



March 5, 2014

To All Concerned Parties

Name of REIT Issuer:

Nippon Building Fund, Inc.

Tsutomu Nishikawa, Executive Director

(TSE Code: 8951)

Contact:

Asset Management Company

Nippon Building Fund Management, Ltd.

Kenichi Tanaka, President and CEO

Person to Contact:

Toshihiko Mori, General Manager

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Notice of Acquisition of Assets  
(Jingumae M-SQUARE)

Nippon Building Fund, Inc. ("NBF") announces that on March 5, 2014, it decided to acquire the following asset:

Description

1 Summary of the Acquisition

- 1) Type of Asset : Real Property (Building and Fixed-term sub-subleasehold for business※)  
(※"Fixed-term leasehold for business" is defined under Article 23 (1) of the Act on Land and Building Leases. For more details, see the description of the sub- subleasehold arrangement in Section 3-4 below).
- 2) Name of Asset : Jingumae M-SQUARE (the "Property")
- 3) Acquisition Price : ¥3,700,000,000  
(acquisition price excludes miscellaneous acquisition costs, fixed asset tax, city-planning tax and consumption tax)
- 4) Date of Acquisition Agreement : March 5, 2014
- 5) Acquisition Date : March 5, 2014
- 6) Seller : Mitsui Fudosan Co., Ltd ("Mitsui Fudosan")  
(please refer to Section 4 below for a further description of the seller)
- 7) Acquisition Funding : Cash on-hand plus loans  
※1 Please refer to our "Notice Concerning Debt Financing" published on March 3, 2014



- 8) Intermediary/Broker : None
- 9) Payment Method : One time, lump-sum payment at time of transfer

## 2 Reason for the Acquisition

The acquisition is being undertaken with the intention of enhancing NBF's portfolio of properties within the Tokyo central business district (CBD) in accordance with the asset management objectives and policies set forth in its Articles of Incorporation.

In deciding to acquire the Property, NBF considered the following factors:

### 1) Location

The Jingumae area where the Property is situated is a calm environment surrounded by greenery of the Meiji-jingu Shrine and Togo-jinja Shrine, and is in close proximity to the busy commercial areas of Omotesando and Takeshita street. The Property has convenient access to major business areas, being a six minute walk from each of Meiji-jingumae station on the Tokyo Metro Chiyoda Line and Fukutoshin Line and Harajuku station on the JR Yamanote Line.

The Property was developed by the Mitsui Fudosan Group and others through a private finance initiative scheme or "PFI" known as the "Project for Revitalizing Jingumae 1-chome through Participation of Private Enterprises" which consists of an office building, condominium and police facilities. The asset to be acquired in this transaction is the office building on the land, which is owned by the Tokyo metropolitan government and has a fixed-term leasehold for business.

### 2) Building and Facilities

The Property's entrance is characterized by an open feeling that maintains continuity with Meiji street and features with a stylish facade with a glass curtain wall. The Property's specifications make it highly competitive due to its rentable standard floor area of approximately 260 tsubo (860 m<sup>2</sup>), a ceiling height of 2,800mm (with a raised floor of 100mm).

## 3 Asset Details

### 1) Type of Asset

Real Property (consisting of a building and a fixed-term sub-subleasehold for business)

### 2) Location

(Description in Real Property Registry)

Land : 4-ban 4, Jingumae 1-chome, Shibuya-ku, Tokyo

Building : 4-banchi 4, Jingumae 1-chome, Shibuya-ku, Tokyo

(Street Address)

4-16, Jingumae 1-chome, Shibuya-ku, Tokyo

### 3) Zoning (primary use listed in Real Property Registry)

Office and retail use



4) Type of Possession

①Land : Fixed-term sub-subleasehold for business

※The contractual terms of the 'fixed-term sub-subleasehold for business' are summarized below

a. Parties : Sublessee : Mitusi Fudosan, Sub-sublessee : NBF

※The land underlying the Property is leased by the Tokyo metropolitan government, the owner of the land, to Harajuku-no-mori Co., Ltd. ("Harajuku-no-mori"). The land is subleased by Harajuku-no-mori to Mitsui Fudosan and then further sub-subleased by Mitsui Fudosan to NBF.

b. Lease term : March 5, 2014 to March 31, 2059 (approx. 45 years)

