months ended December 31, 2008 decreased to 1.62 percent from 1.75 percent for the previous six-month period.

Current assets increased ¥5,649 million to ¥38,547 million compared with June 30, 2008. Investment properties increased ¥34,979 million to ¥723,336 million compared with June 30, 2008.

Liabilities

Current liabilities increased ¥31,942 million to ¥86,230 million compared with June 30, 2008, primarily because of an increase in short-term loans and long-term debt due within one year compared with June 30, 2008.

Long-term debt increased ¥8,000 million to ¥242,000 million compared with June 30, 2008.

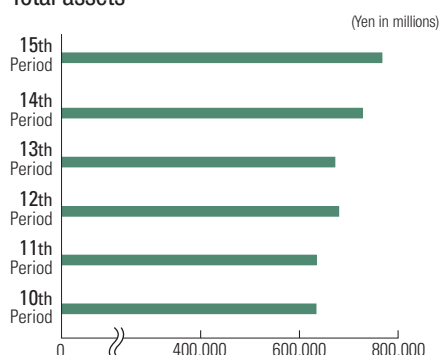
As a result, total interest-bearing liabilities increased ¥38,000 million to ¥318,500 million compared to June 30, 2008. However, the ratio of fixed-rate long-term debt to total interest-bearing liabilities decreased to 76.0 percent from 83.4 percent as of December 31, 2008. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 45.5 percent from 42.8 percent as of December 31, 2008.

In addition, NBF worked to diversify funding sources. In January 2007, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of December 31, 2008, NBF had issued bonds totaling ¥30 billion under this shelf registration.

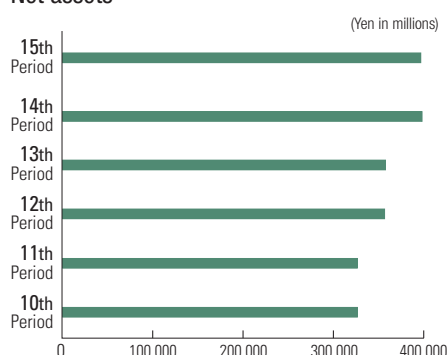
Net Assets

Net assets decreased ¥161 million to ¥398,237 million compared with June 30, 2008.

Total assets



Net assets



Funding

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2008, NBF had issued 542,000 common shares out of 2,000,000 total authorized shares. NBF's common shares were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of shares, NBF's common shares comprise the sole class of shares authorized and issued by NBF.

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

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

Market Price of Shares

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

	For the six months ended December 31, 2008	For the six months ended June 30, 2008 (Yen)	For the six months ended December 31, 2007
High	¥1,330,000	¥1,560,000	¥1,790,000
Low	689,000	1,070,000	1,340,000

Borrowings

Borrowings from financial institutions as of December 31, 2008 are shown below.

Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., LIMITED	¥22,000	1.0%	January 30, 2009	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3) Floating rate
Mizuho Corporate Bank, Ltd.	8,000	1.1%	April 30, 2009			
The Sumitomo Trust and Banking Company, Limited	5,000	1.0%	January 30, 2009			
Shinkin Central Bank	4,000	1.0%	January 30, 2009			
Mitsubishi UFJ Trust and Banking Corporation	3,000	1.1%	January 30, 2009			
The Chugoku Bank, Limited	3,000	1.1%	May 29, 2009			
THE KAGOSHIMA BANK, LTD.	2,000	1.1%	January 30, 2009			
The Hachijuni Bank, Ltd.	2,000	1.1%	June 26, 2009			
The Gunma Bank, Ltd.	2,000	1.1%	January 30, 2009			
The Yamanashi Chuo Bank, Ltd.	1,500	1.0%	February 27, 2009			
The Joyo Bank, Ltd.	1,000	1.1%	February 27, 2009			
THE SHIZUOKA BANK, LTD.	1,000	1.1%	February 27, 2009			
The Yamaguchi Bank, Ltd.	1,000	1.2%	January 30, 2009			
The Iyo Bank, Ltd.	1,000	1.2%	April 30, 2009			

Total short-term loans ¥56,500

Long-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3) Fixed rate
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
Sumitomo Life Insurance Company	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 19, 2011			
	3,000	1.2%	February 3, 2010			
	7,000	2.1%	May 23, 2018			
	5,000	1.9%	May 23, 2016			
Zenkyoren	1,000	1.7%	June 1, 2011			
(The National Mutual Insurance	10,000	1.5%	September 11, 2015			
Federation of Agricultural Cooperatives)	10,000	2.3%	May 30, 2016			
The Chuo Mitsui Trust and Banking	5,000	1.6%	March 30, 2011			
Co., LIMITED	1,000	1.2%	March 30, 2009			
	10,000	1.4%	December 30, 2011			
Sumitomo Mitsui Banking Corporation	1,000	1.5%	June 30, 2009			
	5,000	1.5%	April 30, 2013			
	5,000	1.8%	June 27, 2013			
	4,000	1.5%	December 28, 2012			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
Nippon Life Insurance Company	3,000	0.9%	October 30, 2009			
	2,000	0.8%	April 1, 2010			
	2,000	1.1%	October 19, 2010			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.4%	December 30, 2011			
DAIDO LIFE INSURANCE COMPANY	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			
THE BANK OF FUKUOKA, Ltd.	4,000	1.9%	July 12, 2012			
TAIYO LIFE INSURANCE COMPANY	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
Resona Bank, Limited	3,000	1.3%	September 9, 2011			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
Total long-term debt	¥182,000					
Total borrowings (Note 4)	¥238,500					

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

2. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.

3. A special agreement attached to "Loan Agreement" entered into between NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.

4. The total amount of long-term borrowings (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	¥12,000	¥30,000	¥24,000	¥26,000

NBF Bonds

Issue	Issue date	Balance as of December 31, 2008 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Notes 2 and 4
No. 4 Unsecured Bonds	September 22, 2004	10,000	1.04%	September 22, 2009	Bullet payment	Note 1	Notes 2 and 4
No. 5 Unsecured Bonds	September 22, 2004	10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Notes 2 and 4
No. 6 Unsecured Bonds	March 9, 2005	10,000	0.80%	March 9, 2010	Bullet payment	Note 1	Notes 3 and 5
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 8 Unsecured Bonds	March 7, 2007	10,000	1.48%	March 7, 2012	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
Total (Note 6)		¥80,000					

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

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

Others

NBF had security deposits totaling ¥39,718 million as of December 31, 2008.

Capital Expenditures

Planning

As of December 31, 2008, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from July 1, 2008 to December 31, 2008)	Cumulative amount paid
				(Yen in millions)	
NBF Ikebukuro Tower	Renovation of HVAC equipment (1st Period)	From February 2009 to May 2009	¥78	¥—	¥—
NBF Ogawamachi Bldg.	Renovation of air conditioning	From September 2009 to November 2009	60	¥—	¥—
NBF Ikebukuro Tower	Renovation of HVAC equipment (2nd Period)	From September 2009 to November 2009	60	¥—	¥—
NBF Unix Bldg.	Renovation of central monitoring facilities	From October 2009 to October 2009	48	¥—	¥—
Parale Mitsui Bldg.	Renovation of lighting equipment (1st Period)	From July 2009 to September 2009	34	¥—	¥—
NBF Shijo Karasuma Bldg.	Renovation of air conditioning (1st, 2nd, 3rd floor systems)	From April 2009 to May 2009	22	¥—	¥—

Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥2,146 million in capital expenditures together with ¥829 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Yokohama ST Bldg.	Renovation of exterior, upgrade air conditioning equipment on 18th floor, OA flooring on 12th floor, etc.	From July 2008 to December 2008	¥277
NBF Toyosu Canal Front.	Renovation of exterior, etc.		246
Shinjuku Mitsui Bldg. No.2	Updated building security equipment, renovation of drainpipes, renovation of all heat exchange equipment on upper floors, etc.		203
Shin-Kawasaki Mitsui Bldg.	Renovation of central monitoring equipment (2nd Period), overhaul of cold water pump, installation of openings to check for asbestos		194
Aqua Dojima NBF Tower	Renovation of central monitoring facilities, replacement of solution pump for ice thermal energy storage unit, renovation to restore 3rd, 8th and 11th floors to original condition		185
GSK Bldg.	Installation of new main control panel, expansion of rooftop drainage, furnishing of receiver for terrestrial digital broadcasts, etc.		139
Shinanobashi Mitsui Bldg.	Installation of security system, renovation of emergency lighting, introduction of motion sensors for emergency lighting, etc.		122
NBF Nihonbashi Muromachi Center Bldg.	Renovation of bathrooms (3rd Period), renovation of elevator hall (2nd Period), restoration of lighting equipment in non-public areas (2nd Period)		122
NBF Utsunomiya Bldg.	Construction work on 3rd floor, repair outdoor install automated door entrance, replaced air compressor (2nd Period), repair outdoor electrical machinery (2nd Period), etc.		41
NBF Shijo Karasuma Bldg.	Renovation of air conditioning (4th~7th floors) replacement of bathroom floor tiles on 2nd and 5th floors, renovation of air conditioning on 1st floor		32
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction		585
Total			¥2,146

Cash Reserve for Capital Improvements

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

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 948	¥ 538
Amount accumulated in the current period	2,463	2,717
Withdrawal from reserves in the current period	2,555	2,307
Amount carried forward	¥ 856	¥ 948

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

2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥3,917 million as of December 31, 2008.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
	(Yen in millions)		
Asset management fees	¥1,154	¥1,109	¥1,012
Asset custody fees	34	32	32
Agent fees (stock transfer, accounting and administrative)	51	54	48
Directors' remuneration	19	19	19
Auditor's fees	13	13	13
Other expenses	128	155	155
Total	¥1,399	¥1,382	¥1,279

Note: In addition to the amounts stated above, there are asset management fees of ¥121 million for the period from July 1, 2008 to December 31, 2008 and ¥214 million for the period from January 1, 2008 to June 30, 2008 related to investment properties which were booked on each property.

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 by NBF in the current period.

Name of building	(Yen in millions)	
	Acquisitions	
	Date	Acquisition price (Note 1)
Shibakouen Takahashi Bldg.	July 7, 2008	¥ 6,100
Otemachi Tatemono Aoyama Bldg.	August 1, 2008	31,000
Total		¥37,100

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

2. The name of "Otemachi Tatemono Aoyama Bldg." was changed to the "NBF Minami-Aoyama Bldg." after delivery of the property.

2. Trading of Other Assets Including Total Amount and Transactions

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

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

(1) Ongoing Transactions

None. (No purchases, or sales or other transactions involving interested parties.)

(2) Fees Paid for the Period from July 1, 2008 to December 31, 2008

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A (Note 3)
Brokerage commission	¥ 901	Mitsui Fudosan Co., Ltd.	¥ 183	20.3%
		Mitsui Fudosan Investment Advisors, Inc.	100	11.1%
Office management fees, etc. (Note 2)	1,289	Mitsui Fudosan Co., Ltd.	1,240	96.2%
		NBF Office Management Co., Ltd.	30	2.3%
Property maintenance fees	2,746	First Facilities Co., Ltd.	435	15.8%
		Mitsui Fudosan Co., Ltd.	337	12.3%
		First Facilities West Co., Ltd.	122	4.4%
		Mitsui Fudosan Building Management Co., Ltd.	99	3.6%
		First Facilities Yokohama Co., Ltd.	12	0.5%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.0%
Leasing related service fees	60	Mitsui Fudosan Co., Ltd.	20	33.4%
		NBF Office Management Co., Ltd.	12	19.8%

Notes: 1. "Related parties" are defined as related parties of asset management companies under the asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the 15th Period, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., Mitsui Fudosan Investment Advisors, Inc., NBF Office Management Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities Yokohama Co., Ltd., and Mitsui Fudosan Housing Lease Co., Ltd. are as described above.

- Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Naka-Meguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them with NBF Office Management Co., Ltd. as business representative of the property owners or lessors. Moreover, NBF signed a contract with NBF Office Management on August 1, 2008, where the role of NBF Office Management Co., Ltd. was changed from a business representative to a chief office manager for the 10 properties effective October 1, 2008.
- In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

	(Yen in millions)
First Facilities Co., Ltd.	¥417
Mitsui Fudosan Co., Ltd.	376
First Facilities West Co., Ltd.	289
Mitsui Fudosan Building Management Co., Ltd.	191
Mitsui Fudosan Housing Lease Co., Ltd.	2
Mitsui Home Linkage Co., Ltd.	1
Mitsui Real Estate Sales Co., Ltd.	0
NBF Office Management Co., Ltd.	0

Operating Environment and Results

During the six months ended December 31, 2008, Japan's economy weakened further due to the impact on corporate profits, capital investment trends and consumer spending of turmoil in global financial markets stemming from the U.S. subprime mortgage crisis and substantial volatility in stock and currency markets.

The office building leasing market began to weaken with signs of a decrease in the overall occupancy rate, which had remained at a high level for several years, amid increasing uncertainty about the outlook for the Japanese economy.

In the real estate acquisition market, demand slackened due to changes in the environment for fund raising including a more cautious stance by financial institutions toward financing, particularly following the collapse of Lehman Brothers in September 2008.

Under these conditions, NBF continued to manage its assets in accordance with its basic policy of investing in high-quality office buildings that are highly competitive in terms of their location, size, facilities and infrastructure and are expected to have relatively stable cash flow from rents based on excellent tenants.

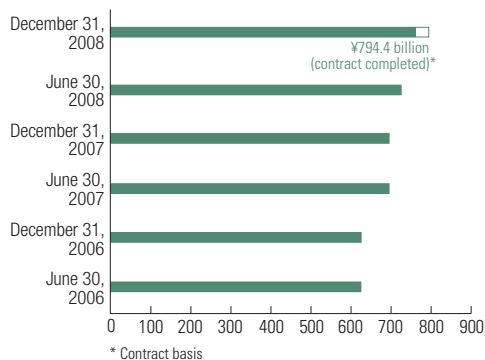
During the 15th Period, NBF made the most of its accumulated expertise and original information channels such as the Mitsui Fudosan Group to conduct rigorous screening of information and careful deliberation in accordance with this policy. As a result, in July 2008 NBF acquired the Shibakouen Takahashi Building (acquisition price: ¥6,100 million), and in August 2008 it acquired the NBF Minami-Aoyama Building (acquisition price: ¥31,000 million) and decided to acquire the Higashi-Ueno 4-chome Building (tentative name) (acquisition price: ¥11,175 million, scheduled date of transfer: April 2010).

For its portfolio properties, NBF worked to expand internal growth by conducting property management, scheduled renovations and new construction of facilities to increase tenant satisfaction. At the same time, NBF further strengthened profitability by maintaining a sound grasp of the market, setting rent for new tenants and revising rents for existing tenants who renewed their lease contracts.

As a result of these efforts, NBF's real estate portfolio as of December 31, 2008 totaled 60 buildings. Total investment on an acquisition price basis was ¥762,349 million. Total rentable area was 763,658 m² (231,006 *tsubo*). The occupancy rate declined 0.6 percentage points from June 30, 2008 to 96.8 percent. Tenants totaled 946.

