



# 16th Period

NBF Report January – June 2009



# Reaffirming Our Fundamentals

## 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, other 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 that company's expertise to invest in carefully selected, high-quality properties, with the aim of generating further asset growth.

# Reaffirming Our Fundamentals

### On the Cover



The NBF Hibiya Building, acquired in 2005, is NBF's flagship property. A core asset, it generates the highest rental revenue in NBF's portfolio. Situated in one of Tokyo's most prestigious office areas, the NBF Hibiya Building stands on the grounds of the former Rokumeikan, a Meiji-era building commissioned by the government for socializing with foreign guests that ushered in an era of Westernization.





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Over the 16 periods, or roughly eight 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 (¥**447.7** billion)\*
- ◆ The largest scale of managed assets (¥**783.1** billion)\* (total acquisition price)

## High-Quality Properties

- ◆ Specializes in investing in office buildings
- ◆ Possesses **61**\* 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 **770,270**m<sup>2</sup>\*
- ◆ **926**\* diversified tenants

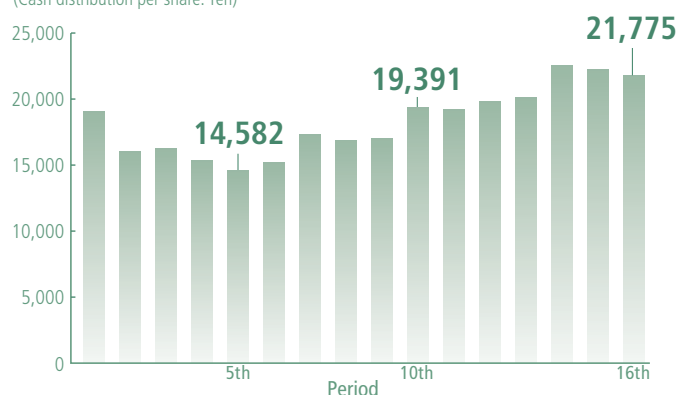
# NBF's Strengths

## Stable Returns

◆ Cash distribution of **¥21,775** per share for the 16th Period

◆ Aims to increase distributions to shareholders over the medium to long term

(Cash distribution per share: Yen)



## 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: **47.0%**\*

◆ Percentage of long-term, fixed-rate debt included in interest-bearing debt: **73.5%**\*

◆ Average years remaining on long-term, fixed-rate interest-bearing debt: **4.56** 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 June 30, 2009

# FINANCIAL HIGHLIGHTS

		16th Period from January 1, 2009 to June 30, 2009	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	16th Period from January 1, 2009 to June 30, 2009
		(Yen in millions, except per share data or where otherwise indicated)				U.S. dollars in thousands (Note 1)
Operating revenues	Note 2	¥ 30,761	¥ 31,218	¥ 30,088	¥ 27,814	\$ 319,033
Income before income taxes		11,803	12,062	12,223	10,227	122,412
Net income		11,802	12,061	12,222	10,226	122,402
Funds from operations	Note 3	17,157	17,417	16,630	15,394	177,939
Net operating income from property leasing activities	Note 3	21,005	21,346	20,318	18,905	217,846
Total amount of cash distribution	(a)	11,802	12,061	12,222	10,226	122,403
Total assets		783,793	766,249	725,627	672,195	8,128,948
Interest-bearing debt		338,500	318,500	280,500	272,500	3,510,682
Net assets	(b)	397,978	398,237	398,398	356,672	4,127,546
LTV (Loan to value)	Note 3	47.0%	45.5%	42.8%	44.3%	
Total number of common shares issued (shares)	(c)	542,000	542,000	542,000	508,000	
Net assets per share (Yen/\$)	(b) / (c)	734,276	734,753	735,050	702,110	7,615
Distribution per share (Yen/\$)	(a) / (c)	21,775	22,252	22,549	20,129	226
Funds from operations per share (Yen/\$)	Note 3	31,654	32,134	31,066	30,303	328

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥96.42 = U.S.\$1.00, the approximate exchange rate on June 30, 2009.

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

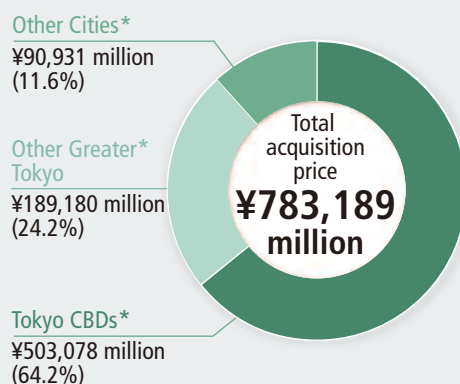
Net operating income from property leasing activities: (Revenue from property leasing – Rental expenses) + Depreciation and amortization

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 June 30, 2009)

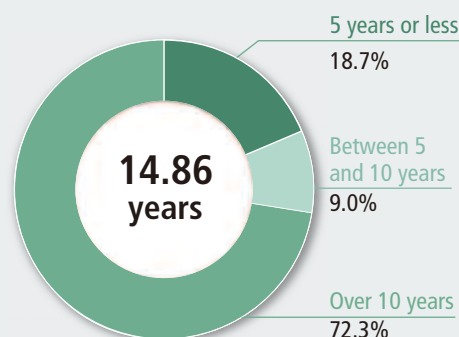
### Regional Allocation



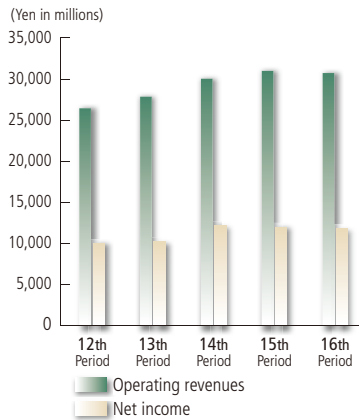
\* Tokyo CBDs (Central Business Districts): The 9 central wards of Tokyo, comprising Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro  
Other Greater Tokyo: The other 14 wards of Tokyo, and neighboring cities  
Other Cities: Principal regional cities

### Average Age

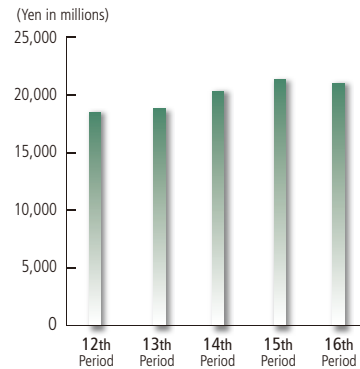
(Average age of properties weighted by acquisition price of each property)



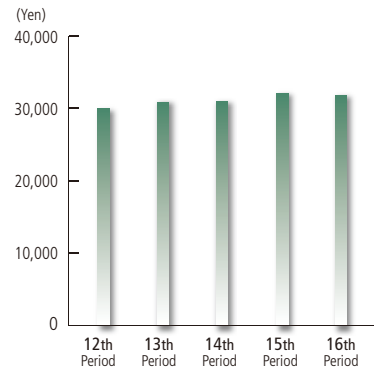
### Operating revenues / Net income



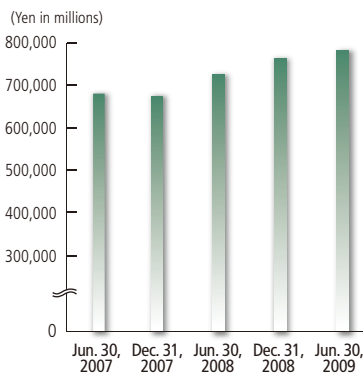
### Net operating income from property leasing activities



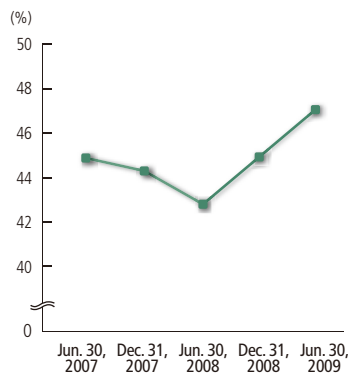
### Funds from operations per share



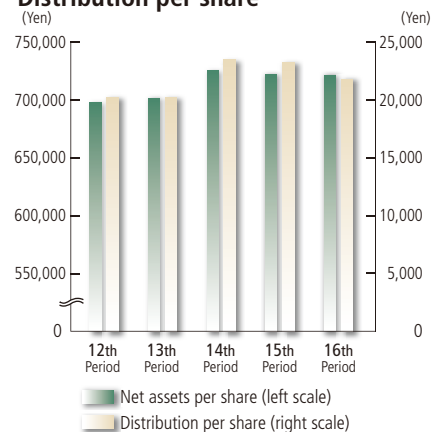
### Total assets



### LTV

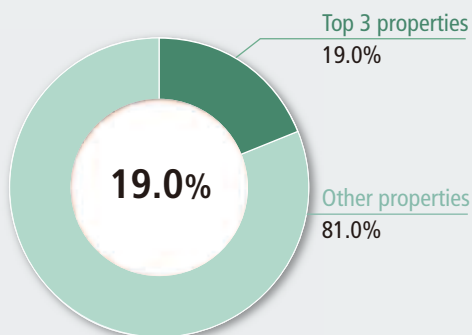


### Net assets per share / Distribution per share



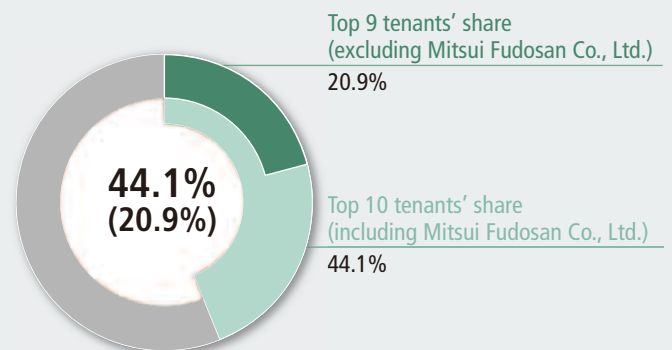
### Property Concentration Risk Diversification

(Ratio of total acquisition price of top 3 properties to total acquisition price)



### Tenant Risk Diversification

(Top 10 tenants' share of total floor space)



## TO OUR SHAREHOLDERS

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



**Koichi Nishiyama**

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

### Performance during the Six Months Ended June 30, 2009

**Due to worsening market conditions, such as a decrease in the occupancy rate, distribution per share was ¥21,775.**

During the six months ended June 30, 2009 (the "16th Period"), the Japanese economy further weakened, reflecting the impact the turmoil in global financial markets and the economic slowdown that originated in the United States had on corporate profits, capital investment and consumer spending.

In the office building leasing environment, the overall occupancy rate and rent levels continued to decrease due to pressure to reduce costs resulting from weaker corporate earnings. In addition, property sales were weak due to turmoil in financial markets.

Under these conditions, NBF further enhanced its portfolio by acquiring the Mitsuseimei Ochanomizu Building (acquisition price: ¥20,840 million), for which NBF signed the purchase contract in March 2008. As a result, NBF's real estate portfolio at June 30, 2009 comprised 61 properties with a total investment value of ¥783.1 billion on an acquisition price basis.

Operating revenues for the six months ended June 30, 2009 decreased ¥457 million, or 1.5 percent, compared with the previous six-month period to ¥30,761 million. Factors included a decrease in rental revenue due to the decrease in the occupancy rate and an increase in property and other real estate taxes resulting from properties acquired in 2008. Operating income decreased ¥294 million, or 2.0 percent, to ¥14,297 million. Net income decreased ¥259 million, or 2.1 percent, to ¥11,802 million. Distribution per share decreased ¥477 to ¥21,775.

### Performance Outlook (As of August 14, 2009)

(Yen in millions)

	17th Period (Projected) from July 1, 2009 to December 31, 2009	18th Period (Projected) from January 1, 2010 to June 30, 2010
Operating revenues	<b>¥29,722</b>	<b>¥28,125</b>
Net income	<b>10,027</b>	<b>8,726</b>
Distribution per share (Yen)	<b>18,500</b>	<b>16,100</b>



## Operating Environment

### Challenging conditions continue in both the office building leasing and real estate acquisition markets, but signs of change are beginning to appear.

In the office building leasing market, there were many contract cancellations in March and April as companies moved to reduce costs in response to the economic downturn. Consequently, conditions weakened throughout Japan, including a drop in occupancy rates and rent levels. However, since May many contracts have been signed due to increased demand for office relocation and integration as a result of lower rents.

NBF expects occupancy rates to bottom out by the end of 2009 or early in 2010, and rents to follow suit about six months later, around the middle of 2010.