※Pursuant to the terms of the lease, the lease may not be extended, whether by renewal or due to construction of buildings. Upon expiration of the lease term, the building itself shall be transferred in full from the sub-sublessee (NBF) to the sublessee (Mitsui Fudosan), without compensation, after which the sublessee will, on its expense, dismantle the buildings and surrender the land.

c. Guarantee deposits : ¥877,580,560 (Deposit made by NBF to sublessee upon signing of fixed-term sub-sublease contract)

②Building : Ownership

5) Area (Description in Real Property Registry)

①Land : entire development site - 15,995.52 m<sup>2</sup> (land underlying the Property - 2,543.35 m<sup>2</sup>)

※ The land underlying 4ban-4 Jingumae 1-chome, Shibuya-ku, Tokyo, which is the location (description in Real Property Registry) of the Property's building, includes the integrated development residential site etc., and the area of the entire site (description in Real Property Registry) is 15,995.52 m<sup>2</sup>. The area of the land subject to the fixed term sub-subleasehold for business is 2,543.35 m<sup>2</sup>.

②Building : Total floor space 10,123.45 m<sup>2</sup> (entire building)

6) Structure (Description in Real Property Registry)

Steel frame and steel framed reinforced concrete structure, flat roof, 10 floors above ground and 1 floor below ground

7) Date of Construction Completion (Description in Real Property Registry)

February 27, 2009

8) Design and Construction Firms

Design : Takenaka Corporation

Construction : Takenaka Corporation

9) Valuation

Valuation reports prepared by Daiwa Real Estate Appraisal Co., Ltd.

- Appraisal Value : ¥3,700,000,000
- Date of Valuation : February 1, 2014
- Summary of Valuation



Item	Value
Appraisal value based on income method	¥3,700,000,000
Appraisal value based on direct capitalization method (‘Inwood’ method of capitalization over a definite term)	¥3,500,000,000
Net revenue	¥176,940,000
Discount rate	4.3%
Appraisal value based on DCF method	¥3,780,000,000
Discount rate (1st-10th year)	4.1%
Discount rate at the time of resale (11th year to the date of expiration of the land leasehold agreement)	4.6%
Integrated value based on cost method	¥3,000,000,000
Proportion of land	9.8%
Proportion of building	90.2%

- 10) Earthquake “probable maximum loss” or “PML”  
3.5% (obtained from the building condition investigation report prepared by Engineering & Risk Services)
- 11) Existence of Secured Interests (liens)  
None
- 12) Description of Tenants (Tenancy as of January 1, 2014)
- Total number and summary of lessees : 8 Companies (5 general business entities, 3 retail stores)
  - Total rental revenues : approx. ¥827,000,000/year
  - Total rentable area : 7,231.74 m<sup>2</sup>
  - Total leased area : 7,231.74 m<sup>2</sup>
  - Occupancy Rate : 100.0% (Note that Mitsui Fudosan and one lessee concluded a written agreement to cancel the lease contract with the effective date of such cancellation being March 31, 2014. The rentable area subject to the anticipated lease cancellation is approximately 11.2% of the Property’s entire leasable area.)
  - Total lease deposit amount : approx. ¥829,000 000



4 Profile of Seller

① Name	Mitsui Fudosan
② Location	1-1 Nihonbashi-Muromachi 2-chome, Chuo-ku, Tokyo
③ Name and Title of Representative	Masanobu Komoda, President and CEO
④ Description of Business	Real estate business
⑤ Capital	¥174,296 million (as of December 31, 2013)
⑥ Date of Establishment	July 15, 1941
⑦ Relations with NBF/Nippon Building Fund Management Ltd. ("NBFM")	
Capital Relationship	Shareholder of NBFM (43% equity interest) Representing 45,630 units of NBF (Note)
Personnel	Certain personnel from Mitsui Fudosan have been seconded to NBFM
Business Relationship	Services as a contractor of office management services; provider of tenant attracting services; broker for real property sales and purchases etc. Mitsui Fudosan is also a lessee of real property owned by NBF.
Related parties	Mitsui Fudosan does not fall under the category of a related party of NBF. As a parent of NBFM, Mitsui Fudosan is a related party of NBF.