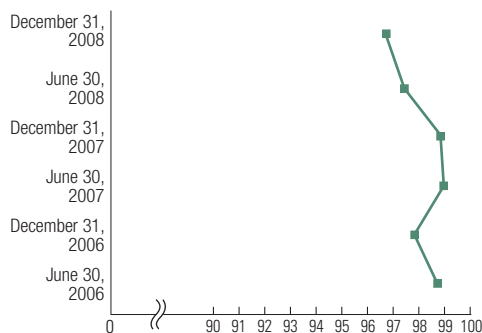
Total investment

(Yen in billions)



Occupancy rate

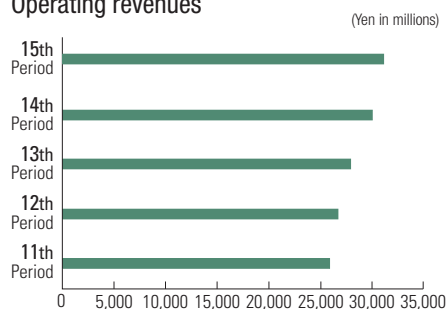
(%)



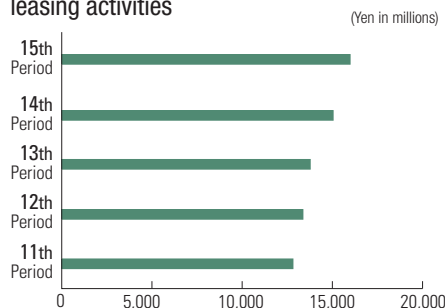
Overview of Performance

Operating revenues for the six months ended December 31, 2008 increased 3.8 percent, or ¥1,130 million, compared with the previous six-month period to ¥31,218 million. Operating revenues increased due to new occupancy in properties acquired during the 15th Period and other factors, although ¥868 million from the sale of properties recorded in the previous six-month period did not recur. Operating income increased 0.4 percent, or ¥62 million, to ¥14,591 million. Net income decreased 1.3 percent, or ¥161 million, to ¥12,061 million. Distribution per share decreased ¥297 to ¥22,252.

Operating revenues



Operating income from property leasing activities



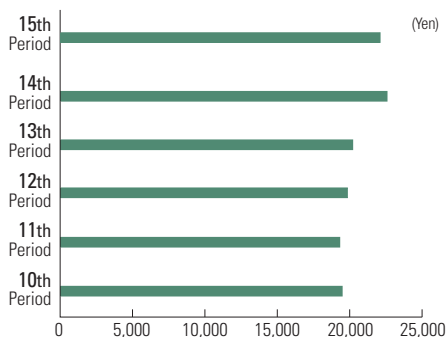
Distribution for the Current Period

Distribution per share for the current period was ¥22,252. NBF expected to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

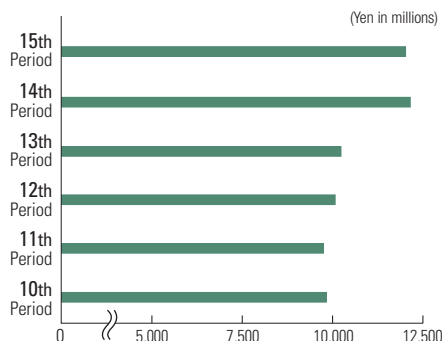
	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
(Yen in thousands, except per share amounts)			
Retained earnings	¥12,060,900	¥12,221,797	¥10,225,655
Undistributed earnings	316	239	123
Total cash distribution	12,060,584	12,221,558	10,225,532
(Cash distribution per share)	22,252	22,549	20,129
Distribution of accumulated earnings	12,060,584	12,221,558	10,225,532
(Distribution of accumulated earnings per share)	22,252	22,549	20,129
Cash distribution in excess of accumulated earnings	—	—	—
(Per share)	—	—	—

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

Distribution per share



Total cash distribution



Changes in Assets, Liabilities and Net Assets

Assets

As of December 31, 2008, total assets increased ¥40,622 million to ¥766,249 million compared with June 30, 2008. Return on average total assets (ROA) for the six months ended December 31, 2008 decreased to 1.62 percent from 1.75 percent for the previous six-month period.

Current assets increased ¥5,649 million to ¥38,547 million compared with June 30, 2008. Investment properties increased ¥34,979 million to ¥723,336 million compared with June 30, 2008.

Liabilities

Current liabilities increased ¥31,942 million to ¥86,230 million compared with June 30, 2008, primarily because of an increase in short-term loans and long-term debt due within one year compared with June 30, 2008.

Long-term debt increased ¥8,000 million to ¥242,000 million compared with June 30, 2008.

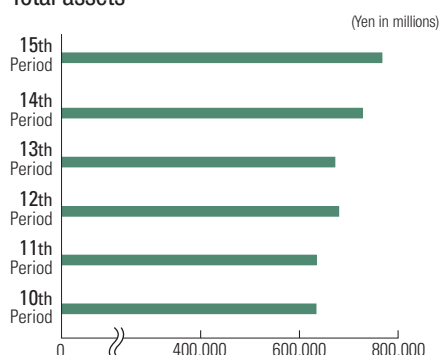
As a result, total interest-bearing liabilities increased ¥38,000 million to ¥318,500 million compared to June 30, 2008. However, the ratio of fixed-rate long-term debt to total interest-bearing liabilities decreased to 76.0 percent from 83.4 percent as of December 31, 2008. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 45.5 percent from 42.8 percent as of December 31, 2008.

In addition, NBF worked to diversify funding sources. In January 2007, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of December 31, 2008, NBF had issued bonds totaling ¥30 billion under this shelf registration.

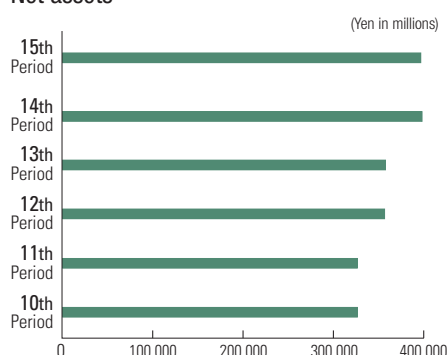
Net Assets

Net assets decreased ¥161 million to ¥398,237 million compared with June 30, 2008.

Total assets



Net assets



Funding

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2008, NBF had issued 542,000 common shares out of 2,000,000 total authorized shares. NBF's common shares were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of shares, NBF's common shares comprise the sole class of shares authorized and issued by NBF.

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

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

Market Price of Shares

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

	For the six months ended December 31, 2008	For the six months ended June 30, 2008 (Yen)	For the six months ended December 31, 2007
High	¥1,330,000	¥1,560,000	¥1,790,000
Low	689,000	1,070,000	1,340,000

Borrowings

Borrowings from financial institutions as of December 31, 2008 are shown below.

