



Nippon Building Fund Inc.

5th Period

From : July 1, 2003 To : December 31, 2003

NBF Report Jul.–Dec. 2003

Profile

Nippon Building Fund Inc. (formerly: “Office Building Fund of Japan, Inc.” The current name was adopted on March 14, 2003, hereinafter “NBF”) is a real estate fund structured in the form of an investment corporation as prescribed in the Investment Trust Law of Japan. It was formed on March 16, 2001 in Japan as an investment corporation with the objective of investing in assets, consisting primarily of Designated Assets (as this term is defined in the Investment Trust Law of Japan). The Investment Trust Law of Japan requires an investment corporation to be managed by an external entity; management of such assets is entrusted to an asset management company (in this case, “Nippon Building Fund Management Ltd.” (formerly “Office Building Fund Management Japan Limited”) hereinafter “NBFM”) which undertakes such asset management.

NBF’s primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a mid-term to long-term basis. NBF intends to achieve this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in Tokyo Central Business Districts (hereinafter “CBDs”), Other Greater Tokyo and Other Cities in Japan as well as securities, beneficiary certificates representing beneficiary interests in trusts (hereinafter “beneficiary certificates”) and other assets backed by office properties (collectively hereinafter “Real Estate etc.”)

NBF, which is a public corporation, is a closed-end fund whose shares are non-redeemable upon demand by a shareholder. The accounting period is six months, except for the first term. For tax reporting purposes, NBF may deduct its cash dividends of profits from taxable income under Japanese tax regulations if it distributes to its shareholders amounts being in excess of 90% of taxable income for the period and complies with other organizational and operational requirements. NBF will continue its efforts to satisfy these requirements.

History of NBF

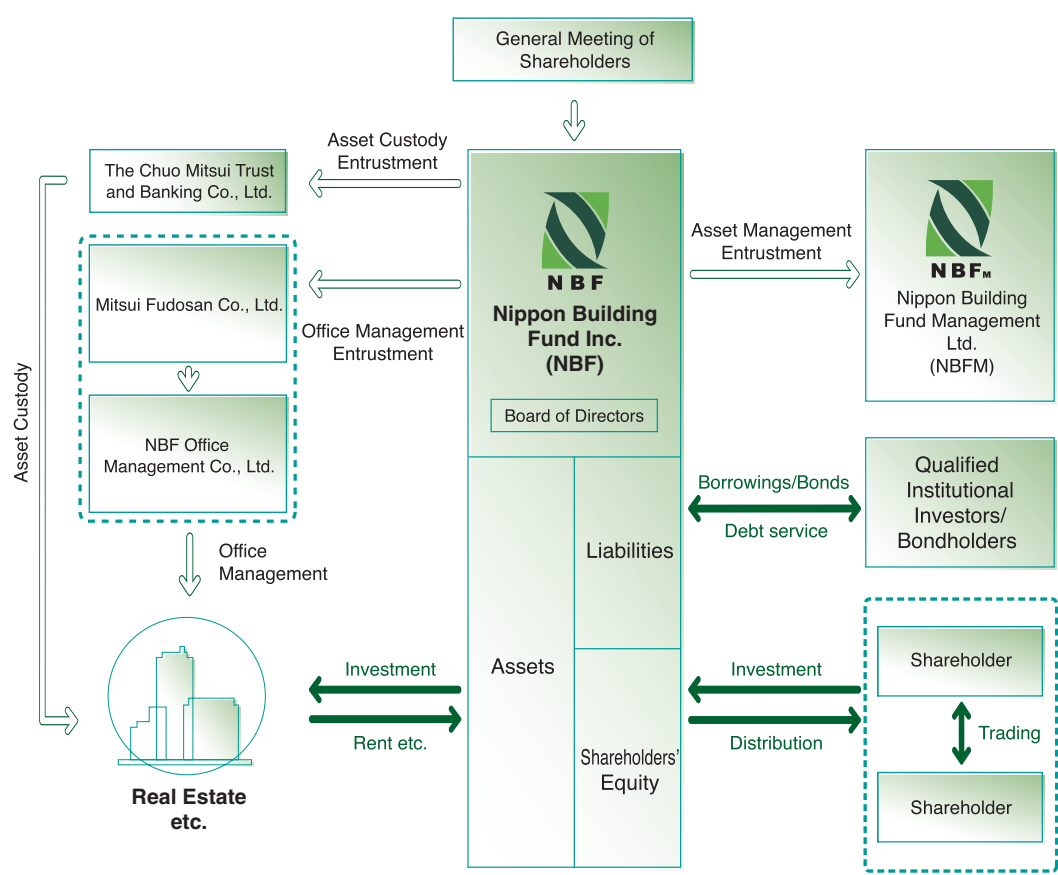
March 16, 2001	Established by founders: Mitsui Fudosan Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and NBFM (at the time known as “MF Asset Management Co., Ltd.”)
May 10, 2001	Registration under Article 187 of the Investment Trust Law of Japan
May 23, 2001	Commencement of business (acquiring trust beneficiary certificates with respect to properties consisting of 22 office buildings held in trust)
September 10, 2001	Listing of common shares on the Japanese Real Estate Investment Trust (hereinafter “J-REIT”) section of the Tokyo Stock Exchange.