Meanwhile, the number of sales in the office building acquisition market remains low.

NBF recognizes that these economic conditions offer an opportunity to acquire high-quality properties. However, few of the A-class buildings that NBF targets are available. Nevertheless, NBF believes that more information on properties will become available as individual companies' circumstances change.

NBF recognizes that financing has become more stable. In September 2009, a public-private fund was established for the redemption of investment corporation bonds. NBF believes this safety net is an advantage for J-REITs.

## Outlook for the Next Twelve Months

### NBF expects challenging conditions over the next twelve months due to market lag.

In the office building leasing market, tenants are active, and there is a sense that occupancy rates will bottom out by the end of 2009 or early in 2010. However, NBF expects challenging conditions to continue for the next twelve months or so because the Japanese office building leasing market lags economic trends as a result of national business customs, such as the need for six months' advance notice for contract cancellation.

As a result, NBF expects rental revenue to decrease an annualized 8 percent over the next twelve months.

Based on this assumption, NBF expects distributions per share of ¥18,500 for the six months ending December 31, 2009 (the "17th Period") and ¥16,100 per share for the six months ending June 30, 2010 (the "18th Period").

## Future Management Policies

### NBF will work to maintain or improve the occupancy rate as a priority issue and aim for steady distributions over the medium-to-long term with an eye on external growth.

NBF expects that challenging conditions will continue. However, NBF will minimize the impact of the poor operating environment by further strengthening its leasing activities based on the high-quality portfolio it has built up since it began asset management. In addition, NBF will work to maintain or improve the occupancy rate as a priority issue through flexible rent revision based on an accurate perception of market trends.

Moreover, with signs of change beginning to appear in the office building acquisition market, NBF intends to seriously consider expanding revenues through external growth based on financing capabilities that leverage its strong fundamentals.

The operating environment for J-REITs has been challenging since autumn 2008. However, as Japan's first and largest REIT, NBF will steadfastly continue to implement its fundamental policy of providing 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 making the most of our relationship with Mitsui Fudosan Co., Ltd. and the high-level asset management know-how we have built up since our establishment.

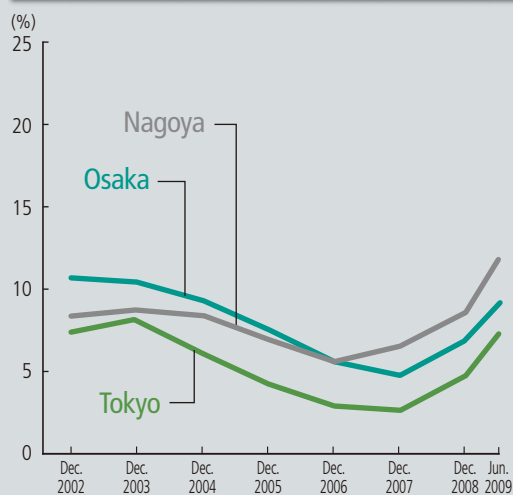


**Koichi Nishiyama**

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

# Outlook for Internal Growth

**Vacancy Rate in Tokyo CBDs,  
Osaka CBDs and Nagoya CBDs**



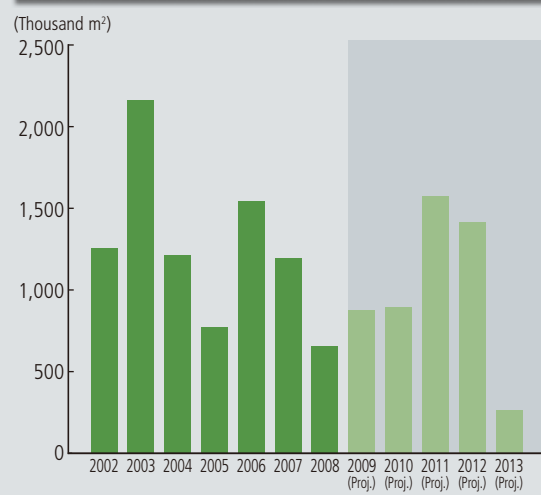
Source: Miki Shoji Co., Ltd.

Tokyo CBDs: Chiyoda, Chuoh, Minato, Shinjuku and Shibuya

Osaka CBDs: Umeda, Minami-Morimachi, Yodoyabashi/Honcho, Senba, Shinsaibashi/Namba, Shin-Osaka

Nagoya CBDs: Meieki, Fushimi, Sakae, Marunouchi

**Office Floor Space Supply in  
the 23 Wards of Tokyo**



Source: Mori Building Co., Ltd.

## Fully leveraging an excellent portfolio for steady asset management

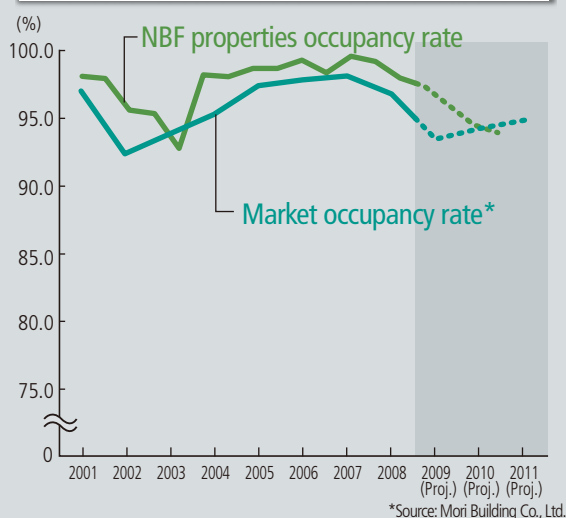
In the office building leasing market, vacancy rates in the Tokyo CBDs, Osaka CBDs and Nagoya CBDs are up due to the economic environment. In particular, the vacancy rate in the Tokyo CBDs is at the 2003 level.

In addition, based on actual and projected office supply in the 23 wards of Tokyo, some people predict that construction plans to meet anticipated supply from 2011 will be postponed due to limited tenant demand.

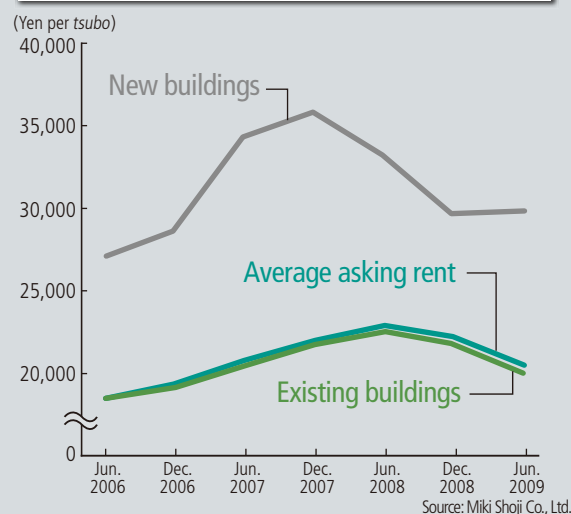
NBF's portfolio occupancy assumptions include longer times to fill vacancies.

In March and April 2009, tenants surrendered leases and reduced the amount of space they leased in order to lower costs. However, with the decrease in rents, from May companies began looking for better deals on office space, and reorganized businesses began looking for better properties.

### NBF Properties and Market Occupancy Rates



### Average Asking Rents in Tokyo CBDs



The occupancy rate for NBF properties declined as numerous tenants undertook partial surrender of their leases in March and April. However, as mentioned previously, firm demand began to appear from May. NBF expects the occupancy rate to bottom out by the end of 2009 or early in 2010.

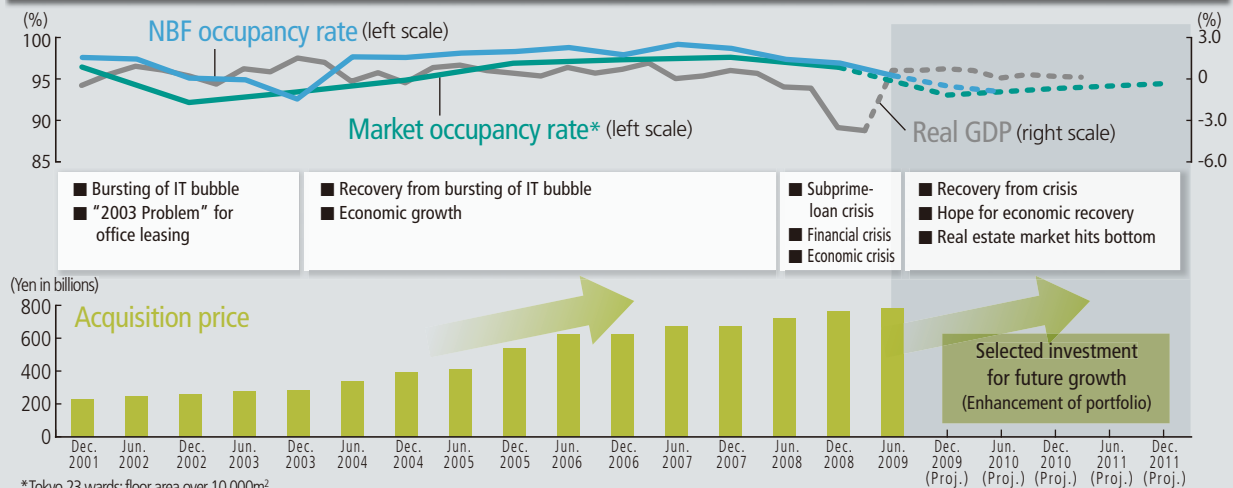
Average asking rents in the Tokyo CBDs decreased substantially for new office buildings. However, rents were stable overall because of steady asking rents for existing properties, which make up the majority of office buildings in Tokyo.

NBF's current portfolio is concentrated in Greater Tokyo and has diversified rent levels. Over half of the properties have monthly rents of less than ¥25,000/tsubo. These properties have exhibited smaller, though consistent, rent decreases.

In addition, rent levels appear to be bottoming out as lower rents and business reorganization have spurred companies to begin aggressively looking for better lease conditions.

# Outlook for External Growth

## Occupancy Rate, Real GDP and Acquisition Price



## Selectively investing in excellent properties to augment a high-quality portfolio

In an environment of financial crisis and economic slowdown, NBF approaches the market with due caution, but also sees excellent opportunities to acquire high-quality assets with high returns. Therefore, NBF will selectively invest in outstanding assets based on strict guidelines while also considering asset turnover.

Past results show that NBF has expanded its assets under management during the recovery since the IT bubble burst in 2003. This has contributed to internal growth and increased distributions.

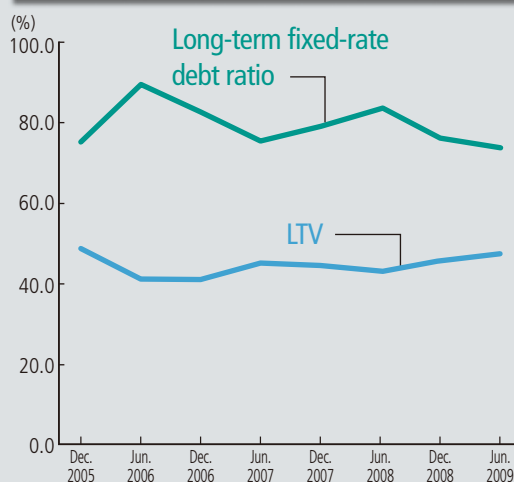
Currently, occupancy rates and asking rents are at very low levels, and GDP projections point toward a gradual recovery in Japan's economic fundamentals projections.

NBF believes that more property data will become available from the end of 2009, and that the time has come to shift its orientation from internal to external growth.

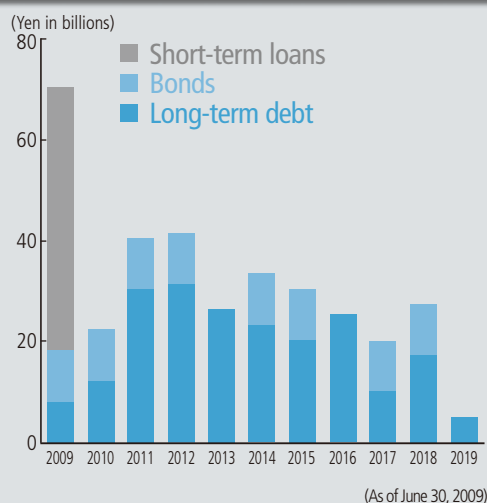


# A Strong Financial Foundation

## Stable Financial Track Record



## Diversified Maturities of Interest-Bearing Debt



## Creating a strong financial foundation based on a steady financial strategy

Japanese financial institutions remain reluctant to lend to the real estate sector, but NBF steadily procures funds due to the excellent portfolio it has built up and its strong financial foundation.