Short-term loans

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., LIMITED	¥22,000	1.0%	January 30, 2009	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3) Floating rate
Mizuho Corporate Bank, Ltd.	8,000	1.1%	April 30, 2009			
The Sumitomo Trust and Banking Company, Limited	5,000	1.0%	January 30, 2009			
Shinkin Central Bank	4,000	1.0%	January 30, 2009			
Mitsubishi UFJ Trust and Banking Corporation	3,000	1.1%	January 30, 2009			
The Chugoku Bank, Limited	3,000	1.1%	May 29, 2009			
THE KAGOSHIMA BANK, LTD.	2,000	1.1%	January 30, 2009			
The Hachijuni Bank, Ltd.	2,000	1.1%	June 26, 2009			
The Gunma Bank, Ltd.	2,000	1.1%	January 30, 2009			
The Yamanashi Chuo Bank, Ltd.	1,500	1.0%	February 27, 2009			
The Joyo Bank, Ltd.	1,000	1.1%	February 27, 2009			
THE SHIZUOKA BANK, LTD.	1,000	1.1%	February 27, 2009			
The Yamaguchi Bank, Ltd.	1,000	1.2%	January 30, 2009			
The Iyo Bank, Ltd.	1,000	1.2%	April 30, 2009			

Total short-term loans ¥56,500

Long-term debt

Lender	Balance	Average interest rate (%)	Due on (Note 1)	Repayment method	Use of funds	Notes
(Yen in millions)						
Development Bank of Japan Inc.	¥ 4,000	1.8%	November 28, 2014	Bullet payment	(Note 2)	Unsecured /unguaranteed /pari passu, See (Note 3) Fixed rate
	10,000	1.5%	September 11, 2015			
	10,000	1.8%	September 27, 2017			
	10,000	2.0%	February 15, 2016			
	10,000	2.4%	May 30, 2018			
Sumitomo Life Insurance Company	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 19, 2011			
	3,000	1.2%	February 3, 2010			
	7,000	2.1%	May 23, 2018			
	5,000	1.9%	May 23, 2016			
Zenkyoren	1,000	1.7%	June 1, 2011			
(The National Mutual Insurance	10,000	1.5%	September 11, 2015			
Federation of Agricultural Cooperatives)	10,000	2.3%	May 30, 2016			
The Chuo Mitsui Trust and Banking	5,000	1.6%	March 30, 2011			
Co., LIMITED	1,000	1.2%	March 30, 2009			
	10,000	1.4%	December 30, 2011			
Sumitomo Mitsui Banking Corporation	1,000	1.5%	June 30, 2009			
	5,000	1.5%	April 30, 2013			
	5,000	1.8%	June 27, 2013			
	4,000	1.5%	December 28, 2012			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
Nippon Life Insurance Company	3,000	0.9%	October 30, 2009			
	2,000	0.8%	April 1, 2010			
	2,000	1.1%	October 19, 2010			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.4%	December 30, 2011			
DAIDO LIFE INSURANCE COMPANY	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
	1,000	1.4%	October 4, 2013			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			
THE BANK OF FUKUOKA, Ltd.	4,000	1.9%	July 12, 2012			
TAIYO LIFE INSURANCE COMPANY	1,000	1.2%	February 12, 2010			
	1,000	1.7%	December 15, 2014			
	2,000	2.1%	July 11, 2014			
Resona Bank, Limited	3,000	1.3%	September 9, 2011			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
Total long-term debt	¥182,000					
Total borrowings (Note 4)	¥238,500					

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

2. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.

3. A special agreement attached to "Loan Agreement" entered into between NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.

4. The total amount of long-term borrowings (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Yen in millions)				
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	¥12,000	¥30,000	¥24,000	¥26,000

NBF Bonds

Issue	Issue date	Balance as of December 31, 2008 (Yen in millions)	Coupon	Maturity date	Redemption	Use of proceeds	Notes
No. 3 Unsecured Bonds	June 12, 2003	¥10,000	2.00%	June 12, 2018	Bullet payment	Note 1	Notes 2 and 4
No. 4 Unsecured Bonds	September 22, 2004	10,000	1.04%	September 22, 2009	Bullet payment	Note 1	Notes 2 and 4
No. 5 Unsecured Bonds	September 22, 2004	10,000	1.60%	September 22, 2011	Bullet payment	Note 1	Notes 2 and 4
No. 6 Unsecured Bonds	March 9, 2005	10,000	0.80%	March 9, 2010	Bullet payment	Note 1	Notes 3 and 5
No. 7 Unsecured Bonds	November 9, 2005	10,000	1.85%	November 9, 2015	Bullet payment	Note 1	Notes 3 and 5
No. 8 Unsecured Bonds	March 7, 2007	10,000	1.48%	March 7, 2012	Bullet payment	Note 1	Notes 3 and 5
No. 9 Unsecured Bonds	May 24, 2007	10,000	1.74%	May 23, 2014	Bullet payment	Note 1	Notes 3 and 5
No. 10 Unsecured Bonds	May 24, 2007	10,000	2.04%	May 24, 2017	Bullet payment	Note 1	Notes 3 and 5
Total (Note 6)		¥80,000					

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

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

Others

NBF had security deposits totaling ¥39,718 million as of December 31, 2008.

Capital Expenditures

Planning

As of December 31, 2008, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from July 1, 2008 to December 31, 2008)	Cumulative amount paid
				(Yen in millions)	
NBF Ikebukuro Tower	Renovation of HVAC equipment (1st Period)	From February 2009 to May 2009	¥78	¥—	¥—
NBF Ogawamachi Bldg.	Renovation of air conditioning	From September 2009 to November 2009	60	¥—	¥—
NBF Ikebukuro Tower	Renovation of HVAC equipment (2nd Period)	From September 2009 to November 2009	60	¥—	¥—
NBF Unix Bldg.	Renovation of central monitoring facilities	From October 2009 to October 2009	48	¥—	¥—
Parale Mitsui Bldg.	Renovation of lighting equipment (1st Period)	From July 2009 to September 2009	34	¥—	¥—
NBF Shijo Karasuma Bldg.	Renovation of air conditioning (1st, 2nd, 3rd floor systems)	From April 2009 to May 2009	22	¥—	¥—

Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥2,146 million in capital expenditures together with ¥829 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
Yokohama ST Bldg.	Renovation of exterior, upgrade air conditioning equipment on 18th floor, OA flooring on 12th floor, etc.	From July 2008 to December 2008	¥277
NBF Toyosu Canal Front.	Renovation of exterior, etc.		246
Shinjuku Mitsui Bldg. No.2	Updated building security equipment, renovation of drainpipes, renovation of all heat exchange equipment on upper floors, etc.		203
Shin-Kawasaki Mitsui Bldg.	Renovation of central monitoring equipment (2nd Period), overhaul of cold water pump, installation of openings to check for asbestos		194
Aqua Dojima NBF Tower	Renovation of central monitoring facilities, replacement of solution pump for ice thermal energy storage unit, renovation to restore 3rd, 8th and 11th floors to original condition		185
GSK Bldg.	Installation of new main control panel, expansion of rooftop drainage, furnishing of receiver for terrestrial digital broadcasts, etc.		139
Shinanobashi Mitsui Bldg.	Installation of security system, renovation of emergency lighting, introduction of motion sensors for emergency lighting, etc.		122
NBF Nihonbashi Muromachi Center Bldg.	Renovation of bathrooms (3rd Period), renovation of elevator hall (2nd Period), restoration of lighting equipment in non-public areas (2nd Period)		122
NBF Utsunomiya Bldg.	Construction work on 3rd floor, repair outdoor install automated door entrance, replaced air compressor (2nd Period), repair outdoor electrical machinery (2nd Period), etc.		41
NBF Shijo Karasuma Bldg.	Renovation of air conditioning (4th~7th floors) replacement of bathroom floor tiles on 2nd and 5th floors, renovation of air conditioning on 1st floor		32
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction		585
Total			¥2,146

Cash Reserve for Capital Improvements

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

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 948	¥ 538
Amount accumulated in the current period	2,463	2,717
Withdrawal from reserves in the current period	2,555	2,307
Amount carried forward	¥ 856	¥ 948

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

2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥3,917 million as of December 31, 2008.

Expenses regarding Entrustment, etc.

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

Item	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
	(Yen in millions)		
Asset management fees	¥1,154	¥1,109	¥1,012
Asset custody fees	34	32	32
Agent fees (stock transfer, accounting and administrative)	51	54	48
Directors' remuneration	19	19	19
Auditor's fees	13	13	13
Other expenses	128	155	155
Total	¥1,399	¥1,382	¥1,279

Note: In addition to the amounts stated above, there are asset management fees of ¥121 million for the period from July 1, 2008 to December 31, 2008 and ¥214 million for the period from January 1, 2008 to June 30, 2008 related to investment properties which were booked on each property.