(Note) NBF implemented a 2-for-1 split of the investment units with the effective date of such 2-for-1 split being January 1, 2014. The number of investment units shown herein refers to the number after such 2-for-1 split.

5 Status of Owners etc. of the Property

Name of Assets	Status of Owners etc. of the Property		
		Previous owner (seller)	earlier previous owner
Jingumae M-SQUARE	Corporate Name	Mitsui Fudosan	N/A
	Relationship with a specially interested party	Mitsui Fudosan falls under the category of 'interested parties etc.' of NBFM	
	History/Reason etc. for acquisition	Newly constructed	
	Acquisition Price	—	
	Date of Acquisition	February 27, 2009 (newly constructed)	



6 Transaction with Interested Parties

The acquisition of the Property has been determined upon the discussions at the asset management examination committee, the compliance committee and the management committee of NBFM, respectively, pursuant to appropriate measures as a transaction with interested parties, etc.

7 Acquisition Schedule

March 5, 2014: - Determination date for the acquisition; Date for execution of sale and purchase agreement and contracts related to the 'fixed-term sub-subleasehold for business; Property delivery date.

8 Forecasts of Operating Results for the Period ending June 30, 2014

For information on the impact of the current acquisition upon NBF's results of operations for the period ending June 30, 2014, please see NBF's press release dated as of the date hereof and titled "Notice Concerning Revision of Forecasts of Operating results for the Period ending June 30, 2014".

End

This English language notice is a translation of the Japanese language notice dated March 5, 2014 and was prepared solely for reference purposes. The Japanese language version should be referred to as the original. Neither NBF nor Nippon Building Fund Management Ltd. makes any warranties as to the accuracy or completeness of this English language notice.



< Attached Materials >

- 【Reference Material 1】 Estimated Revenues and Expenses from the Property to be Acquired
- 【Reference Material 2】 Exterior Appearance of the Property
- 【Reference Material 3】 Standard Floor Plan of the Property
- 【Reference Material 4】 Summary of Portfolio after Acquisition of the Property



**【Reference Material 1】 Estimated Revenues and Expenses from the Property to be Acquired**

- 1) Property NOI (Net Operating Income) ¥265 million
- 2) Depreciation cost (stabilized) ¥146 million  
※depreciation cost is based on rough estimate of the asset management company
- 3) The above figures represent annualized revenues and expenses based on assumptions made as of this date after exclusion of extraordinary factors for the year of acquisition, and revenues are premised on an occupancy rate of 97% (and are not estimated figures for the following fiscal period).