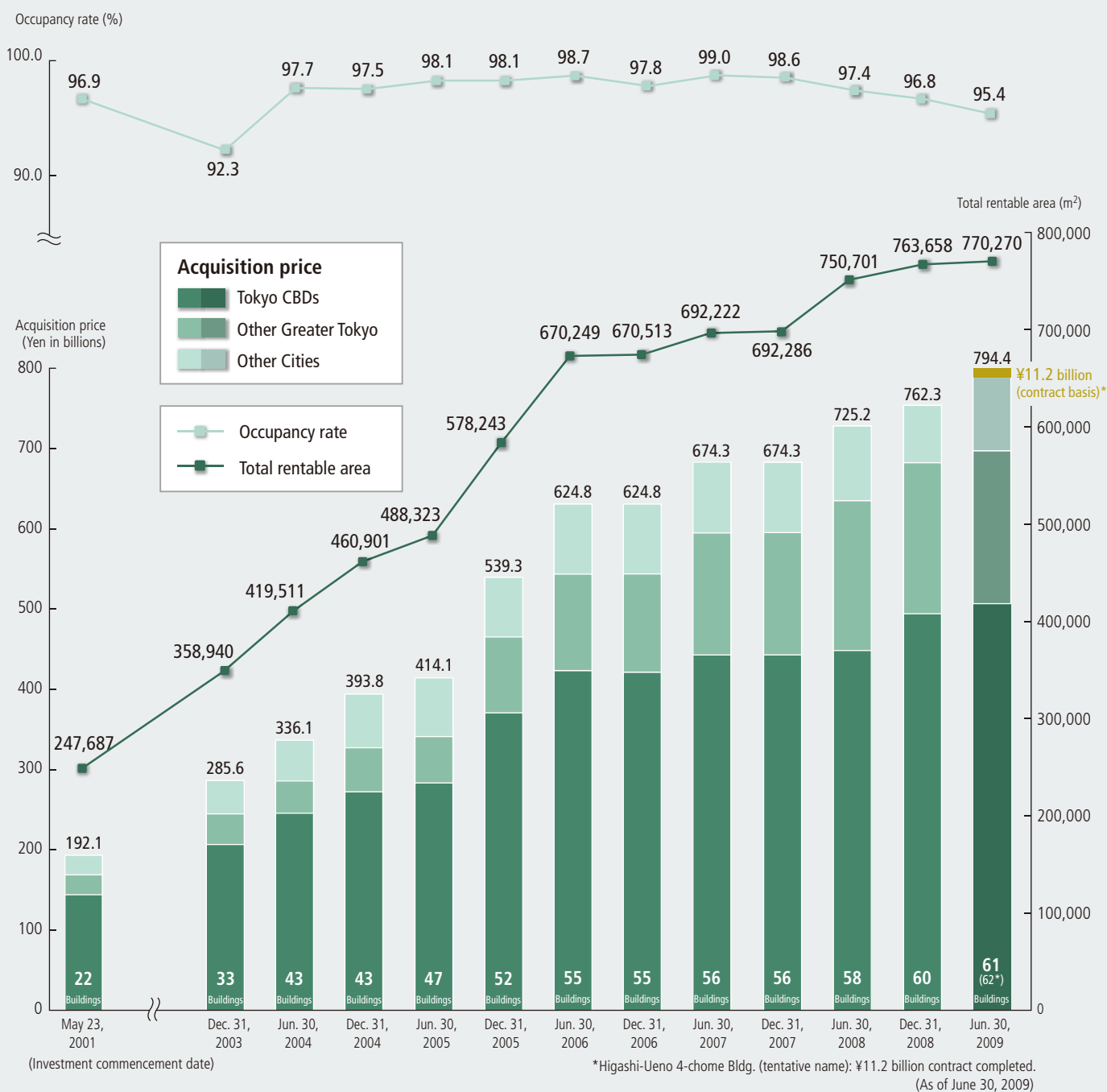
Moreover, financing has started to normalize due to the September 2009 establishment of a public-private fund to provide government support that will mitigate the refinancing risk associated with investment corporation bonds issued by J-REITs.

NBF's loan-to-value (LTV) ratio at the end of the 16th Period was 47.0 percent, within the target range of 40 to 50 percent (maximum 60 percent).

NBF is also working to procure long-term fixed-rate loans, and has set a target ratio for fixed-rate long-term debt to total interest-bearing liabilities of 80 to 90 percent. At the end of the 16th Period, this ratio was 73.5 percent, but as of September 30, 2009 it was 85.5 percent.

Furthermore, in addition to diversifying maturities of interest-bearing debt, NBF established an additional commitment line of ¥20.0 billion in the 16th Period, securing a stable foundation for fund procurement with a total commitment line of ¥50.0 billion. These solid initiatives have earned us high ratings from rating agencies.

# A TRACK RECORD OF STEADY GROWTH AND HIGH OCCUPANCY RATES



## ACQUISITIONS DURING THE 16TH PERIOD



### ⑩ Mitsuseimei Ochanomizu Building

Acquisition date	April 30, 2009
Site area	1,767.94m <sup>2</sup>
Floor area of building	9,258.36m <sup>2</sup>
Structure	11 floors above ground, 1 floor below
Location	3, Kanda-Surugadai 2-chome, Chiyoda-ku, Tokyo
Acquisition price	¥20,840 million

## PLANNED ACQUISITIONS IN THE 18TH PERIOD

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

Acquisition date	April 30, 2010 (scheduled)
Site area	2,405.22m <sup>2</sup> (NBF share: approx. 77%)
Floor area of building	15,949.26m <sup>2</sup> (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 NBF Hibiya 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





9 Nakameguro GT Tower



14 NBF Toranomom Building



12 Shinjuku Mitsui Building No. 2



13 GSK Building



15 Kowa Nishi-Shinbashi Building B





19 Shibuya Garden Front



17 NBF Alliance



32 Nakanosakaue Sunbright Twin



28 NBF Akasaka Sanno Square





33 NBF Toyosu Canal Front (top) / 34 NBF Toyosu Garden Front (bottom)



35 Shin-Kawasaki Mitsui Building



36 Yokohama ST Building





41 S-ino Omiya North Wing



51 56 Aqua Dojima NBF Tower, Aqua Dojima East



52 Shinanobashi Mitsui Building



# LOCATION OF OFFICE PROPERTIES

As of June 30, 2009

## Tokyo CBDs

- ① NBF Hibiya 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 Mitsuisen Ochanomizu Building
- ⑪ NBF Ginza Street Building
- ⑫ Shinjuku Mitsui Building No. 2
- ⑬ GSK Building
- ⑭ NBF Toranomon Building
- ⑮ Kowa Nishi-Shinbashi Building B
- ⑯ Nippon Steel Building No. 2
- ⑰ NBF Alliance
- ⑱ Yotsuya Medical Building
- ⑲ Shibuya Garden Front
- ⑳ NBF Shibuya East
- ㉑ NBF Shibakouen Building
- ㉒ NBF Takanawa Building
- ㉓ NBF Akasaka Sanno Square
- ㉔ NBF Shibakouen Daimon Street Building
- ㉕ Sumitomo Densetsu Building
- ㉖ NBF Higashi-Ginza Square
- ㉗ NBF Ogawamachi Building
- ㉘ NBF Ikebukuro Tower
- ㉙ NBF Ikebukuro City Building
- ㉚ NBF Sudacho Verde Building
- ㉛ NBF Ebisu-Minami Building



## Other Greater Tokyo

- ③② Nakanosaka Sunbright Twin
- ③③ NBF Toyosu Canal Front
- ③④ NBF Toyosu Garden Front
- ⑥② Higashi-Ueno 4-chome Building (tentative name)  
(Scheduled for acquisition in April 2010)



⑧ NBF Nihonbashi Muromachi Center Building



⑯ Nippon Steel Building No. 2



⑱ Yotsuya Medical Building

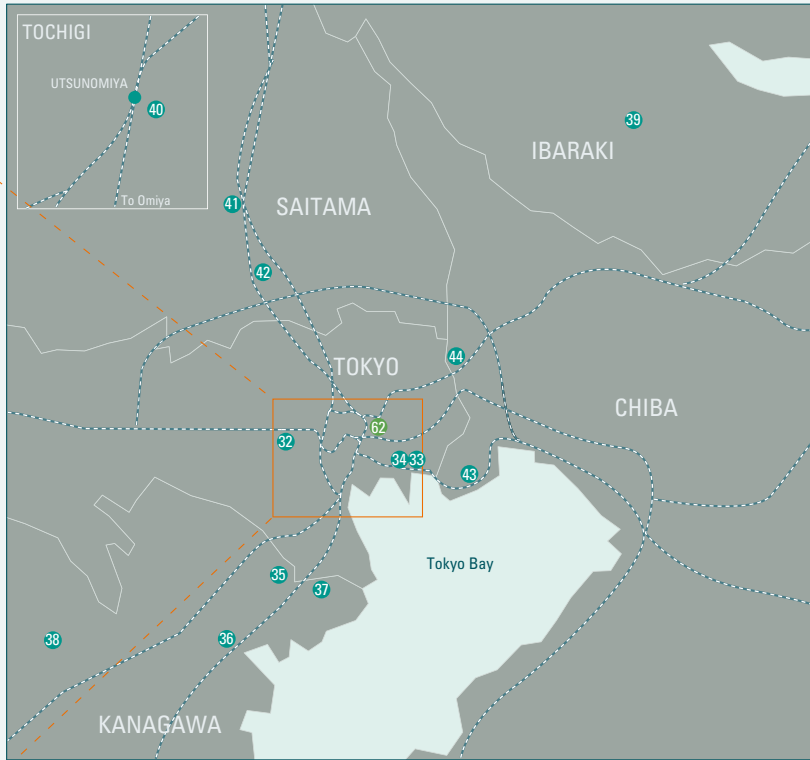


㉖ NBF Higashi-Ginza Square



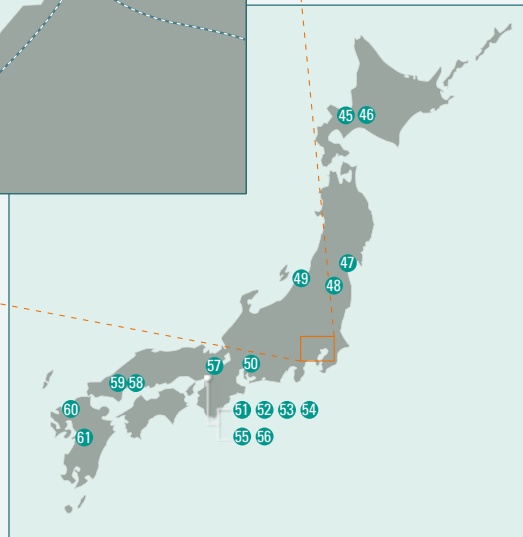
㉑ NBF Shibakouen Building

## Other Greater Tokyo



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

## Other Cities



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



37 Parale Mitsui Building



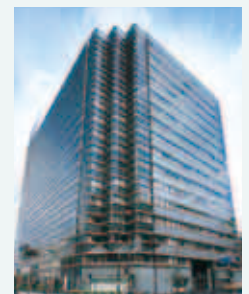
43 Shin-Urayasu Center Building



45 Sapporo L-Plaza



53 Sun Mullion NBF Tower



54 Sakaisuji-Honmachi Center Building



# PORTFOLIO OVERVIEW

NBF's properties as of June 30, 2009 are as follows:

Name of Building	Investment Type	Type of Ownership	Percentage of Ownership (%)	Year Built	Acquisition Price (Yen in millions)	Book Value
<b>Tokyo CBDs</b>						
① NBF Hibiya Building	Trust	Fee simple	100.0	1984	63,500	64,420
② Nishi-Shinjuku Mitsui Building	Ownership	Compartmented ownership	85.1	1999	44,903	36,083
③ Shiba NBF Tower	Trust	Fee simple	100.0	1986	32,000	30,410
④ NBF Platinum Tower	Trust	Fee simple	100.0	2005	31,000	30,145
⑤ NBF Minami-Aoyama Building	Ownership	Fee simple	100.0	1995	31,000	31,817
⑥ Gate City Ohsaki	Ownership	Compartmented ownership	12.9	1999	30,100	24,414
⑦ Toranomon Kotohira Tower	Ownership	Compartmented ownership	100.0	2004	24,543	20,846
⑧ NBF Nihonbashi Muromachi Center Building	Trust	Fee simple	100.0	1986	23,945	24,155
⑨ Nakameguro GT Tower	Ownership	Compartmented ownership	93.1	2002	23,856	21,476
⑩ Mitsuseimei Ochanomizu Building	Ownership	Fee simple	100.0	2009	20,840	21,624
⑪ NBF Ginza Street Building	Trust	Fee simple	100.0	1990	17,000	17,610
⑫ Shinjuku Mitsui Building No. 2	Trust	Fee simple	100.0	1983	16,285	15,889
⑬ GSK Building	Trust	Fee simple	100.0	1990	15,616	13,827
⑭ NBF Toranomon Building	Trust	Fee simple	100.0	1963	13,337	13,566
⑮ Kowa Nishi-Shinbashi Building B	Trust	Co-ownership of compartmented ownership	83.0	1994	13,217	11,969
⑯ Nippon Steel Building No. 2	Ownership	Fee simple	100.0	1989	12,614	11,479
⑰ NBF Alliance	Trust	Fee simple	100.0	1989	9,126	9,492
⑱ Yotsuya Medical Building	Trust	Fee simple	100.0	2004	8,800	8,468
⑲ Shibuya Garden Front	Ownership	Co-ownership	50.0	2003	8,700	8,222
⑳ NBF Shibuya East	Ownership	Fee simple	100.0	1992	8,000	8,235
㉑ NBF Shibakouen Building	Ownership	Fee simple	100.0	1990	6,770	6,689
㉒ NBF Takanawa Building	Trust	Fee simple	100.0	1987	6,667	6,251
㉓ NBF Akasaka Sanno Square	Trust	Fee simple	100.0	1989	6,250	6,250
㉔ NBF Shibakouen Daimon Street Building	Trust	Co-ownership of compartmented ownership	87.0	1991	6,100	6,305
㉕ Sumitomo Densetsu Building	Trust	Fee simple	100.0	1991	5,365	4,758
㉖ NBF Higashi-Ginza Square	Trust	Fee simple	100.0	2005	5,200	4,953
㉗ NBF Ogawamachi Building	Ownership	Compartmented ownership	83.8	1986	4,940	4,944
㉘ NBF Ikebukuro Tower	Trust	Fee simple	100.0	1993	4,695	4,560
㉙ NBF Ikebukuro City Building	Trust	Fee simple	100.0	1993	4,428	4,421
㉚ NBF Sudacho Verde Building	Ownership	Fee simple	100.0	1988	3,280	3,368
㉛ NBF Ebisu-Minami Building	Ownership	Fee simple	100.0	1991	1,000	1,011
<b>Other Greater Tokyo</b>						
㉜ Nakanosakaue Sunbright Twin	Ownership/Trust	Co-ownership of compartmented ownership	81.0 Note 4	1996	40,750	39,219
㉝ NBF Toyosu Canal Front	Trust	Fee simple	100.0	2004	35,200	33,411
㉞ NBF Toyosu Garden Front	Ownership	Fee simple	100.0	2007	25,018	25,125
㉟ Shin-Kawasaki Mitsui Building	Ownership	Co-ownership	35.0	1989	20,300	18,729
㊱ Yokohama ST Building	Trust	Co-ownership	75.0	1987	13,529	12,668
㊲ Parale Mitsui Building	Ownership	Co-ownership of compartmented ownership	97.5	1990	3,800	3,254
㊳ NBF Atsugi Building	Ownership	Fee simple	100.0	1991	2,300	2,127
㊴ Tsukuba Mitsui Building	Trust	Fee simple	100.0	1990	8,876	7,326
㊵ NBF Utsunomiya Building	Ownership	Fee simple	100.0	1996	2,435	2,506
㊶ S-ino Omiya North Wing	Ownership	Fee simple	100.0	2004	16,816	15,575
㊷ NBF Urawa Building	Ownership	Fee simple	100.0	1990	2,000	1,916
㊸ Shin-Urayasu Center Building	Ownership	Fee simple	100.0	1990	15,700	15,844
㊹ NBF Matsudo Building	Ownership	Fee simple	100.0	1992	2,455	2,256
<b>Other Cities</b>						
㊺ Sapporo L-Plaza	Ownership	Compartmented ownership	46.2	2003	4,404	4,003
㊻ NBF Sapporo Minami Nijo Building	Trust	Fee simple	100.0	1990	1,870	1,713
㊼ NBF Sendai Honcho Building	Trust	Fee simple	100.0	1987	3,566	3,644
㊽ NBF Unix Building	Trust	Fee simple	100.0	1994	4,029	3,198
㊾ NBF Niigata Telecom Building	Trust	Fee simple	100.0	1989	3,958	3,676
㊿ NBF Nagoya Hirokoji Building	Ownership	Fee simple	100.0	2000	7,232	7,233
㋀ Aqua Dojima NBF Tower	Trust	Fee simple	100.0	1996	17,810	16,736
㋁ Shinanobashi Mitsui Building	Ownership	Co-ownership	99.0	1982	14,400	11,663
㋂ Sun Mullion NBF Tower	Trust	Fee simple	100.0	1996	10,500	8,671
㋃ Sakaisuji-Honmachi Center Building	Ownership	Co-ownership of compartmented ownership	49.3	1991	6,500	6,241
㋄ NBF Sakai-Higashi Building	Trust	Fee simple	100.0	1991	2,227	1,982
㋅ Aqua Dojima East	Trust	Co-ownership of compartmented ownership	23.7	1993	1,914	1,806
㋆ NBF Shijo Karasuma Building	Trust	Fee simple	100.0	1991	1,627	1,409
㋇ NBF Hiroshima Tatemachi Building	Ownership	Fee simple	100.0	1991	2,930	2,940
㋈ Hiroshima Fukuromachi Building	Ownership	Co-ownership of compartmented ownership	10.4	2002	835	729
㋉ NBF Hakata Gion Building	Trust	Fee simple	100.0	1993	2,629	2,290
㋊ NBF Kumamoto Building	Ownership	Fee simple	100.0	2008	4,500	4,573
<b>Total</b>					<b>783,189</b>	<b>740,125</b>

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 <sup>2</sup> )	(m <sup>2</sup> )	(%)		(Yen in millions)	(%)
64,200	27,640	24,142	87.3	61	1,674	5.4
52,000	32,968	32,968	100	1	1,490	4.8
32,200	24,728	24,515	99.1	26	1,191	3.9
54,400	33,503	33,503	100	5	1,492	4.9
22,600	9,618	9,094	94.6	8	644	2.1
32,600	20,713	20,713	100	1	1,194	3.9
33,300	16,848	16,848	100	1	1,029	3.4
29,400	16,306	15,408	94.5	14	972	3.2
29,300	21,423	21,423	100	1	1,171	3.8
15,300	6,627	0	0.0	0	1	0.0
14,600	3,440	3,440	100	1	Note 2	Note 2
19,100	14,921	12,622	84.6	37	696	2.3
22,900	20,426	20,426	100	1	Note 2	Note 2
17,600	10,123	9,320	92.1	11	558	1.8
20,500	10,088	10,061	99.7	2	Note 2	Note 2
14,040	17,338	17,338	100	2	Note 2	Note 2
10,700	4,043	4,043	100	9	278	0.9
8,020	7,450	7,450	100	1	264	0.9
14,500	8,258	8,258	100	1	Note 2	Note 2
7,300	4,993	4,993	100	4	210	0.7
8,320	7,087	7,087	100	7	340	1.1
7,910	10,458	10,458	100	4	359	1.2
7,850	5,258	4,793	91.2	6	259	0.8
5,460	3,431	3,431	100	7	190	0.6
6,210	5,991	5,991	100	1	Note 2	Note 2
7,580	4,871	4,871	100	8	255	0.8
6,020	4,805	4,805	100	1	213	0.7
5,430	5,652	5,652	100	13	231	0.8
5,190	5,127	5,127	100	12	204	0.7
3,760	2,971	2,855	96.1	3	Note 2	Note 2
1,400	1,595	1,595	100	3	63	0.2
34,600	32,082	32,046	99.9	8	1,261	4.1
38,600	36,668	36,655	100	9	1,148	3.7
31,700	28,330	28,330	100	3	1,156	3.8
18,100	27,924	27,924	100	1	998	3.2
17,500	20,069	18,873	94.0	85	753	2.5
3,840	12,545	12,545	100	1	303	1.0
2,250	5,230	4,032	77.1	15	134	0.4
8,830	16,755	14,825	88.5	63	500	1.6
2,540	6,197	5,417	87.4	32	142	0.5
20,200	20,698	20,698	100	35	799	2.6
2,140	3,455	3,455	100	14	110	0.4
12,900	22,789	20,914	91.8	36	639	2.1
2,430	4,770	4,770	100	25	129	0.4
6,420	11,396	11,396	100	12	329	1.1
1,590	5,351	5,351	100	4	111	0.4
3,520	7,539	7,381	97.9	9	211	0.7
3,480	13,390	12,321	92.0	51	275	0.9
3,070	10,214	8,005	78.4	34	191	0.6
8,250	9,890	8,748	88.5	13	300	1.0
21,300	21,917	19,770	90.2	41	785	2.6
14,400	25,237	25,237	100	1	728	2.4
9,490	14,954	13,108	87.7	28	438	1.4
7,440	11,438	10,804	94.5	42	328	1.1
1,910	5,308	5,194	97.8	21	131	0.4
2,140	3,243	2,626	81.0	17	99	0.3
1,520	3,931	2,964	75.4	13	88	0.3
3,040	5,612	5,144	91.7	26	148	0.5
845	1,309	1,309	100	17	41	0.1
2,560	5,416	5,416	100	8	157	0.5
3,760	7,913	6,105	77.2	10	158	0.5
870,055	770,270	734,593	95.4	926	30,761	100.0

# MANAGEMENT TEAM AND MANAGEMENT STRUCTURE

(As of June 30, 2009)

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

## Nippon Building Fund Inc.

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

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

## General Meeting of 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.

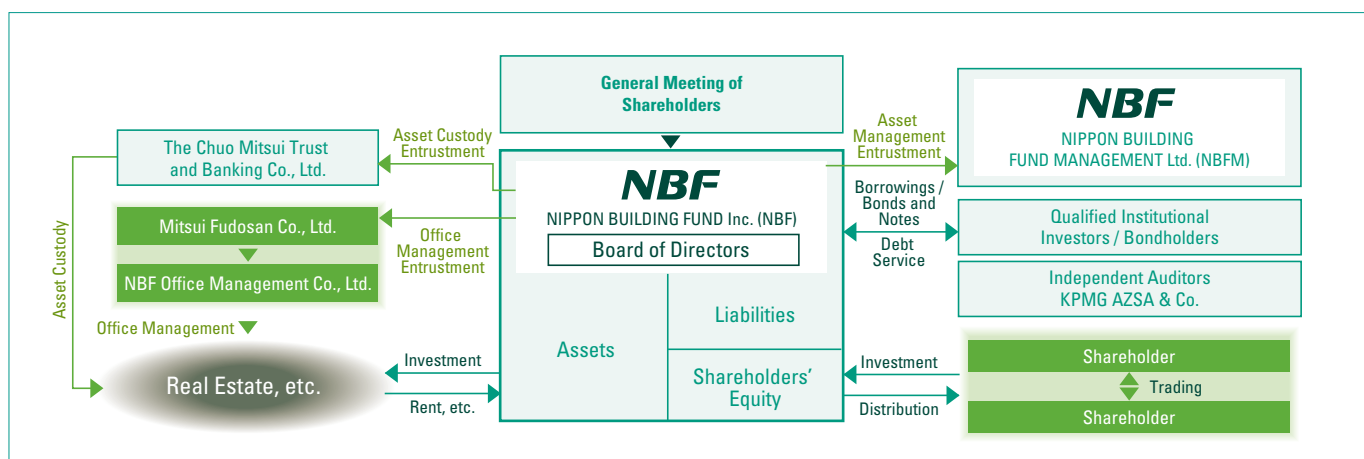
## Executive Directors, Supervisory Directors and the Board of Directors

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 June 30, 2009, 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



## Management Team



Seated from left:  
Sadafumi Abe  
Koichi Nishiyama  
Standing from left:  
Sadao Kamiyama  
Hideo Fukazawa  
Hatsuo Komatsu  
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.

and supervising the performance of the executive directors. Resolutions by the Board of Directors require a simple majority with more than half of the members of the Board in attendance.

The bylaws of NBF's Board of Directors stipulate that executive and supervisory directors may not participate in decisions in which they have a vested interest. Executive and supervisory directors with such financial 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 to increase the number of directors expire at the same time as the remaining terms of their predecessors or the current directors. Both of the two executive directors 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.