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 by NBF in the current period.

Name of building	(Yen in millions)	
	Acquisitions	
	Date	Acquisition price (Note 1)
Shibakouen Takahashi Bldg.	July 7, 2008	¥ 6,100
Otemachi Tatemono Aoyama Bldg.	August 1, 2008	31,000
Total		¥37,100

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

2. The name of "Otemachi Tatemono Aoyama Bldg." was changed to the "NBF Minami-Aoyama Bldg." after delivery of the property.

2. Trading of Other Assets Including Total Amount and Transactions

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

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

(1) Ongoing Transactions

None. (No purchases, or sales or other transactions involving interested parties.)

(2) Fees Paid for the Period from July 1, 2008 to December 31, 2008

Category	Total fees paid (A) (Yen in millions)	Description of transactions with related parties (Note 1)		
		Paid to	Amount of payment (B) (Yen in millions)	B/A (Note 3)
Brokerage commission	¥ 901	Mitsui Fudosan Co., Ltd.	¥ 183	20.3%
		Mitsui Fudosan Investment Advisors, Inc.	100	11.1%
Office management fees, etc. (Note 2)	1,289	Mitsui Fudosan Co., Ltd.	1,240	96.2%
		NBF Office Management Co., Ltd.	30	2.3%
Property maintenance fees	2,746	First Facilities Co., Ltd.	435	15.8%
		Mitsui Fudosan Co., Ltd.	337	12.3%
		First Facilities West Co., Ltd.	122	4.4%
		Mitsui Fudosan Building Management Co., Ltd.	99	3.6%
		First Facilities Yokohama Co., Ltd.	12	0.5%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.0%
Leasing related service fees	60	Mitsui Fudosan Co., Ltd.	20	33.4%
		NBF Office Management Co., Ltd.	12	19.8%

Notes: 1. "Related parties" are defined as related parties of asset management companies under the asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the 15th Period, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., Mitsui Fudosan Investment Advisors, Inc., NBF Office Management Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities Yokohama Co., Ltd., and Mitsui Fudosan Housing Lease Co., Ltd. are as described above.

- Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Naka-Meguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them with NBF Office Management Co., Ltd. as business representative of the property owners or lessors. Moreover, NBF signed a contract with NBF Office Management on August 1, 2008, where the role of NBF Office Management Co., Ltd. was changed from a business representative to a chief office manager for the 10 properties effective October 1, 2008.
- In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

	(Yen in millions)
First Facilities Co., Ltd.	¥417
Mitsui Fudosan Co., Ltd.	376
First Facilities West Co., Ltd.	289
Mitsui Fudosan Building Management Co., Ltd.	191
Mitsui Fudosan Housing Lease Co., Ltd.	2
Mitsui Home Linkage Co., Ltd.	1
Mitsui Real Estate Sales Co., Ltd.	0
NBF Office Management Co., Ltd.	0

Financial Statements



Balance Sheets

NIPPON BUILDING FUND INC.

As of December 31, 2008 and June 30, 2008

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥ 37,576	¥ 31,324
Tenant receivables	412	461
Consumption tax refund receivables and other current assets	559	1,113
Total current assets	38,547	32,898
Investment Properties:		
Land including trust accounts (Note 4)	459,488	425,367
Buildings and improvements including trust accounts (Note 4)	270,386	264,834
Other tangible assets (Note 4)	7,760	7,206
Less: accumulated depreciation (Note 4)	(49,959)	(44,713)
Leasehold rights in trust accounts and other intangible assets	35,661	35,663
Total investment properties, net	723,336	688,357
Other assets	4,366	4,372
Total Assets	¥766,249	¥725,627
Liabilities		
Current Liabilities:		
Short-term loans (Note 6)	¥ 56,500	¥ 36,500
Long-term debt due within one year (Note 6)	20,000	10,000
Accounts payable	4,014	3,112
Rents received in advance	3,774	3,603
Accrued expenses and other liabilities	1,942	1,073
Total current liabilities	86,230	54,288
Long-term debt (Note 6)	242,000	234,000
Tenant security deposits	39,718	38,882
Other liabilities	64	59
Total Liabilities	368,012	327,229
Net Assets (Note 5)		
Shareholders' equity		
Common shares, non-par value	386,176	386,176
Shares authorized: 2,000,000 shares		
Shares issued and outstanding: 542,000 shares		
Retained earnings	12,061	12,222
Total Net Assets	398,237	398,398
Total Liabilities and Net Assets	¥766,249	¥725,627

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

Statements of Income

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2008, June 30, 2008 and December 31, 2007

	For the six months ended December 31, 2008	For the six months ended June 30, 2008 (Yen in millions)	For the six months ended December 31, 2007
Revenues:			
Rental (Note 7)	¥28,069	¥26,708	¥25,056
Other revenues related to property leasing (Note 7)	3,149	2,512	2,758
Gain on sale of investment properties (Note 8)	—	868	—
Total Revenues	31,218	30,088	27,814
Operating Expenses:			
Property management fees (Note 7)	4,030	3,612	3,613
Real estate taxes (Note 7)	2,247	2,288	2,157
Insurance (Note 7)	37	35	34
Repairs and maintenance (Note 7)	829	781	721
Other rental expenses (Note 7)	2,729	2,186	2,384
Depreciation and amortization (Note 7)	5,356	5,276	5,168
Asset management fees	1,154	1,109	1,012
Other expenses	245	272	268
Total Operating Expenses	16,627	15,559	15,357
Operating Income	14,591	14,529	12,457
Interest income	36	31	30
Interest expense	(2,447)	(2,193)	(2,178)
Amortization of bond issue costs	(27)	(38)	(47)
New investment shares issue costs	—	(79)	—
Other expenses, net	(91)	(27)	(35)
Income before Income Taxes	12,062	12,223	10,227
Current and deferred income taxes (Note 9)	(1)	(1)	(1)
Net Income	¥12,061	¥12,222	¥10,226

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

Statements of Shareholders' Equity

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2008, June 30, 2008 and December 31, 2007

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of June 30, 2007	508,000	¥346,446	¥ 10,063	¥356,509
Cash dividends declared	—	—	(10,063)	(10,063)
Net income	—	—	10,226	10,226
Balance as of December 31, 2007	508,000	346,446	10,226	356,672
Cash dividends declared	—	—	(10,226)	(10,226)
Issuance of new shares through public offering as of February 4, 2008	31,800	37,159	—	37,159
Issuance of new shares through allocation to a third party as of March 4, 2008	2,200	2,571	—	2,571
Net income	—	—	12,222	12,222
Balance as of June 30, 2008	542,000	386,176	12,222	398,398
Cash dividends declared	—	—	(12,222)	(12,222)
Net income	—	—	12,061	12,061
Balance as of December 31, 2008	542,000	¥386,176	¥ 12,061	¥398,237

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

Statements of Cash Flows

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2008, June 30, 2008 and December 31, 2007