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Business Structure



Major Related Operating Entities

Assignment	Name
Asset Management Company	Nippon Building Fund Management Ltd. ("NBFM")
Asset Custodian	The Chuo Mitsui Trust and Banking Co., Ltd.
Office Management Company	Mitsui Fudosan Co., Ltd.
	NBF Office Management Co., Ltd.

Financial Highlights

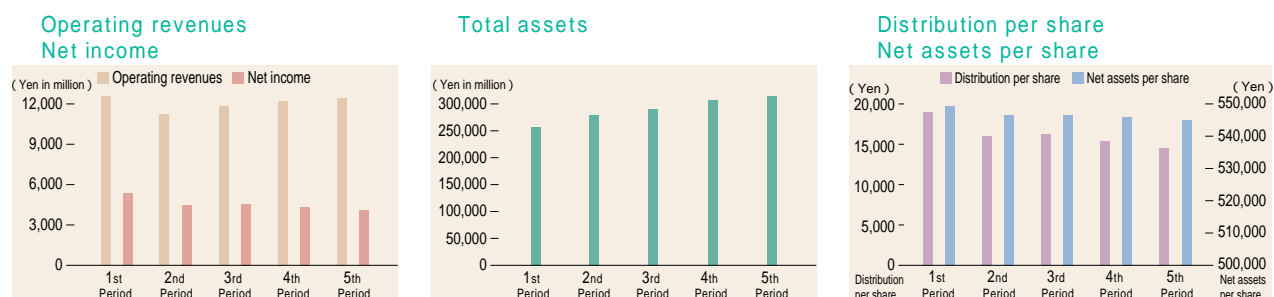
	5th Period from July 1, 2003 to December 31, 2003	4th Period from January 1, 2003 to June 30, 2003	3rd Period from July 1, 2002 to December 31, 2002	2nd Period from January 1, 2002 to June 30, 2002	1st Period from March 16, 2001 (date of Inception) to December 31, 2001
(Yen in million, except per share data or where otherwise indicated)					
Operating revenues	¥12,453	¥12,239	¥11,846	¥11,259	¥12,561
Income before income taxes	4,094	4,314	4,563	4,493	5,342
Net income (a)	4,093	4,313	4,562	4,492	5,341
Total assets (b)	314,362	307,688	290,725	278,976	256,847
Total shareholders' equity ("Net assets") (c)	152,992	153,212	153,461	153,391	154,240
Total amount of cash distribution (e)	4,093	4,313	4,562	4,492	5,340
Total number of common shares issued (shares) (d)	280,700	280,700	280,700	280,700	280,700
Net assets per share (Yen) (c) / (d)	545,038	545,823	546,710	546,460	549,482
Distribution per share (Yen) (e) / (d)	14,582	15,367	16,253	16,003	19,026
NOI from property leasing activities Note 2	7,964	8,057	7,886	7,583	8,993
FFO per share (Yen) Note 2	23,141	23,794	23,635	22,938	40,857

Note 1: Operating revenues do not include consumption taxes.

Note 2: All valuations are calculated through the following formulas. The figures in parenthesis are annualized based on the 6 month figures for the period.