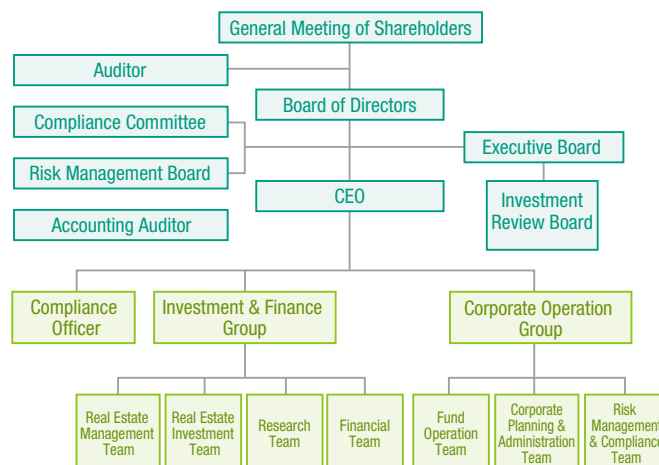
As the asset management company required by the Investment Trust Law of Japan, Nippon Building Fund Management Ltd. manages NBF's assets in accordance with the asset management objectives and policies stipulated by NBF's articles of incorporation. In addition, in accordance with the manager of general 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

## Management Structure



operations of Nippon Building Fund Management Ltd. The heads of the Investment & Finance Group and the Corporate Operation Group also serve as directors, and oversee their respective divisions under the direction and oversight of the president. Corporate auditors conduct accounting audits and operational audits of Nippon Building Fund Management Ltd. 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 the execution of their duties and supervisory directors ensure that oversight and check-and-balance systems are functioning properly.

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

## Risk Management System

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

### ■ NBF

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

### ■ Nippon Building Fund Management Ltd.

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

The Asset Management Guidelines consist of management

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

## Policy and Management System for Dealing with Conflict of Interest Transactions

### ■ Fundamental Policy on Conflict of Interest Transactions

Nippon Building Fund Management Ltd. is constantly aware of its accountability to NBF and NBF's 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

		16th Period from January 1, 2009 to June 30, 2009	15th Period from July 1, 2008 to December 31, 2008	14th Period from January 1, 2008 to June 30, 2008	16th Period from January 1, 2009 to June 30, 2009
(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	¥ 30,761	¥ 31,218	¥ 30,088	\$ 319,033
Revenue from property leasing activities		30,761	31,218	29,220	319,033
Gain on sale of investment properties		—	—	868	—
Operating expenses		16,464	16,627	15,559	170,759
Rental expenses		15,111	15,228	14,178	157,724
Income before income taxes		11,803	12,062	12,223	122,412
Net income	(a)	11,802	12,061	12,222	122,402
Funds from operations	Note 3	17,157	17,417	16,630	177,939
Net operating income from property leasing activities	Note 3	21,005	21,346	20,318	217,846
Total amount of cash distribution	(b)	11,802	12,061	12,222	122,403
Depreciation and amortization		5,355	5,356	5,276	55,537
Capital expenditures		836	2,146	1,620	8,668
Total assets	(c)	783,793	766,249	725,627	8,128,948
Interest-bearing debt		338,500	318,500	280,500	3,510,682
Net assets	(d)	397,978	398,237	398,398	4,127,546
Total number of common shares issued (shares)	(e)	542,000	542,000	542,000	
Net assets per share (Yen/\$)	(d) / (e)	734,276	734,753	735,050	7,615
Distribution per share (Yen/\$)	(b) / (e)	21,775	22,252	22,549	226
Funds from operations per share (Yen/\$)	Note 3	31,654	32,134	31,066	328
ROA	Note 3	1.5%	1.6%	1.7%	
(Annual rate)		(3.1%)	(3.2%)	(3.5%)	
ROE	Note 3	3.0%	3.0%	3.2%	
(Annual rate)		(6.0%)	(6.1%)	(6.5%)	
LTV (Loan to value)	Note 3	47.0%	45.5%	42.8%	
Capital ratio	(d) / (c)	50.8%	52.0%	54.9%	
Payout ratio	(b) / (a) Note 4	100.0%	99.9%	99.9%	
Number of days		181	184	182	
Number of investment properties	Note 5	61	60	58	
Number of tenants	Note 5	926	946	931	
Total rentable area (m <sup>2</sup> )		770,270	763,658	750,701	
Occupancy rate	Note 5	95.4%	96.8%	97.4%	

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥96.42 = U.S. \$1.00, the approximate exchange rate on June 30, 2009.

2. Operating revenues do not include consumption tax.

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

Funds from operations: Net income (excluding Gain 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

LTV: (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 June 30, 2009 (the "16th Period"), the sharp downturn of Japan's economy continued, reflecting the impact the turmoil in global financial markets and the worldwide economic slowdown had on corporate profits, capital investment and consumer spending.

In the office building leasing market, the overall occupancy rate decreased and rent levels also fell as a result of factors including continued reductions in rented floor space and contract cancellations caused by rising pressure to reduce costs in response to weaker corporate earnings.

In the real estate acquisition market, sales were weak due to deterioration of the office building market resulting from turmoil in financial markets and the economic downturn.

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 stable cash flow from rents.

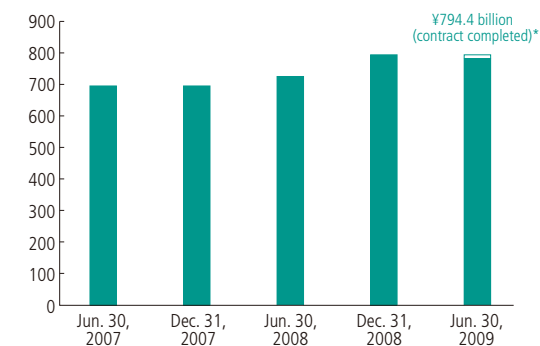
During the 16th Period, in April 2009, after careful deliberation in accordance with this policy, NBF took possession of the Mitsuseimei Ochanomizu Building, for which it signed the purchase contract in March 2008 (acquisition price: ¥20,840 million).

For its portfolio properties, NBF conducted property management, scheduled renovations and new construction to increase tenant satisfaction. NBF also worked to secure stable rental revenue by maintaining a sound grasp of the market, setting appropriate rents for new tenants and revising rents for existing tenants who renewed their lease contracts.

As a result of these efforts, NBF's real estate portfolio as of June 30, 2009 totaled 61 buildings. Total investment on an acquisition price basis was ¥783.1 billion. Total rentable area was 770,270 m<sup>2</sup> (233,007 *tsubo*). The occupancy rate declined 1.4 percentage points from December 31, 2008 to 95.4 percent. Tenants totaled 926.

**Total investment**

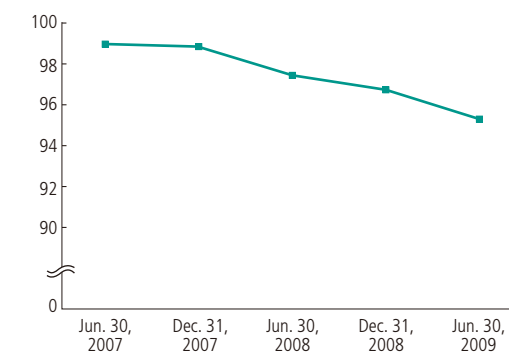
(Yen in billions)



\* Contract basis

**Occupancy rate**

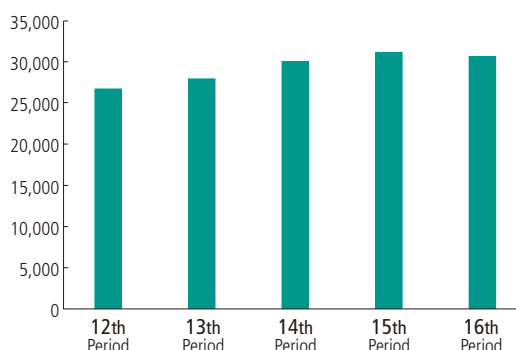
(%)



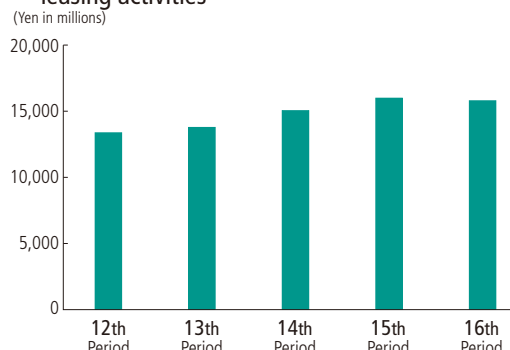
## Overview of Performance

As a result of this management, operating revenues for the six months ended June 30, 2009 decreased ¥457 million, or 1.5 percent, compared with the previous six-month period to ¥30,761 million. Operating income decreased ¥294 million, or 2.0 percent, to ¥14,297 million. Net income decreased ¥259 million, or 2.1 percent, to ¥11,802 million. Distribution per share decreased ¥477 to ¥21,775. Main factors were a decrease in rental revenue due to the decrease in the occupancy rate and an increase in property and other real estate taxes resulting from the acquisition of new properties in 2008.

**Operating revenues**  
(Yen in millions)



**Operating income from property leasing activities**  
(Yen in millions)



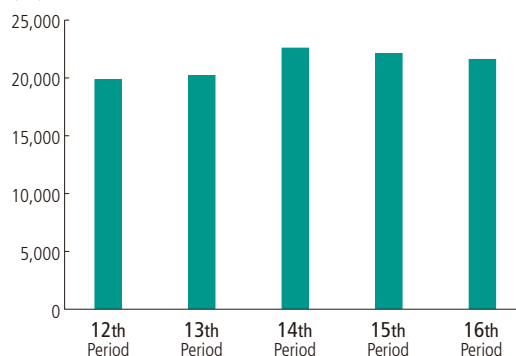
## Distribution for the Current Period

Distribution per share for the current period was ¥21,775. NBF expects to distribute almost all retained earnings at the current period end to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

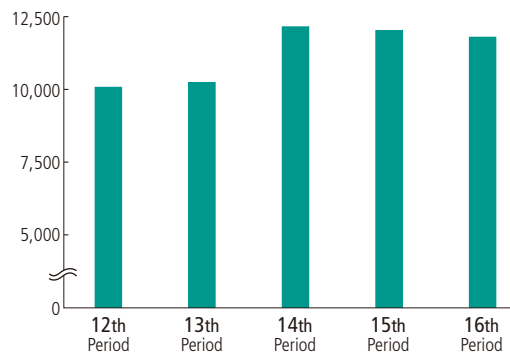
	For the six months ended June 30, 2009	For the six months ended December 31, 2008	For the six months ended June 30, 2008
(Yen in thousands, except per share amounts)			
Retained earnings	¥11,802,315	¥12,060,900	¥12,221,797
Undistributed earnings	265	316	239
Total cash distribution	11,802,050	12,060,584	12,221,558
(Cash distribution per share)	21,775	22,252	22,549
Distribution of accumulated earnings (Distribution of accumulated earnings per share)	11,802,050	12,060,584	12,221,558
Cash distribution in excess of accumulated earnings (Per share)	—	—	—

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

**Distribution per share**  
(Yen)



**Total cash distribution**  
(Yen in millions)



## Changes in Assets, Liabilities and Net Assets

### Assets

As of June 30, 2009, total assets increased ¥17,544 million to ¥783,793 million compared with December 31, 2008. Return on average total assets (ROA) for the six months ended June 30, 2009 decreased to 1.51 percent from 1.62 percent for the previous six-month period.

Current assets increased ¥720 million to ¥39,267 million compared with December 31, 2008. Investment properties increased ¥16,756 million to ¥740,092 million compared with December 31, 2008.

### Liabilities

Current liabilities increased ¥11,517 million to ¥97,747 million compared with December 31, 2008, primarily because of an increase in long-term debt due within one year compared with December 31, 2008.

Long-term debt increased ¥6,750 million to ¥248,750 million compared with December 31, 2008.