	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 12,062	¥ 12,223	¥ 10,227
Depreciation and amortization	5,356	5,276	5,168
Amortization of bond issue costs	27	38	47
Interest expense	2,447	2,193	2,178
(Increase) Decrease in tenant receivables	49	(137)	185
Increase (Decrease) in accounts payable	901	100	(247)
Increase (Decrease) in rents received in advance	171	393	29
Decrease in investment properties in trust due to sale	—	4,080	—
Cash payments of interest expense	(2,385)	(2,200)	(2,194)
(Increase) Decrease in consumption tax refund receivable	510	(510)	190
Other, net	908	(893)	797
Net Cash Provided by Operating Activities	20,046	20,563	16,381
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(40,374)	(57,893)	(1,523)
Proceeds from tenant security deposits	3,133	6,615	2,014
Payments for tenant security deposits	(2,296)	(2,581)	(1,681)
Payments for security deposits paid to lessors	(10)	(3)	(2)
Payments for purchases of other assets	(28)	(184)	(131)
Net Cash Used in Investing Activities	(39,575)	(54,046)	(1,323)
Cash Flows from Financing Activities:			
Proceeds from (Repayment of) short-term loans, net	20,000	(2,000)	(3,000)
Proceeds from long-term debt	26,000	21,000	11,000
Repayment of long-term debt	(8,000)	(15,000)	(17,000)
Proceeds from issuance of new common shares	—	39,649	—
Payments for bond issue costs	—	—	(0)
Payment of dividends	(12,219)	(10,223)	(10,060)
Net Cash Provided by (Used in) Financing Activities	25,781	37,426	(19,060)
Net Change in Cash and Cash Equivalents	6,252	3,943	(4,002)
Cash and cash equivalents at the beginning of period	31,324	27,381	31,383
Cash and Cash Equivalents at the End of Period	¥ 37,576	¥ 31,324	¥ 27,381

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

Notes to Financial Statements

NIPPON BUILDING FUND INC.

For the six months ended December 31, 2008, June 30, 2008 and December 31, 2007

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

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

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

As of December 31, 2008, NBF had ownership or beneficiary interests in 60 office properties containing approximately 763,658 rentable square meters of office space. As of December 31, 2008, NBF had leased office space to 946 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 96.8%.

Basis of Presentation

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

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

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Investment Properties

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

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

Bond Issue Costs

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

New Investment Shares Issue Cost

The issue costs of new investment shares are expensed when incurred.

Income Taxes

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

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 ¥68 million for the period ended December 31, 2008 and ¥205 million for the period ended June 30, 2008 and ¥28 million for the period ended December 31, 2007.

Revenue Recognition

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

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended December 31, 2008.

Finance Leases

Finance leases that do not transfer ownership of the leased property to lessees are accounted for as operating leases under accounting principles generally accepted in Japan.

Note 3 – Change in Accounting Policy

Application of Accounting Standard for Lease Transactions

The Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Statement No. 13, revised March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (Accounting Standards Board of Japan Guidance No. 16, revised March 30, 2007) are applied from the period ended December 31, 2008. This had no effect on NBF's income.

Note 4 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of December 31, 2008 and June 30, 2008 consisted of the following:

	As of December 31, 2008			As of June 30, 2008		
	(Yen in millions)					
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥203,056	¥ —	¥203,056	¥174,259	¥ —	¥174,259
Land in trust	256,432	—	256,432	251,108	—	251,108
Land including trust total	459,488	—	459,488	425,367	—	425,367
Buildings and improvements	136,550	(16,960)	119,590	132,739	(14,428)	118,311
Buildings and improvements in trust	133,836	(30,508)	103,328	132,095	(28,095)	104,000
Building and improvements including those in trust	270,386	(47,468)	222,918	264,834	(42,523)	222,311
Structures	2,185	(568)	1,617	2,151	(487)	1,664
Machinery and equipment	955	(313)	642	938	(271)	667
Tools, furniture and fixtures	578	(211)	367	537	(177)	360
Structures in trust	1,874	(439)	1,435	1,360	(388)	972
Machinery and equipment in trust	1,325	(567)	758	1,304	(519)	785
Tools, furniture and fixtures in trust	826	(393)	433	771	(348)	423
Construction in process	11	—	11	94	—	94
Construction in process in trust	6	—	6	51	—	51
Other tangible assets total	7,760	(2,491)	5,269	7,206	(2,190)	5,016
Total	¥737,634	¥(49,959)	¥687,675	¥697,407	¥(44,713)	¥652,694

Note 5 – Net Assets

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

Note 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 December 31, 2008 and June 30, 2008 ranged from 0.95% to 1.19% and from 0.86% to 1.12%, respectively. Long-term debt is at fixed rates and as of December 31, 2008 and June 30, 2008 consisted of the following:

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Unsecured loans due 2009 to 2018 principally from banks and insurance companies with interest rates mainly ranging from 0.8% to 2.4%	¥182,000	¥164,000
1.04% unsecured bonds due 2009 (Note 1)	10,000	10,000
0.80% unsecured bonds due 2010 (Note 2)	10,000	10,000
1.60% unsecured bonds due 2011 (Note 1)	10,000	10,000
1.48% unsecured bonds due 2012 (Note 2)	10,000	10,000
1.74% unsecured bonds due 2014 (Note 2)	10,000	10,000
1.85% unsecured bonds due 2015 (Note 2)	10,000	10,000
2.04% unsecured bonds due 2017 (Note 2)	10,000	10,000
2.00% unsecured bonds due 2018 (Note 1)	10,000	10,000
	262,000	244,000
Less: amount due within one year	20,000	10,000
	¥242,000	¥234,000

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

2. Subject to provision of collateral pursuant to material decline in credit rating.

The annual maturities of long-term loans as of December 31, 2008 were as follows:

	(Yen in millions)
2009	¥10,000
2010	12,000
2011	30,000
2012	24,000
2013	26,000
Thereafter	80,000

During the period ended December 31, 2008, NBF obtained committed credit lines of ¥30 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion on December 31, 2008.

Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2008, June 30, 2008 and December 31, 2007 were as follows:

	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
	(Yen in millions)		
Revenues from Property Leasing:			
Rental:			
Rental revenues	¥24,883	¥23,626	¥22,157
Common area charges	3,060	2,957	2,776
Others	126	125	123
Subtotal	28,069	26,708	25,056
Other revenues related to property leasing:			
Parking lots	599	589	574
Facility charge	147	149	134
Incidental income	2,032	1,657	1,850
Cancellation fees	324	54	141
Miscellaneous income	47	63	59
Subtotal	3,149	2,512	2,758
Total revenues from property leasing	31,218	29,220	27,814
Rental Expenses:			
Property management fees	4,030	3,612	3,613
Real estate taxes	2,247	2,288	2,157
Repairs and maintenance	829	781	721
Insurance	37	35	34
Other rental expenses	2,729	2,186	2,384
Depreciation and amortization	5,356	5,276	5,168
Total rental expenses	15,228	14,178	14,078
Operating Income from Property Leasing Activities	¥15,990	¥15,042	¥13,736

Note 8 – Gain on Sale of Investment Properties

Gain on sale of investment properties for the period ended June 30, 2008 was as follows:

Daido Life Omiya Building	(Yen in millions)
Proceeds from sale of investment property	¥2,707
Cost of sale of investment property	2,191
Other related sale expenses	84
Gain on sale of investment property	¥ 432
NBF Tanimachi Building	(Yen in millions)
Proceeds from sale of investment property	¥2,400
Cost of sale of investment property	1,889
Other related sale expenses	75
Gain on sale of investment property	¥ 436

Note 9 – Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was 0.01% for the periods ended December 31, 2008, June 30, 2008 and December 31, 2007. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible dividends paid	(39.39)	(39.39)	(39.39)
Others	0.01	0.01	0.01
Effective tax rate	0.01%	0.01%	0.01%

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

Note 10 – Change In Tax Rate

The statutory tax rate was revised due to a change in corporate business tax rate and the creation of local corporate special tax, which is effective for fiscal years beginning on or after October 1, 2008. As a result, the tax effect of the temporary differences as of December 31, 2008, which are expected to reverse in January 2009 or thereafter, was calculated using the revised statutory tax rate of 39.33%. This change had no material effect on the value of deferred tax assets as of December 31, 2008.