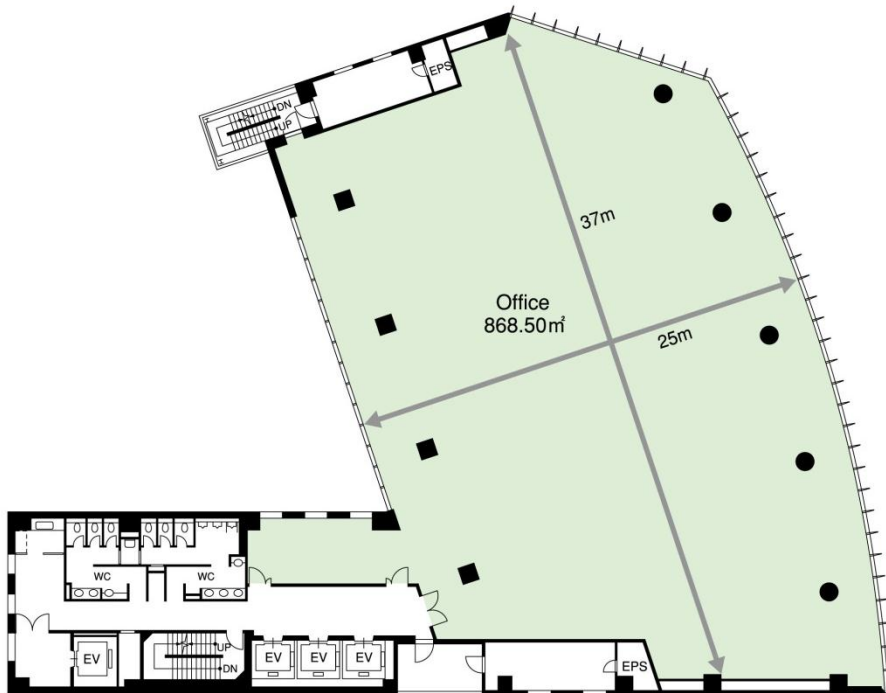


【Reference Material 2】 Exterior Appearance of the Property





【Reference Material 3】 Standard Floor Plan of the Property





## 【Reference Material 4】 Summary of Portfolio after Acquisition of the Property

Area	Name of Building	Acquisition Price (¥ in thousands) (Note 1)	Percentage	Percentage of each area	Value (Real Estate Appraisal Value) (¥ in thousands) (Note 2)
Tokyo CBDs	NBF Osaki Bldg.	66,660,000	6.20%	67.7%	72,900,000
	NBF Hibiya Bldg.	63,500,000	5.91%		53,800,000
	Gate City Ohsaki	57,281,060	5.33%		57,500,000
	Nishi-Shinjuku Mitsui Bldg.	45,145,448	4.20%		41,800,000
	Mitsubishi Heavy Industries Head Office Bldg.	36,300,000	3.38%		42,100,000
	Shiba NBF Tower	32,000,000	2.98%		26,500,000
	NBF Platinum Tower	31,000,000	2.89%		54,400,000
	NBF Minami-Aoyama Bldg.	31,000,000	2.89%		16,900,000
	NBF COMODIO Shiodome	28,800,000	2.68%		30,700,000
	Toranomon Kotohira Tower	24,543,000	2.28%		31,000,000
	Nakameguro GT Tower	23,856,000	2.22%		19,400,000
	Celestine Shiba Mitsui Bldg.	22,500,000	2.09%		23,100,000
	NBF Ochanomizu Bldg. (Note 3)	20,840,000	1.94%		12,300,000
	NBF Ginza Street Bldg.	20,269,000	1.89%		25,600,000
	NBF Shibuya Garden Front	17,000,000	1.58%		14,500,000
	Shinjuku Mitsui Bldg. No.2	16,285,400	1.52%		15,700,000
	GSK Bldg. (Note 4)	14,434,070	1.34%		18,800,000
	River City M-SQUARE	13,350,000	1.24%		14,600,000
	NBF Toranomon Bldg.	13,337,000	1.24%		16,000,000
	Kowa Nishi-Shinbashi Bldg. B	13,217,000	1.23%		13,900,000
	NBF Shinkawa Bldg.	12,614,118	1.17%		13,260,000
	Shinbashi M-SQUARE	11,900,000	1.11%		12,400,000
	NBF Alliance	9,126,000	0.85%		10,800,000
	Yotsuya Medical Bldg.	8,800,000	0.82%		7,370,000
	Ikebukuro East	8,630,000	0.80%		9,010,000
	Higashi Gotanda Square	8,350,000	0.78%		8,280,000
	NBF Shibuya East	8,000,000	0.74%		6,020,000
	NBF Shibakouen Bldg.	6,770,000	0.63%		7,540,000
	NBF Takanawa Bldg.	6,667,200	0.62%		7,090,000
	NBF Akasaka Sanno Square	6,250,000	0.58%		6,410,000
	NBF Shibakouen Daimon Street Bldg.	6,100,000	0.57%		4,180,000
	Sumitomo Densetsu Bldg.	5,365,000	0.50%		5,270,000
	NBF Higashi-Ginza Square	5,200,000	0.48%		6,960,000
	Panasonic Tokyo Shiodome Bldg.	5,075,000	0.47%		5,300,000
NBF Ogawamachi Bldg.	4,940,000	0.46%	5,530,000		
Nihonbashi Kabuto-cho M-SQUARE	4,850,000	0.45%	4,910,000		
NBF Ikebukuro Tower	4,695,000	0.44%	5,020,000		
NBF Ikebukuro City Bldg.	4,428,000	0.41%	4,750,000		
Ryukakusan Bldg.	4,050,000	0.38%	4,220,000		
Jingumae M-SQUARE (Note 5)	3,700,000	0.34%	3,700,000		
Other Greater Tokyo	Nakanosakaue Sunbright Twin	40,750,488	3.79%	20.0%	30,100,000
	NBF Toyosu Canal Front	35,200,000	3.28%		35,800,000
	NBF Toyosu Garden Front	25,018,000	2.33%		28,300,000
	NBF Ueno Bldg.	10,400,000	0.97%		8,260,000
	Chofu South Gate Bldg.	9,320,000	0.87%		9,510,000
	Shin-Kawasaki Mitsui Bldg.	25,820,000	2.40%		20,400,000
	Yokohama ST Bldg.	13,529,300	1.26%		13,900,000
	Parale Mitsui Bldg.	3,800,000	0.35%		3,550,000
	NBF Atsugi Bldg.	2,300,000	0.21%		2,060,000
	Tsukuba Mitsui Bldg.	8,875,500	0.83%		7,180,000
	NBF Utsunomiya Bldg.	2,435,000	0.23%		2,180,000
	S-ino Omiya North Wing	16,816,345	1.57%		18,600,000
	NBF Urawa Bldg.	2,000,000	0.19%		1,820,000
	NBF Shin-Urayasu Tower	15,700,000	1.46%		11,000,000
	NBF Matsudo Bldg.	2,455,000	0.23%		2,130,000
Other Cities	Sapporo L-Plaza	4,404,405	0.41%	12.4%	6,720,000
	NBF Sapporo Minami Nijo Bldg.	1,870,300	0.17%		1,340,000
	NBF Sendai Honcho Bldg.	3,566,000	0.33%		2,890,000
	NBF Unix Bldg.	4,028,900	0.37%		3,350,000
	NBF Niigata Telecom Bldg.	3,957,500	0.37%		2,870,000
	Sumitomo Mitsui Banking Nagoya Bldg.	14,900,000	1.39%		15,400,000
	NBF Nagoya Hirokoji Bldg.	7,232,000	0.67%		7,040,000
	Aqua Dojima NBF Tower	17,810,000	1.66%		17,000,000
	Nakanoshima Central Tower (Note 6)	14,900,000	1.39%		15,100,000
	Shinanobashi Mitsui Bldg.	14,400,000	1.34%		13,700,000
	Sun Mullion NBF Tower	6,500,000	0.60%		5,710,000
	Sakaisui-Honmachi Center Bldg.	6,200,000	0.58%		6,530,000
	Sakaisui-Honmachi Center Bldg. (Additional Acquisition) (Note 7)	10,500,000	0.98%		7,020,000
	Aqua Dojima East	1,914,000	0.18%		1,440,000
	NBF Hiroshima Tatemachi Bldg.	2,930,000	0.27%		2,270,000
	Hiroshima Fukuromachi Bldg.	2,215,000	0.21%		2,350,000
	NBF Matsuyama Nichigin-mae Bldg.	3,310,000	0.31%		3,430,000
	Hakata Gion M-SQUARE	8,000,000	0.74%		8,620,000
NBF Kumamoto Bldg.	4,500,000	0.42%	3,710,000		
<b>Total</b>		<b>1,074,386,036</b>	<b>100%</b>	<b>100%</b>	<b>1,060,800,000</b>