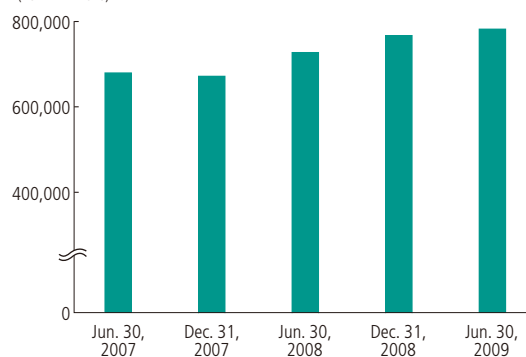
As a result, total interest-bearing liabilities increased ¥20,000 million to ¥338,500 million compared to December 31, 2008. However, the ratio of fixed-rate long-term debt to total interest-bearing liabilities decreased to 73.5 percent from 76.0 percent as of June 30, 2009. The loan-to-value ratio, calculated as the ratio of interest-bearing liabilities plus deposits under management to total assets, increased to 47.0 percent from 45.5 percent as of June 30, 2009.

In addition, NBF worked to diversify funding sources. In January 2009, NBF submitted a shelf registration to publicly offer up to ¥200 billion in bonds. As of June 30, 2009, NBF had issued bonds totaling ¥80 billion under this shelf registration.

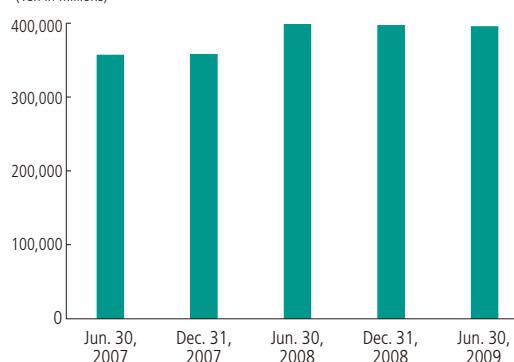
### Net Assets

Net assets decreased ¥259 million to ¥397,978 million compared with December 31, 2008.

**Total assets**  
(Yen in millions)



**Net assets**  
(Yen in millions)



## Funding

### Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of June 30, 2009, 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 June 30, 2009	For the six months ended December 31, 2008	For the six months ended June 30, 2008
		(Yen)	
High	¥993,000	¥1,330,000	¥1,560,000
Low	739,000	689,000	1,070,000

## Borrowings

Borrowings from financial institutions as of June 30, 2009 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	¥18,000	0.8%	July 31, 2009	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)  Floating rate
Mizuho Corporate Bank, Ltd.	8,000	0.9%	July 31, 2009			
The Sumitomo Trust and Banking Company, Limited	5,000	1.0%	October 30, 2009			
Shinkin Central Bank	4,000	0.9%	July 31, 2009			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,000	0.8%	September 30, 2009			
Mitsubishi UFJ Trust and Banking Corporation	3,000	0.9%	July 31, 2009			
THE KAGOSHIMA BANK, LTD.	2,000	0.8%	July 31, 2009			
The Gunma Bank, Ltd.	2,000	0.9%	July 31, 2009			
The Yamanashi Chuo Bank, Ltd.	1,500	0.7%	July 31, 2009			
The Chugoku Bank, Limited	1,000	1.0%	December 25, 2009			
The Joyo Bank, Ltd.	1,000	0.9%	August 31, 2009			
THE SHIZUOKA BANK, LTD.	1,000	0.9%	August 31, 2009			
The Yamaguchi Bank, Ltd.	1,000	1.0%	October 30, 2009			

**Total short-term loans** ¥51,500

## 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	(Note 2)		
	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			
	5,000	2.2%	April 28, 2019			
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	Bullet payment	(Note 3)	Unsecured /unguaranteed /pari passu, See (Note 4)
(The National Mutual Insurance Federation of Agricultural Cooperatives)	10,000	1.5%	September 11, 2015			
	10,000	2.3%	May 30, 2016			
Sumitomo Mitsui Banking Corporation	5,000	1.5%	April 30, 2013			
	5,000	1.8%	June 27, 2013			
	4,000	1.5%	December 28, 2012			
	6,000	1.9%	April 28, 2014			
	1,000	1.8%	June 30, 2014			
MITSUI LIFE INSURANCE COMPANY, LIMITED	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March 30, 2012			
	2,000	1.6%	November 1, 2012			
	3,000	1.6%	December 13, 2013			
	2,000	2.0%	May 30, 2013			
	3,000	1.9%	May 29, 2014			
The Chuo Mitsui Trust and Banking Co., LIMITED	5,000	1.6%	March 30, 2011			
	10,000	1.4%	December 30, 2011			
The Sumitomo Trust and Banking Company, Limited	5,000	1.6%	September 30, 2013			
	7,000	1.6%	April 27, 2012			
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			
Shinkin Central Bank	4,000	1.8%	June 27, 2013			
	3,000	1.4%	December 30, 2011			
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			
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 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			
The Hachijuni Bank, Ltd.	1,000	1.4%	December 2, 2013			
	2,000	1.8%	June 26, 2014			
Mizuho Corporate Bank, Ltd.	2,000	1.5%	February 7, 2012			
The Chugoku Bank, Limited	2,000	1.7%	May 29, 2014			
The Iyo Bank, LTD.	1,000	1.9%	April 30, 2014			
<b>Total long-term debt</b>	<b>¥207,000</b>					
<b>Total borrowings (Note 5)</b>	<b>¥258,500</b>					

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. Scheduled for repayment of ¥125 million at six-month intervals and ¥2,625 million at the final maturity date.

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

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

5. 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	¥8,250	¥45,250	¥26,250	¥25,250

## NBF Bonds

Issue	Issue date	Balance as of June 30, 2009 (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	¥20,000	—	¥20,000	—	¥10,000

## Others

NBF had security deposits totaling ¥39,249 million as of June 30, 2009.

## Capital Expenditures

### Planning

As of June 30, 2009, NBF is planning the following capital expenditures for the renovation of its properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys, etc.

Name of property	Objective	Estimated duration	Estimated amounts		
			Total amounts	Payment for the current period (from January 1, 2009 to June 30, 2009)	Cumulative amount paid
				(Yen in millions)	
NBF Takanawa Bldg.	Renovation of air conditioning (1st stage)	From February 2010 to June 2010	¥209	¥—	¥—
NBF Ogawamachi Bldg.	Renovation of air conditioning	From August 2009 to November 2009	111	¥—	¥—
NBF Ikebukuro Tower	Renovation of HVAC equipment (2nd stage)	From September 2009 to November 2009	60	¥—	¥—
NBF Ikebukuro Tower	Renovation of HVAC equipment (3rd stage)	From March 2010 to May 2010	57	¥—	¥—
NBF Unix Bldg.	Renovation of central monitoring facilities	From November 2009 to November 2009	45	¥—	¥—
Parale Mitsui Bldg.	Renovation of lighting equipment (1st stage)	From July 2009 to September 2009	34	¥—	¥—
Parale Mitsui Bldg.	Renovation of lighting equipment (2nd stage)	From January 2010 to March 2010	34	¥—	¥—
NBF Sapporo Minami Nijo Bldg.	Renovation of hot and chilled water generator	From May 2010 to May 2010	34	¥—	¥—
NBF Urawa Bldg.	Renovation of air conditioning (7th, 8th floor)	From March 2010 to May 2010	25	¥—	¥—
NBF Urawa Bldg.	Renovation of exterior	From March 2010 to May 2010	24	¥—	¥—



## Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥836 million in capital expenditures together with ¥669 million for repairs and maintenance expenses.

Name of property	Objective	Period	Expenditure (Yen in millions)
NBF Ikebukuro Tower	Renovation of HVAC equipment (1st stage), renovation of lighting equipment (common areas), barrier-free construction (entrance areas), etc.	From January 2009 to June 2009	¥106
NBF Shijo Karasuma Bldg.	Renovation of air conditioning (1st to 3rd floors), installation of OA flooring (1st, 6th floors), etc.		25
Other buildings	Asset preservation construction and other renewal construction to improve tenant satisfaction.		705
Total			¥836

## Cash Reserve for Capital Improvements

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

	As of June 30, 2009	As of December 31, 2008
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 856	¥ 948
Amount accumulated in the current period	2,877	2,463
Withdrawal from reserves in the current period	2,175	2,555
Amount carried forward	¥1,558	¥ 856

- Notes: 1. The reserve figures represent only the amount of reserves attributable to NBF's ownership interest; the amount of reserves attributable to other owners has been excluded.
2. In addition to the above reserves, there are other reserves set up, based on maintenance needs and contracts with organizations responsible for management of properties, for the purpose of retaining funds to be used for future repair and maintenance. This reserve is not included in the above reserves and accumulated to ¥4,019 million as of June 30, 2009.

## Expenses regarding Entrustment, etc.

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

Item	For the six months ended June 30, 2009	For the six months ended December 31, 2008 (Yen in millions)	For the six months ended June 30, 2008
Asset management fees	¥1,134	¥1,154	¥1,109
Asset custody fees	36	34	32
Agent fees (stock transfer, accounting and administrative)	51	51	54
Directors' remuneration	19	19	19
Auditor's fees	13	13	13
Other expenses	100	128	155
<b>Total</b>	<b>¥1,353</b>	<b>¥1,399</b>	<b>¥1,382</b>

Note: In addition to the amounts stated above, there are asset management fees of ¥72 million for the period from January 1, 2009 to June 30, 2009 and ¥121 million for the period from July 1, 2008 to December 31, 2008 related to acquisition of investment properties which were booked on each property acquired.

## 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)
Surugadai Project (tentative name) (Note 2)	April 30, 2009	¥20,840
<b>Total</b>		<b>¥20,840</b>

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

2. The name of "Surugadai Project (tentative name)" was changed to the "NBF Ochanomizu 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 January 1, 2009 to June 30, 2009

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)
Office management fees, etc. (Note 2)	¥1,231	Mitsui Fudosan Co., Ltd.	¥1,192	96.9%
		NBF Office Management Co., Ltd.	32	2.6%
Property maintenance fees	2,708	First Facilities Co., Ltd.	426	15.7%
		Mitsui Fudosan Co., Ltd.	346	12.8%
		First Facilities West Co., Ltd.	117	4.3%
		Mitsui Fudosan Building Management Co., Ltd.	105	3.9%
		First Facilities Yokohama Co., Ltd.	11	0.4%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.1%
Leasing related service fees	119	Mitsui Fudosan Co., Ltd.	94	79.4%
		NBF Office Management Co., Ltd.	7	6.2%
		Mitsui Rehouse Tokyo Co., Ltd.	1	0.4%
		Mitsui Real Estate Sales Co., Ltd.	0	0.4%

- Notes: 1. "Related parties" are defined as related parties of asset management companies under asset management agreement with NBF as defined in Article 123 of Order for Enforcement of the Law Concerning Investment Trusts and Investment Corporations, and Article 26, Section 27 of the Regulations regarding management report of the Investment trusts and Investment corporations set by the Investment Trusts Association, Japan. "Major shareholders" are the major shareholders of asset management companies as defined in Article 29, Section 4, Paragraph 2 of the Financial Instruments and Exchange Law. During the 16th Period, transactions with and fees paid to, Mitsui Fudosan Co., Ltd., NBF Office Management Co., Ltd., First Facilities Co., Ltd., First Facilities West Co., Ltd., Mitsui Fudosan Building Management Co., Ltd., First Facilities Yokohama Co., Ltd., Mitsui Fudosan Housing Lease Co., Ltd., Mitsui Rehouse Tokyo Co., Ltd., and Mitsui Real Estate Sales Co., Ltd. are as described above.
2. Properties that have not entrusted office management businesses through such means as master leasing by Mitsui Fudosan Co., Ltd. (10 properties: Nishi-Shinjuku Mitsui Bldg., Gate City Ohsaki, Nakameguro GT Tower, Toranomon Kotohira Tower, NBF Ogawamachi Bldg., Shin-Kawasaki Mitsui Bldg., Parale Mitsui Bldg., Shinanobashi Mitsui Bldg., Sakaisuji-Honmachi Center Bldg. and Yotsuya Medical Bldg.) have entrusted them to NBF Office Management Co., Ltd. as business representative of the property owners or lessors.
3. 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.	¥349
Mitsui Fudosan Building Management Co., Ltd.	152
Mitsui Fudosan Co., Ltd.	125
First Facilities West Co., Ltd.	122
Mitsui Home Linkage Co., Ltd.	1
MITSUI Designtec Co., Ltd.	1
Mitsui Fudosan Housing Lease Co., Ltd.	0
Mitsui Real Estate Sales Co., Ltd.	0
Daiichi Engei Co., Ltd.	0