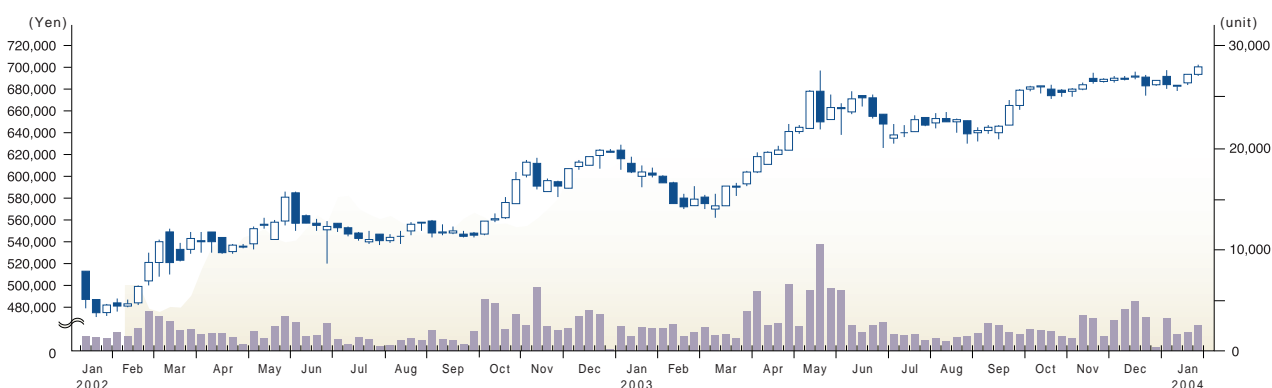
NOI (Net Operating Income) from property leasing activities: (Revenue from property leasing — Rental expenses) + Depreciation and Amortization

FFO (Funds From Operation) per share : (Net income + Depreciation and Amortization) / Weighted average number of common shares issued and outstanding during the period.



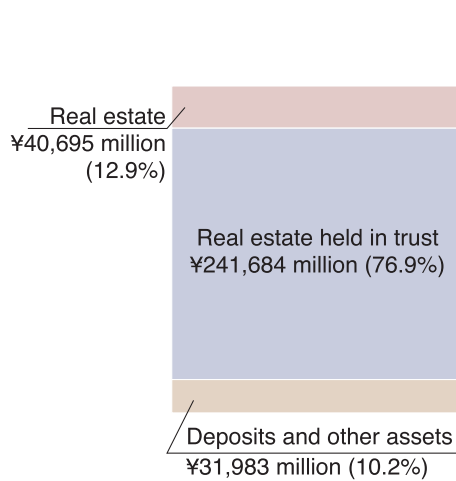
Stock Price Performance

NBF's common share price rose approximately 10% during the course of 2003. Moreover, the total amount of pre-tax distributions per share applicable to the two payment dates of record for 2003 (August 2003 and March 2004) was ¥29,949, which was equivalent to a 4.35% income return based on the share price as of the end of 2003.