(Note 1) "Acquisition Price" represents in principle the price for which NBF acquired the property. The "Acquisition Price" for property to be acquired in the future represents the sale and purchase price set forth in the relevant sale and purchase contract etc.

(Note 2) The "Value (Real Estate Appraisal Value)" figures in the above table are in principle the appraisal values disclosed as of the end of December 2013 (real estate appraisal value with date of valuation being December 31, 2013).

(Note 3) The name "Mitsuseimei Ochanomizu Bldg." was changed to "NBF Ochanomizu Bldg." as of January 1, 2014.

(Note 4) A portion of the site of the "GSK Bldg." was transferred to the Tokyo Metropolitan Government as of January 10, 2014. The acquisition price thereof represents the original acquisition price less the price relevant to said portion of the site (¥1,181 million; prorated price calculated for the portion of the site area based on the original acquisition price).

The "Value (Real Estate Appraisal Value)" thereof indicates the price as of December 31, 2013, premised upon the said disposition.

(Note 5) The date of valuation for the "value (real estate appraisal value)" is February 1, 2014.

(Note 6) Expected to be acquired on March 31, 2014. The date of valuation for the "value (real estate appraisal value)" is February 1, 2014.

(Note 7) The date of valuation for the "value (real estate appraisal value)" is January 1, 2014.