# FINANCIAL STATEMENTS

NBF Report January – June 2009





# BALANCE SHEETS

NIPPON BUILDING FUND INC.  
As of June 30, 2009 and December 31, 2008

	As of June 30, 2009	As of December 31, 2008
	(Yen in millions)	
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	¥ 38,121	¥ 37,576
Tenant receivables	653	412
Other current assets	493	559
Total current assets	39,267	38,547
Investment Properties:		
Land including trust accounts (Note 4)	475,660	459,488
Buildings and improvements including trust accounts (Note 4)	275,830	270,386
Other tangible assets (Note 4)	8,183	7,760
Less: accumulated depreciation (Note 4)	(55,240)	(49,959)
Leasehold rights in trust accounts and other intangible assets	35,659	35,661
Total investment properties, net	740,092	723,336
Other Assets	4,434	4,366
<b>Total Assets</b>	<b>¥783,793</b>	<b>¥766,249</b>
<b>Liabilities</b>		
Current Liabilities:		
Short-term loans (Note 6)	¥ 51,500	¥ 56,500
Long-term debt due within one year (Note 6)	38,250	20,000
Accounts payable	2,911	4,014
Rents received in advance	3,614	3,774
Accrued expenses and other liabilities	1,472	1,942
Total current liabilities	97,747	86,230
Long-term Debt (Note 6)	248,750	242,000
Tenant Security Deposits	39,249	39,718
Other Liabilities	69	64
<b>Total Liabilities</b>	<b>385,815</b>	<b>368,012</b>
<b>Net Assets (Note 5)</b>		
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	11,802	12,061
<b>Total Net Assets</b>	<b>397,978</b>	<b>398,237</b>
<b>Total Liabilities and Net Assets</b>	<b>¥783,793</b>	<b>¥766,249</b>

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 June 30, 2009, December 31, 2008 and June 30, 2008

	For the six months ended June 30, 2009	For the six months ended December 31, 2008 (Yen in millions)	For the six months ended June 30, 2008
<b>Operating Revenues and Expenses</b>			
<b>Operating Revenues:</b>			
Rental (Note 7)	¥27,903	¥28,069	¥26,708
Other revenues related to property leasing (Note 7)	2,858	3,149	2,512
Gain on sale of investment properties (Note 8)	—	—	868
<b>Total Operating Revenues</b>	<b>30,761</b>	<b>31,218</b>	<b>30,088</b>
<b>Operating Expenses:</b>			
Property management fees (Note 7)	3,973	4,030	3,612
Real estate taxes (Note 7)	2,557	2,247	2,288
Insurance (Note 7)	36	37	35
Repairs and maintenance (Note 7)	669	829	781
Other rental expenses (Note 7)	2,521	2,729	2,186
Depreciation and amortization (Note 7)	5,355	5,356	5,276
Asset management fees	1,134	1,154	1,109
Other operating expenses	219	245	272
<b>Total Operating Expenses</b>	<b>16,464</b>	<b>16,627</b>	<b>15,559</b>
<b>Operating Income</b>	<b>14,297</b>	<b>14,591</b>	<b>14,529</b>
<b>Non-Operating Revenues and Expenses</b>			
<b>Non-Operating Revenues:</b>			
Interest income	22	36	31
<b>Non-Operating Expenses:</b>			
Interest expense	(2,527)	(2,447)	(2,193)
Amortization of bond issue costs	(27)	(27)	(38)
New investment shares issue costs	—	—	(79)
Other non-operating expenses, net	(32)	(91)	(27)
<b>Ordinary Income</b>	<b>11,733</b>	<b>12,062</b>	<b>12,223</b>
<b>Extraordinary Income:</b>			
Adjustment of depreciation for prior periods (Note 3)	70	—	—
<b>Income before Income Taxes</b>	<b>11,803</b>	<b>12,062</b>	<b>12,223</b>
Current and deferred income taxes (Note 9)	(1)	(1)	(1)
<b>Net Income</b>	<b>¥11,802</b>	<b>¥12,061</b>	<b>¥12,222</b>

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 June 30, 2009, December 31, 2008 and June 30, 2008

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
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
Cash dividends declared	—	—	(12,061)	(12,061)
Net income	—	—	11,802	11,802
<b>Balance as of June 30, 2009</b>	<b>542,000</b>	<b>¥386,176</b>	<b>¥ 11,802</b>	<b>¥397,978</b>

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

# STATEMENTS OF CASH FLOWS

NIPPON BUILDING FUND INC.

For the six months ended June 30, 2009, December 31, 2008 and June 30, 2008

	For the six months ended June 30, 2009	For the six months ended December 31, 2008	For the six months ended June 30, 2008
	(Yen in millions)		
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes	¥ 11,803	¥ 12,062	¥ 12,223
Depreciation and amortization	5,355	5,356	5,276
Amortization of bond issue costs	27	27	38
Interest expense	2,527	2,447	2,193
Adjustment of depreciation for prior periods	70	—	—
(Increase) Decrease in tenant receivables	(241)	49	(137)
Increase (Decrease) in accounts payable	(1,108)	901	100
Increase (Decrease) in rents received in advance	(160)	171	393
Decrease in investment properties in trust due to sale	—	—	4,080
Cash payments of interest expense	(2,459)	(2,385)	(2,200)
(Increase) Decrease in consumption tax refund receivable	—	510	(510)
Proceeds from a settlement	540	—	—
Other, net	(463)	908	(893)
<b>Net Cash Provided by Operating Activities</b>	<b>15,751</b>	<b>20,046</b>	<b>20,563</b>
<b>Cash Flows from Investing Activities:</b>			
Payments for purchases of investment properties	(22,565)	(40,374)	(57,893)
Proceeds from tenant security deposits	1,531	3,133	6,615
Payments for tenant security deposits	(2,000)	(2,296)	(2,581)
Payments for security deposits paid to lessors	(9)	(10)	(3)
Payments for purchases of other assets	(107)	(28)	(184)
<b>Net Cash Used in Investing Activities</b>	<b>(23,150)</b>	<b>(39,575)</b>	<b>(54,046)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from (Repayment of) short-term loans, net	(5,000)	20,000	(2,000)
Proceeds from long-term debt	27,000	26,000	21,000
Repayment of long-term debt	(2,000)	(8,000)	(15,000)
Proceeds from issuance of new common shares	—	—	39,649
Payment of dividends	(12,056)	(12,219)	(10,223)
<b>Net Cash Provided by Financing Activities</b>	<b>7,944</b>	<b>25,781</b>	<b>37,426</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>545</b>	<b>6,252</b>	<b>3,943</b>
Cash and Cash Equivalents at the Beginning of Period	37,576	31,324	27,381
<b>Cash and Cash Equivalents at the End of Period</b>	<b>¥ 38,121</b>	<b>¥ 37,576</b>	<b>¥ 31,324</b>

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



# NOTES TO FINANCIAL STATEMENTS

NIPPON BUILDING FUND INC.  
For the six months ended June 30, 2009, December 31, 2008 and June 30, 2008

## Note 1 – Organization and Basis of Presentation

### Organization

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

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

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

As of June 30, 2009, NBF had ownership or beneficiary interests in 61 office properties containing approximately 770,270 square meters of rentable office space. As of June 30, 2009, NBF had leased office space to 926 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 95.4%.

### Basis of Presentation

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

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

## Note 2 – Summary of Significant Accounting Policies

### Cash and Cash Equivalents

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

### Investment Properties

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

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

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

### **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 ¥12 million for the period ended June 30, 2009, ¥68 million for the period ended December 31, 2008 and ¥205 million for the period ended June 30, 2008.

### **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 sheets and income statement accounts.

### **Reclassifications**

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended June 30, 2009.

### Note 3 – Additional Information

With respect to a 35% co-ownership interest in the Shin-Kawasaki Mitsui Building (henceforth “the Property”) acquired on March 31, 2006, certain differences of opinion concerning the interpretation of the Sale and Purchase Agreement thereof arose between NBF and Mitsui Fudosan Co., Ltd., the seller. NBF therefore filed a petition for reconciliation with the Tokyo District Court on March 28, 2008. The aforementioned differences were settled through the conciliation process on February 27, 2009, and NBF received a settlement amount of ¥567 million on April 30, 2009.

Based on the management judgment that it is reasonable to treat the settlement amount of ¥540 million (after consumption taxes and other items) as a reduction of the original acquisition cost, NBF has written down the book value of the Property by ¥471 million, and recorded ¥70 million at extraordinary income as an adjustment of depreciation for prior periods.

### Note 4 – Schedule of Tangible Assets of Investment Properties

Tangible assets as of June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009			As of December 31, 2008		
	(Yen in millions)					
	Acquisition Costs	Accumu- lated Depreci- ation	Book Value	Acquisition Costs	Accumu- lated Depreci- ation	Book Value
Land	¥219,228	¥ —	¥219,228	¥203,056	¥ —	¥203,056
Land in trust	256,432	—	256,432	256,432	—	256,432
Land including trust total	475,660	—	475,660	459,488	—	459,488
Buildings and improvements	141,542	(19,456)	122,086	136,550	(16,960)	119,590
Buildings and improvements in trust	134,288	(32,994)	101,294	133,836	(30,508)	103,328
Building and improvements including those in trust	275,830	(52,450)	223,380	270,386	(47,468)	222,918
Structures	2,232	(643)	1,589	2,185	(568)	1,617
Machinery and equipment	1,100	(357)	743	955	(313)	642
Tools, furniture and fixtures	744	(251)	493	578	(211)	367
Structures in trust	1,889	(488)	1,401	1,874	(439)	1,435
Machinery and equipment in trust	1,339	(611)	728	1,325	(567)	758
Tools, furniture and fixtures in trust	867	(440)	427	826	(393)	433
Construction in process	12	—	12	11	—	11
Construction in process in trust	—	—	—	6	—	6
Other tangible assets total	8,183	(2,790)	5,393	7,760	(2,491)	5,269
Total	¥759,673	¥(55,240)	¥704,433	¥737,634	¥(49,959)	¥687,675

## 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 prices of new shares are designated as stated capital. NBF maintains at least ¥50 million as the minimum net assets as required by the Investment Trust Law of Japan.

## Note 6 – Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and on June 30, 2009 and December 31, 2008 ranged from 0.53% to 1.01% and from 0.95% to 1.19%, respectively. Long-term debt is at fixed rates and as of June 30, 2009 and December 31, 2008 consisted of the following:

	As of June 30, 2009	As of December 31, 2008
	(Yen in millions)	
Unsecured loans due 2009 to 2019 principally from banks and insurance companies with interest rates mainly ranging from 0.8% to 2.4%	¥207,000	¥182,000
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
	287,000	262,000
Less: amount due within one year	38,250	20,000
	¥248,750	¥242,000

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 debt as of June 30, 2009 were as follows:

	(Yen in millions)
2009	¥ 8,125
2010	12,250
2011	30,250
2012	31,250
2013	26,250
Thereafter	98,875

During the period ended June 30, 2009, NBF obtained committed credit lines of ¥50 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥41 billion on June 30, 2009.



## Note 7 – Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2009, December 31, 2008 and June 30, 2008 were as follows:

	For the six months ended June 30, 2009	For the six months ended December 31, 2008	For the six months ended June 30, 2008
	(Yen in millions)		
<b>Revenues from Property Leasing:</b>			
Rental:			
Rental revenues	¥24,804	¥24,883	¥23,626
Common area charges	2,974	3,060	2,957
Others	125	126	125
Subtotal	27,903	28,069	26,708
Other revenues related to property leasing:			
Parking lots	588	599	589
Facility charge	151	147	149
Incidental income	1,695	2,032	1,657
Cancellation fees	345	324	54
Miscellaneous income	79	47	63
Subtotal	2,858	3,149	2,512
Total revenues from property leasing	30,761	31,218	29,220
<b>Rental Expenses:</b>			
Property management fees	3,973	4,030	3,612
Real estate taxes	2,557	2,247	2,288
Repairs and maintenance	669	829	781
Insurance	36	37	35
Other rental expenses	2,521	2,729	2,186
Depreciation and amortization	5,355	5,356	5,276
Total rental expenses	15,111	15,228	14,178
<b>Operating Income from Property Leasing Activities</b>	<b>¥15,650</b>	<b>¥15,990</b>	<b>¥15,042</b>

## Note 8 – Gain on Sale of Investment Properties

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

<b>Daido Life Omiya Building</b>	(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
<b>NBF Tanimachi Building</b>	(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 estimated as 0.01% for the periods ended June 30, 2009, December 31, 2008 and June 30, 2008. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended June 30, 2009	For the six months ended December 31, 2008	For the six months ended June 30, 2008
Statutory tax rate (Note 1)	39.33%	39.39%	39.39%
Deductible dividends	(39.33)	(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 earnings available for dividends for a period and other requirements prescribed in Japanese tax regulations are met, the investment corporation is allowed to deduct total amount of dividends in calculating its taxable income under Japanese tax regulations.