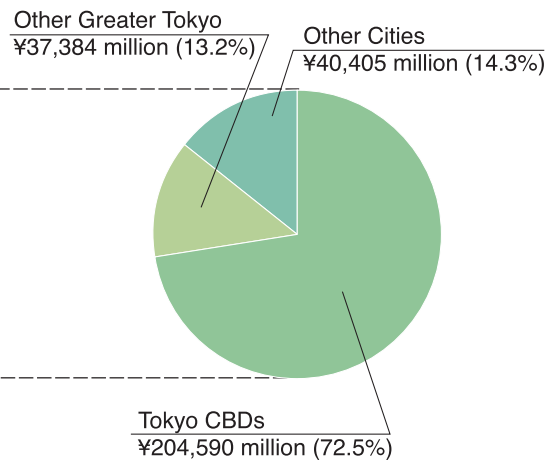
Asset Allocation

Total Assets ¥314,362 million



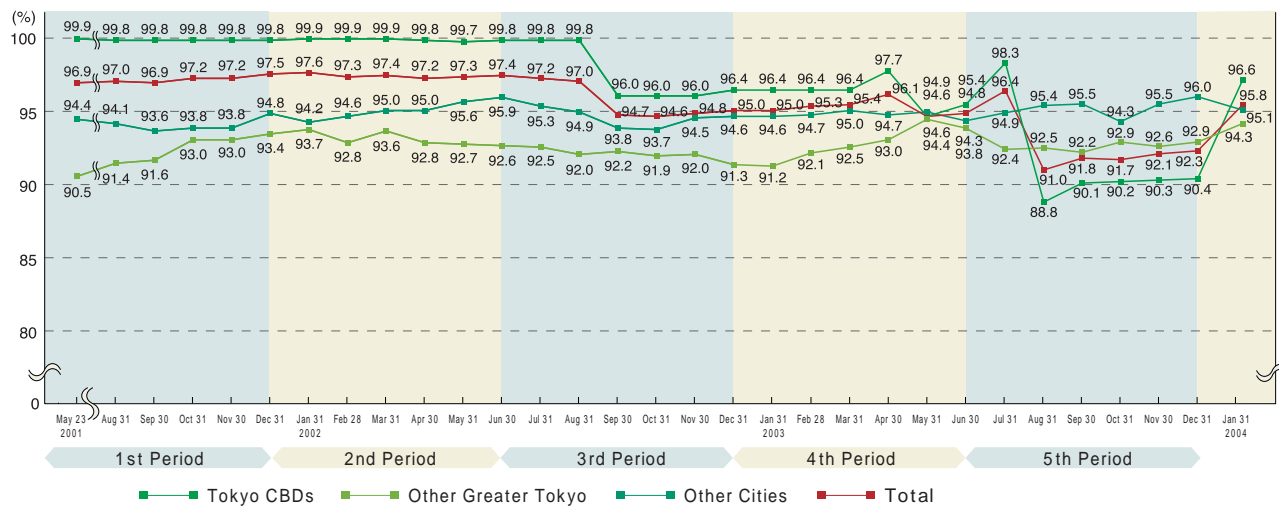
Regional Allocation

Total Real Estate etc. ¥282,379 million



Note: Figures above are based on the book value as of December 31, 2003

Occupancy Rate



Note: Occupancy rates: Ratio of gross leased area to total rentable area

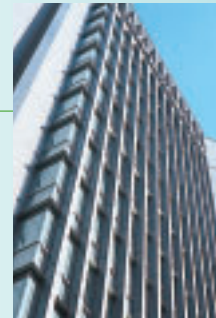
The First Listed J-REIT



- In September 2001, NBF was listed as the first investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.

The Largest Scale of any J-REIT

- The largest total market capitalization of any J-REIT (¥193,122 million as of December 31, 2003)
- The largest scale of managed assets (¥282,379 million as of December 31, 2003)



Enrichment of Portfolio



- Specializes in investing in office buildings
- Possesses 33 properties focusing on large-scale office buildings in the Tokyo Central Business Districts (as of December 31, 2003)
- Diversified in other Tokyo markets as well as in regional cities.
- Total rentable space of 358,940m² (as of December 31, 2003)
- Diversified tenants (number of tenants as of the end of the current period: 511)

Financial Stability and Flexibility

- Ratings by Rating Agencies:
Standard & Poor's Long-term Corporate: A, Short-term Corporate: A-1, Outlook: stable
Moody's Issuer Rating: A3, Outlook: stable
Note: On January 26, 2004, Moody's changed NBF's A3 Rating outlook to positive from stable.
- Ratio of interest-bearing debts to total assets: 43.3% (as of December 31, 2003)
- Percentage of long-term loans to interest bearing debt: 69.8% (as of December 31, 2003)
- Average years remaining till due date for long-term interest bearing debt: 4.98 years (as of December 31, 2003)
- Funding through use of unsecured, non-guaranteed corporate loans

Strategic Partnership with Mitsui Fudosan Co., Ltd.

- Utilization of the know-how of Mitsui Fudosan, the leading real estate company in Japan.

1. Performance Results and Distribution Policy in the 5th Period

The most pressing issue in 2003 was the acquisition of tenants to fill vacancies arising from the termination of leases by large tenants in the Shiba NBF Tower and the Sumitomo Densetsu Bldg. (formerly the Mita City Bldg.). However, by taking this opportunity to perform a complete renovation of the Shiba NBF Tower in order to differentiate this building from competitive properties, and engaging in active tenant marketing, NBF was successful in concluding leases with successor tenants.

Although the occupancy rate of the Shiba NBF Tower at the end of this period was 27.2%, the execution of lease agreements with successor tenants resulted in 100% occupancy as of the end of January 2004. In addition, the Sumitomo Densetsu Bldg. has enjoyed a 100% occupancy rate since July 2003 due to the lease of the entire building to a single tenant.