Note 11 – Per Share Information

Information about earnings per share for the periods ended December 31, 2008, June 30, 2008 and December 31, 2007 and net assets per share as of December 31, 2008, June 30, 2008 and December 31, 2007 were as follows.

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

	For the six months ended December 31, 2008	For the six months ended June 30, 2008	For the six months ended December 31, 2007
	(Yen)		
Earnings per Share of Common Shares:			
Net income	¥22,252	¥22,831	¥20,129
Weighted average number of common shares outstanding	542,000	535,298	508,000
	As of December 31, 2008	As of June 30, 2008	As of December 31, 2007
Net Assets per Share	¥734,753	¥735,050	¥702,110

Note 12 – Leases

Under Japanese accounting standards for leases, finance leases that have been deemed to transfer ownership of the leased property to the lessee (“ownership-transfer finance leases”) are capitalized by the lessee, while other finance leases (“non-ownership-transfer finance leases”) are permitted to be accounted for as operating lease transactions.

NBF treats all non-ownership-transfer finance leases as operating leases. Accordingly, leased assets with respect to non-ownership-transfer finance leases where NBF is the lessee are not recognized in the accompanying balance sheets and lease payments are charged to income when incurred.

As Lessee

Pro forma information of non-ownership-transfer finance leases contracted as a lessee, such as acquisition cost and related accumulated depreciation of leased assets, obligation under finance leases and depreciation expense of finance leases, which is required under Japanese accounting standards for leases for the six months ended December 31, 2008 and June 30, 2008 is summarized as follows:

(Tools, furniture and fixtures)

	As of December 31, 2008	As of June 30, 2008
	(Yen in thousands)	
Acquisition cost	—	¥3,027
Accumulated depreciation	—	2,926
Net book value	—	101

Obligations under finance leases as of December 31, 2008 and June 30, 2008 are as follows:

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Due within one year	—	¥ 1
Due after one year	—	—
Total	—	¥ 1

The amount of obligations under finance leases includes the imputed interest expense portion.

As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of December 31, 2008 and June 30, 2008 future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of December 31, 2008	As of June 30, 2008
	(Yen in millions)	
Due within one year	¥12,293	¥12,208
Due after one year	14,596	18,220
Total	¥26,889	¥30,428

Note 13 – Transactions with Related Parties

(July 1, 2008 - December 31, 2008)

- (1) Parent Company and Major Corporate Shareholders
None applicable.
- (2) Subsidiaries
None applicable.

(3) Sister Companies

None applicable.

(4) Directors and Major Individual Shareholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,274 (Notes 2 and 4)	Accounts payable	¥406 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 3)	¥2 (Note 4)	Accounts payable	¥1 (Note 4)

Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is subject to the conditions set forth in the by-laws of NBF.
 2. The amount of asset management fees includes ¥121 million for management related to acquisition of properties included in the book value of each investment property, etc.
 3. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NBF and NBFM.
 4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

Additional Information

The Accounting Standard for Related Party Disclosures (Accounting Standards Board of Japan Statement No. 11, released October 17, 2006) and the Guidance on Accounting Standard for Related Party Disclosures (Accounting Standards Board of Japan Guidance No. 13, released October 17, 2006) are applied from the period ended December 31, 2008.

This caused no change to the scope of disclosure.

(January 1, 2008 - June 30, 2008)

(1) Parent Company and Major Corporate Shareholders

None applicable.

(2) Directors and Major Individual Shareholders

Classification	Name	Principal business or occupation	Nature of transaction	Amount of transaction	Account	Balance at end of period
				Yen in millions		Yen in millions
Director and/or close relative	Koichi Nishiyama	Executive Director of NBF and President & CEO of NBFM	Payment of asset management fees to NBFM (Note 1)	¥1,322 (Notes 2 and 4)	Accounts payable	¥408 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 3)	¥2 (Note 4)	Accounts payable	¥1 (Note 4)

Notes: 1. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is subject to the conditions set forth in the by-laws of NBF.
 2. The amount of asset management fees includes ¥214 million for management related to acquisition of properties included in the book value of each investment property, etc.
 3. Koichi Nishiyama entered into this transaction as a representative of a third party (NBFM), and this amount is set forth in the "General Administration Agreement relating to Organizational Management" concluded between NBF and NBFM.
 4. Consumption taxes are not included in transaction amounts. Consumption taxes are included in the balance at the end of the period.

(3) Subsidiaries

Not applicable, because the Company has no subsidiaries in which it has invested.

(4) Sister Companies

None applicable.

Note 14 – Significant Subsequent Events

None applicable.

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2008 and June 30, 2008, and the related statements of income, shareholders' equity and cash flows for each of the six months ended December 31, 2008, June 30, 2008 and December 31, 2007 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of December 31, 2008 and June 30, 2008, and the results of its operations and its cash flows for each of the six months ended December 31, 2008, June 30, 2008 and December 31, 2007 in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Tokyo, Japan
March 27, 2009

Major Interested Parties

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31, 2008, NBFM has been entrusted as an asset management company only by NBF.

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

Operation

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

Fees for the Asset Management Operation

Management Fees 1

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

Management Fees 2

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

Management Fees 3

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

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

History of NBFM

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

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

List of Shareholders (as of December 31, 2008)

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

Directors and Staff

As of December 31, 2008, the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 17 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Yasushi Nakayama	Director, Head of Investment & Finance Group (standing)
Riichi Morihiro	Director, Head of Administration Group (standing)
Tamotsu Shinyama	Director
Hiroshi Matsumoto	Director
Noriaki Moromachi	Corporate Auditor
Toru Suzuki	Corporate Auditor

Outline of Financial Condition

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

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

As of March 31, 2008	(Yen in thousands)
Total Assets	¥2,030,749
Total Liabilities	350,604
Total Net Assets	¥1,680,145

Profit and loss for the most recent fiscal year:

Year ended March 31, 2008	(Yen in thousands)
Operating Income	¥2,308,792
Ordinary Profit	1,584,200
Net Income	964,493

Investment and Distribution Policies

Investment Policies of NBF

A. Basic Policies

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

B. Investment Strategy

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

(1) Strategy for Creation of the Portfolio

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

Area Diversification

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

The following table sets forth above said area diversification strategy.

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

Total of above two areas: 70% or more

Other Cities Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto, etc.	<ul style="list-style-type: none"> Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs. Also, scale of market is relatively small and growth rates relatively low. Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
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Total of above area: 30% or less

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

(2) Acquisition Strategy

Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to the "Designated Real Estate Ratio." As of June 30, 2008, NBF satisfied the criteria.

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

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

Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from their acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of meas-

ures responding to risks of deterioration and obsolescence, insurability and so forth. The details of the relevant criteria are set forth in the following table (“Investment Objectives and Policies,” Articles of Incorporation).

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

Item	Points to be reviewed
Scale of building	<ul style="list-style-type: none"> Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m² (approximately 500 <i>tsubo</i>) or more. Standard net rentable area per floor is 330m² (approximately 100 <i>tsubo</i>) or more.
Construction type and specifications of facilities	<ul style="list-style-type: none"> Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.
Earthquake resistance	<ul style="list-style-type: none"> Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.
Measures regarding status of legal title	<ul style="list-style-type: none"> In cases such as co-ownership, divided condominium ownership, a building erected on leased land, etc. where NBF will not obtain complete ownership of a building, the following matters are appropriately treated. <ul style="list-style-type: none"> measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans. appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner's interest, etc.
Tenancy characteristics	<ul style="list-style-type: none"> Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.
Environmental; condition of land, etc.	<ul style="list-style-type: none"> Absence of harmful substances such as asbestos, (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.