Note 1. The statutory tax rate was revised due to change in corporate business tax rate and creation of local corporate special tax, which is effective for fiscal years beginning on or after October 1, 2008.

## Note 10 – Per Share Information

Information about earnings per share for the periods ended June 30, 2009, December 31, 2008 and June 30, 2008 and net assets per share as of June 30, 2009, December 31, 2008 and June 30, 2008 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 June 30, 2009	For the six months ended December 31, 2008 (Yen)	For the six months ended June 30, 2008
<b>Earnings per Share of Common Shares:</b>			
Net income	¥ 21,774	¥ 22,252	¥ 22,831
Weighted average number of common shares outstanding	542,000	542,000	535,298
	As of June 30, 2009	As of December 31, 2008	As of June 30, 2008
<b>Net Assets per Share</b>	<b>¥734,276</b>	<b>¥734,753</b>	<b>¥735,050</b>

## Note 11 – Leases

### As Lessor

NBF leases some of its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2009 and December 31, 2008 future minimum rental revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2009	As of December 31, 2008
	(Yen in millions)	
Due within one year	¥11,932	¥12,293
Due after one year	13,024	14,596
Total	¥24,956	¥26,889

## Note 12 – Transactions with Related Parties

(January 1, 2009 - June 30, 2009)

(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)	¥1,206 (Notes 2 and 4)	Accounts payable	¥386 (Note 4)
			Payment for the provision of general administration services relating to organizational management to NBFM (Note 3)	¥7 (Note 4)	Accounts payable	¥1 (Note 4)

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

2. The amount of asset management fees includes ¥72 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.

(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.

### Note 13 – 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 June 30, 2009 and December 31, 2008, and the related statements of income, shareholders' equity and cash flows for each of the six months ended June 30, 2009, December 31, 2008 and June 30, 2008 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of June 30, 2009 and December 31, 2008, and the results of its operations and its cash flows for each of the six months ended June 30, 2009, December 31, 2008 and June 30, 2008 in conformity with accounting principles generally accepted in Japan.

KPMG AZSA & Co.

Tokyo, Japan  
September 28, 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 June 30, 2009, 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 June 30, 2009)

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
<b>Total</b>	<b>9,900</b>	<b>100.0%</b>

## Directors and Staff

As of June 30, 2009, 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)
Masato Shikata	Director
Hideharu 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, 2009	(Yen in thousands)
Total Assets	¥2,143,988
Total Liabilities	460,765
Total Net Assets	1,683,223

Profit and loss for the most recent fiscal year:

Year ended March 31, 2009	(Yen in thousands)
Operating Income	¥2,414,289
Ordinary Profit	1,638,901
Net Income	968,020

# INVESTMENT AND DISTRIBUTION POLICIES

## Investment Policies of NBF

### A. Basic Policies

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

### B. Investment Strategy

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

#### (1) Strategy for Creation of the Portfolio

The goal of the portfolio is to generate steady growth and stable profits on a medium-to-long-term basis. The selection criteria of investment assets is based on the composition of investment assets in the portfolio and 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
<b>Tokyo CBDs</b> 9 central wards in Tokyo: Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro	<ul style="list-style-type: none"> <li>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.</li> <li>Relatively low yearly NOI yields. Relatively high liquidity at the time of sales.</li> </ul>
<b>Other Greater Tokyo</b> 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"> <li>Basic special characteristics are between those of Tokyo CBDs and Other Cities.</li> </ul>

**Total of above two areas: 70% or more**

<b>Other Cities</b> 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"> <li>Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs.</li> <li>Also, scale of market is relatively small and growth rates relatively low.</li> <li>Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.</li> </ul>
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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, 2009, 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"> <li>Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m<sup>2</sup> (approximately 500 <i>tsubo</i>) or more. Standard net rentable area per floor is 330m<sup>2</sup> (approximately 100 <i>tsubo</i>) or more.</li> </ul>
Construction type and specifications of facilities	<ul style="list-style-type: none"> <li>Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment, etc.</li> </ul>
Earthquake resistance	<ul style="list-style-type: none"> <li>Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.</li> </ul>
Measures regarding status of legal title	<ul style="list-style-type: none"> <li>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.</li> <li>measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans.</li> <li>appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner's interest, etc.</li> </ul>
Tenancy characteristics	<ul style="list-style-type: none"> <li>Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents, etc.</li> </ul>
Environmental; condition of land, etc.	<ul style="list-style-type: none"> <li>Absence of harmful substances such as asbestos (or countermeasures can be implemented for any such substances), non-existence of soil pollution, etc.</li> </ul>

### 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 medium-to-long-term basis by planning to maintain and improve asset value and competitive ability through investment in facilities and by expanding income (increasing rents, etc., increasing occupancy rates, extending the term of leases and rendering them more stable, etc.) and reducing property-related expenses.

NBF will, in principle, for the purpose of assuring stable income on a medium-to-long-term basis, lease out all 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, 2009, foreseen reserves provided from July 2009 to June 2010 are as follows:

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

**Total Foreseen Amount: (annual basis) ¥3,512 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 61 properties owned by NBF as of June 30, 2009.



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

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

### 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 the Financial Instruments and Exchange Law of Japan, in case capital is borrowed. Further, the total limit on all such borrowings and issues of NBF bonds will be ¥1,000,000 million. When undertaking borrowings or when issuing NBF bonds, NBF may provide operating assets as collateral (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. (medium-to-long-term operating asset management policy and annual management plan established by the Asset Management Company).

### Derivative Transactions

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

## 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 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.

### Cash Distribution of Profits

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

### B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its shareholders in excess of the Distributable Amount under the Financial Instruments and Exchange Law of Japan, although the Investment Trusts Association of Japan has established rules such that a corporate-style J-REIT may pay out the excess of retained earnings for the period up to a maximum of 60% of depreciation for the period. NBF is entitled to make cash distributions of the amounts described below in excess of the Distributable Amount in the following cases, provided,

however, that the maximum amount of such distributions will be the amount set forth in the rules of the Investment Trusts Association of Japan (Article 14.2 of the Articles of Incorporation).

- Amount determined by NBF as being eligible for the requirements of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Amount 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 or pledged to them (Articles of Incorporation).

### D. Prescription for Cash Distributions, etc.

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

## Investment Objectives 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, real estate 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) Equity interests in partnerships as defined by Article 667 of the Civil Code of Japan (limited to leased, operating and managed partnership assets primarily referred to in paragraphs (1) and (2) above that are specified in Article 2.2.5 of the Financial Instruments and Exchange Law of Japan).
- (5) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.8 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (6) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.13 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (7) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.10 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).

- (8) Investment Securities (meaning those specified in Article 2.1.11 of the Financial Instruments and Exchange Law of Japan, provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (9) Beneficiary Certificates of Money Trust (limited to those the trust assets of which are primarily invested and Managed Assets referred to in paragraph (1), (3) or (4) above, provided, however, that those that are deemed securities are excluded).

### B. Other Investment Objectives among Designated Assets

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

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

### C. Assets Other than Designated Assets

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

- (1) Equity interests of partnerships, excluding assets in section A, paragraph (4)
- (2) Easements
- (3) Trademark rights
- (4) Copyrights
- (5) Chattels
- (6) Requisite ancillary rights to Designated Assets referred to in section A

## 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 Objectives

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

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

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

## Compliance with Laws and Regulations

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

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

#### Internal Transactions (§ 42.2.1)

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

#### Reciprocal Transactions with Managed Assets (§ 42.2.2)

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

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

An asset management company may not undertake transactions in

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

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

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

#### Other Transactions Specified in the Government Ordinance regarding the Financial Instruments and Exchange Law of Japan (§ 42.2.7)

In the addition to the foregoing, those acts specified in the government ordinance regarding the Financial Instruments and Exchange 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 of the Investment Trust Law)

An 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 of the Investment Trust Law)

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



## Restriction on Acquisition of Parent Corporation's Shares by Subsidiary Corporation (§ 81.1.2)

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

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

### C. Other Restrictions

#### Subscription and Margin Trading of Securities

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

#### 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 June 30, 2009

Corporate Office:	38th Floor, GranTokyo North Tower, 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6738, Japan +81-3-6259-8681 <a href="http://www.nbf-m.com/nbf_e/">http://www.nbf-m.com/nbf_e/</a>
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding. ¥386,176 million 542,000 shares
Shareholders:	15,104
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Auditors:	KPMG AZSA & 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 September 29, 2009 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2009 to June 30, 2009, 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 June 30, 2009

## Fiscal Periods

Six months ending June 30 and December 31

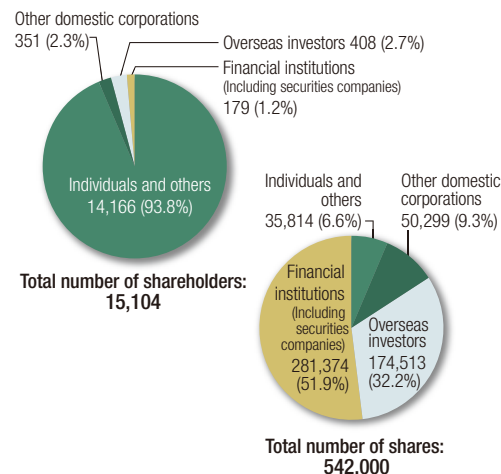
## Total Number of Common Shares Issued

16th Period (From January 1, 2009 to June 30, 2009)	542,000 shares
15th Period (From July 1, 2008 to December 31, 2008)	542,000 shares

## Distributions

Confirmed distribution for the 16th Period (ended June 2009)	
For the operating period from January 1, 2009 to June 30, 2009 (6 months)	¥21,775 per share
Expected distribution for the 17th Period (ending December 2009)	
For the operating period from July 1, 2009 to December 31, 2009 (6 months)	¥18,500 per share

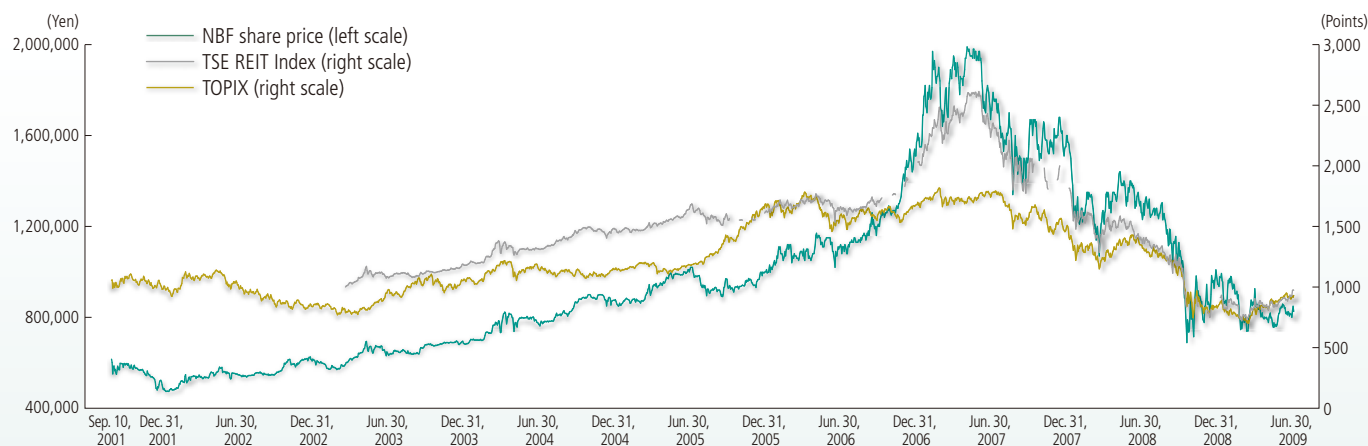
## Shareholders



## Major Shareholders

Name	Number of Shares Held	Percentage of Total
NikkoCiti Trust and Banking Corporation (Trust Account)	46,304	8.54%
Japan Trustee Services Bank, Ltd. (Trust Account)	40,710	7.51
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	37,631	6.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,257	4.84
Mitsui Fudosan Co., Ltd.	19,735	3.64
The Nomura Trust and Banking Co., Ltd. (Trust Account)	18,149	3.34
Sumitomo Life Insurance Company	12,256	2.26
The Bank of New York, Treaty JASDEC Account	11,362	2.09
The Chugoku Bank, Ltd.	8,584	1.58
North Pacific Bank, Ltd.	7,024	1.29

## Historical Share Price





## **Nippon Building Fund Inc.**

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

[http://www.nbf-m.com/nbf\\_e/](http://www.nbf-m.com/nbf_e/)