The low occupancy rate for the Shiba NBF Tower pulled the average occupancy rate with respect to the total portfolio of properties at the end of this period down to 92.3% (2.5 percent decrease compared to the previous period), but this rate gradually recovered to 95.8% as of the end of January 2004.

NBF's performance results for the current period consisted of operating revenues of ¥12,453 million (an increase of ¥214 million, or 1.8%, compared to the previous period), operating income from leasing activities of ¥5,562 million (a decrease of ¥129 million, or 2.3%, compared to the previous period), operating income after asset management, custody and agent fees of ¥4,989 million (a decrease of ¥54 million, or 1.1%, compared to the previous period) and income before income taxes of ¥4,094 million (a decrease of ¥220 million, or 5.1%, compared to the previous period).

During the period, consistent with the loss of a large former tenant of the Shiba NBF Tower in August 2003, there was a decrease in revenues related to renovation work undertaken on the upper floors of the vacated space. This was offset by an increase in revenues which was recorded as a consequence of cancellation fees received from this tenant (¥863 million), and the start-up of operations of the most recently acquired portion of the Naka-Meguro GT Tower as well as the NBF Hiroshima Tatemachi Bldg., the Sapporo L-Plaza, the Hiroshima Fukuromachi Bldg. and the Sudacho Verde Bldg. during the current period (¥169 million), and the operation for a full business term of the portions of the Naka-Meguro GT Tower and the Tsukuba Mitsui Bldg. which were acquired during the previous period. As a result, a marginal increase in operating revenues was recorded. However, operating income declined to an increase in repair and maintenance expense arising from the renovation of the Shiba NBF Tower (¥239 million) and an increase in interest payments (including interest payable on NBF Bonds) (¥102 million). NBF distributed almost 100% of its retained earnings (¥14,582 per share) in accordance with the distribution policies of its Articles of Incorporation and assumes that the regulations concerning the deduction of such distributions from taxable income (Article 67-15 of the Special Taxation Measures Law) will apply resulting in net income of ¥4,093 million for the current period (down 5.1% compared to the previous period).



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

Toshihiko Fukase, Executive Director of Nippon Building Fund Inc.

To Our Shareholders

2. Outline of New Properties

During the current period, after strictly selecting desirable properties based on information assembled concerning various properties, NBF acquired a total of 5 properties: in September 2003, the Naka-Meguro GT Tower (additional acquisition of co-ownership of condominium interests, the acquisition price being ¥293 million based on the sale and purchase agreement, hereinafter the same) and the NBF Hiroshima Tatemachi Bldg. (for ¥2,930 million); in November, the Sapporo L-Plaza (condominium interests, for ¥3,195 million) and the Hiroshima Fukuromachi Bldg. (co-ownership of condominium interests, for ¥835 million); and in December, the Sudacho Verde Bldg. (for ¥2,380 million).

As a result, NBF's total portfolio of properties at the end of the current period consisted of 33 properties representing a total investment of ¥285,686 million (based on the sale and purchase agreements) and comprising total rentable area of 358,940 square meters (approximately 108,580 tsubo).

NBF also decided in December 2003 to acquire the Shibuya Garden Front (co-ownership, for ¥8,700 million, which acquisition was completed on February 2, 2004), and in September 2003 to acquire an office building located in the area referred to as "The Shirokane 1-chome East Area Redevelopment Project" (trust beneficiary interests, for ¥27,600 million (adjustable upward to a maximum of ¥31,000 million) with estimated acquisition date being March 31, 2006).

On the other hand, NBF decided in August 2003 to sell a portion of the site of the Shinjuku Yocho-machi Bldg. (for ¥344 million) to the City of Tokyo, the conveyance of which was completed on January 22, 2004.



3. Perception of Investment Environment

In spite of the possible risk of continued deflation in Japan's economy, consumer spending showed a slight recovery, and to be picking up in step with the global economic recovery starting with the U.S. economy, and a modest rebound can be foreseen supported by continuous improvement in corporate revenues and exports as well as an increase in capital expenditures.