Uncompleted or Unleasable Properties

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

(3) Management and Disposition Policies

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

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

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

Reserves for Long-Term Renovations

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

renovation plans for each building. As of June 30, 2008, foreseen reserves provided from January to December 2008 are as follows:

Item	Reason
Reserves for long-term renovations	<ul style="list-style-type: none"> ■ Average annual amount over an approximately 10-year period based on engineering reports
Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)	<ul style="list-style-type: none"> ■ Expenses of providing "free access floor" (or raised floor); expenses for other move-in construction costs (partitions, etc.)

Total Foreseen Amount: (annual basis) ¥3,079 million

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

2. The amount of reserves set forth above is the total amount of reserves with respect to the 58 properties owned by NBF as of June 30, 2008.

Measures to Avoid Reductions and Fluctuations in Operating Income

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

Appraisal Value, etc.

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

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

Disposition

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

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

(4) Financial Policies

Issuance of Shares

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

Debt Financing

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

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

Loan-to-Value Ratio

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

Derivatives

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

Distribution Policies of NBF

A. Distributions of Profits

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

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

Earnings Available for Distributions

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

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

Cash Distribution of Profits

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

B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its shareholders in excess of retained earnings under the Investment Trust Law of Japan, although the Investment Trusts Association of Japan has established rules such that a corporate-style J-REIT may pay out the excess of retained earnings for the period up to a maximum of 60% of

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

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

NBF's Current Policy on Distributions in Excess of Profits

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions, etc.

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

Distribution Policies of NBF

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

A. Principal Investment Objectives among Designated Assets

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

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

B. Other Investment Objectives among Designated Assets

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

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

C. Assets Other than Designated Assets

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

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

D. Investment in Ordinary Securities

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

Investment Restrictions

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

Investment Location and Currencies

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

Borrowing

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

Concentration of Investment

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

Investment in Other Funds

See "Investment Objectives, A. Principal Investment Objectives among Designated Assets."

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

Subscription and Margin Trading of Securities

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

Compliance with Laws and Regulations

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

B. Compliance with the Investment Trust Law of Japan

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

Reciprocal Transactions with Investment Corporations (§ 34.3.1.5)

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

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

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

Transactions for the Benefit of Third Parties (§ 34.3.1.6)

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

Transactions Harmful to the Interests of NBF (§ 34.3.1.7)

An asset management company may not undertake transactions that are other than upon normal terms and conditions for such transactions,

and further, such transactions upon said conditions would be harmful to the interests of the investment.

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

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

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

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

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

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

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

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

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

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

Restrictions of Transactions with Interested Parties

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

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

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

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

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

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

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

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

(3) Restriction on an investment corporation

Restrictions on Asset Management (§ 195)

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

Corporate Data

As of December 31, 2008

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 http://www.nbf-m.com/nbf_e/
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding. ¥386,176 million 542,000 shares
Shareholders:	13,972
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Public Accountants:	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our asset management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681

This document contains translations of selected information described in the Securities Report (*Yuka shoken hokokusho*) filed on March 30, 2009 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2008 to December 31, 2008, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

English terms for Japanese legal, accounting, tax and business concepts used herein may not be precisely identical to the concept of the equivalent Japanese terms. With respect to any and all terms herein, including without limitation, 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, shareholders, agents or affiliates will be responsible or liable for the completeness, appropriateness or accuracy of English translations

or the selection of the portion(s) of any document(s) translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates.

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

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

Investors' Information

As of December 31, 2008

Fiscal Periods

Six months ending June 30 and December 31

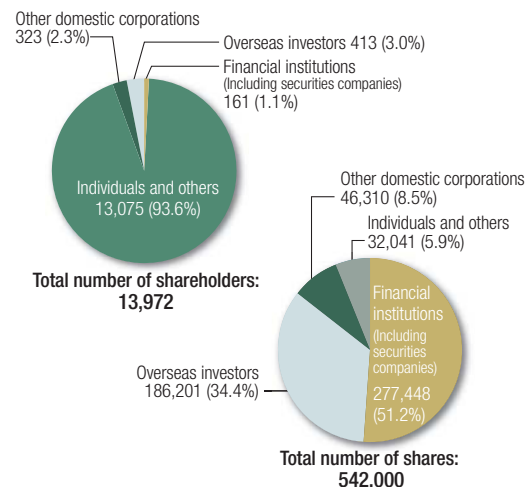
Total Number of Common Shares Issued

15th Period (From July 1, 2008 to December 31, 2008)	542,000 shares
14th Period (From January 1, 2008 to June 30, 2008)	542,000 shares

Distributions

Confirmed distribution for the 15th Period (ended December 2008)	
For the operating period from July 1, 2008 to December 31, 2008 (6 months)	¥22,252 per share
Expected distribution for the 16th Period (ending June 2009)	
For the operating period from January 1, 2009 to June 30, 2009 (6 months)	¥20,500 per share

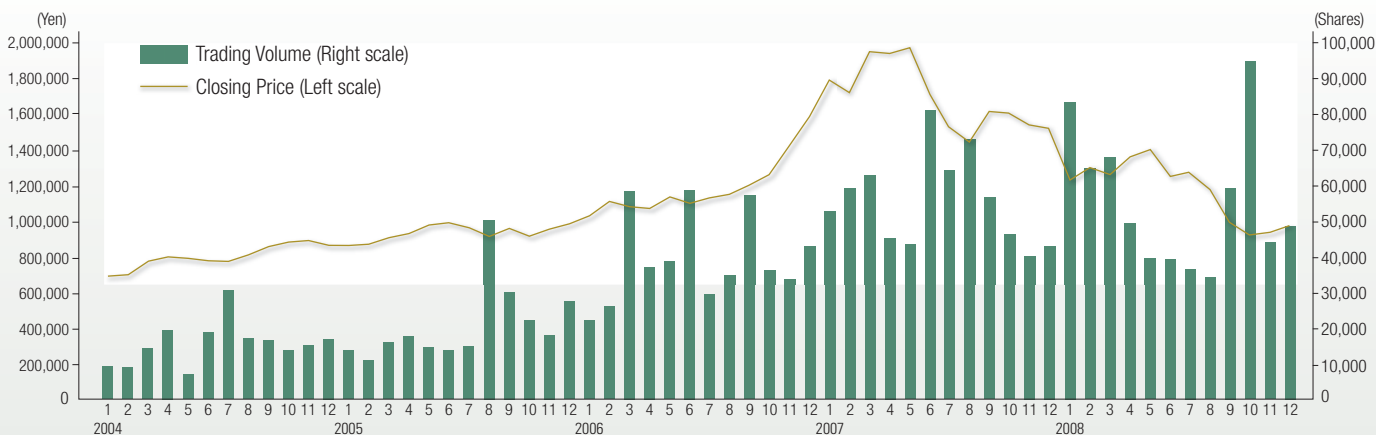
Shareholders



Major Shareholders

Name	Number of Shares Held	Percentage of Total
NikkoCiti Trust and Banking Corporation (Trust Account)	46,179	8.52%
Japan Trustee Services Bank, Ltd. (Trust Account)	37,483	6.91
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	35,263	6.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	30,066	5.54
Mitsui Fudosan Co., Ltd.	19,735	3.64
The Nomura Trust and Banking Co., Ltd. (Trust Account)	19,006	3.50
The Bank of New York, Treaty JASDEC Account	16,176	2.98
State Street Trust & Banking Co., Ltd.	12,791	2.35
Sumitomo Life Insurance Company	12,256	2.26
The Chugoku Bank, Ltd.	8,681	1.60

Stock Price Range and Trading Volume





Nippon Building Fund Inc.

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

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