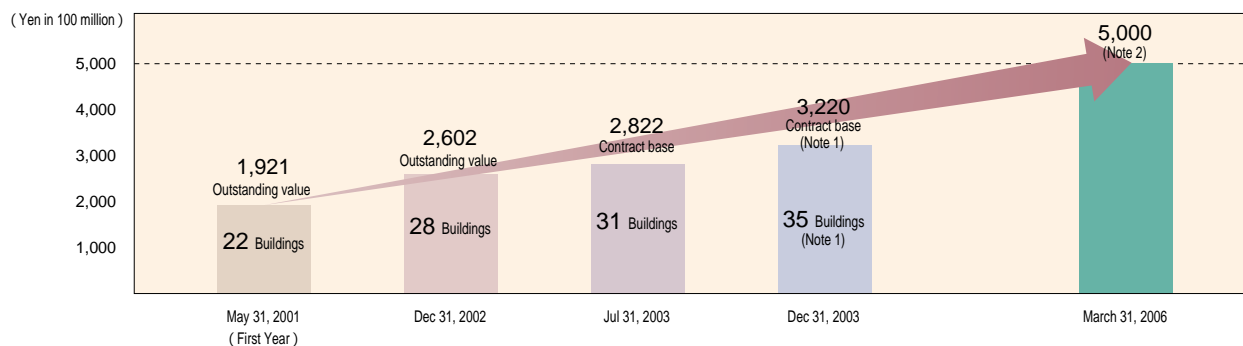
In the office building rental market, the worst of the massive increase in the supply of new floors in new office buildings in Tokyo CBDs (the so called "2003 problem") is now over and supply has stabilized. As a result, the occupancy rate likely hit bottom at the end of 2003. On the other hand, while the level of rents is still edging downward, data from some brokers indicates that rents offered for large-scale buildings in Tokyo CBDs may have seen the worst already.

As for regional cities, although the decrease in occupancy rates seems to have ceased in major cities such as Osaka, Nagoya and Fukuoka, those markets are expected to remain weak as a whole, due mainly to the concentration of business in Tokyo and struggling local economies.

The office building trading market saw active investment in real estate by private funds, etc. against a background of bad performance in other investments in consequence of continued low interest rates. However, it is expected that opportunities to acquire desirable properties will increase based on the assumption that the acceleration in write-offs of bad loans by banks, improvements in the financial strength of corporations and the introduction of accounting standards for impairment of fixed assets will result in further disposals of real estate.

4. Management Policy in 2004

As stated above, NBF has overcome its own “2003 problem” and occupancy rates in its portfolio have recovered. Accordingly, NBF’s management goal for 2004 is to achieve a significant leap in external growth for the coming year and NBF will actively invest during 2004. We believe that our original target of ¥500 billion (based on acquisition price) in assets by the end of March 2006 is realistic. NBF will continue to avoid acquisitions under extremely competitive circumstances and to invest in competitive, desirable properties using rigorous selection criteria and improved acquisition methods.



Note 1: Include both Shibuya Garden Front and Shirokane 1-chome East Area Redevelopment Project

Note 2: As this figure represents the desired acquisition target, it is possible it will differ from the actual figure due to market trends etc.

5. Prospects of Performance in the 6th and 7th Periods

During the 6th period (Jan.- June 2004), NBF foresees operating revenues of ¥12,011 million, operating income of ¥4,769 million, net income of ¥3,817 million and a cash distribution per share of ¥13,600.

During the 7th period (July- Dec. 2004), NBF foresees operating revenues of ¥12,337 million, operating income of ¥5,037 million, net income of ¥4,070 million and a cash distribution per share of ¥14,500. (Those figures do not include the effects of future acquisitions of properties or issues of new shares.)

The 6th period will see a temporary decrease in operating revenues due to the change of tenants at the Shiba NBF Tower. However, the worst effects of such change will end during the 6th period. During the 7th period, we expect a recovery in performance as the contribution of the revenues from the said building is fully taken into account.

NBF foresees average occupancy rates of 95.7% in the 6th period, and 96.2% in the 7th period.

6. Conclusion

In March 2004, the number of J-REIT corporations became 12 and their total market capitalization reached a level of more than one trillion yen. It is expected that more J-REIT corporations will be listed in the future, and with such expansion of the total market, 2004 will see very severe competition among J-REITs.

Under these circumstances, by remaining grounded in NBF’s original perception that “rent from tenants is the source of revenues”, we will further focus on improvement of the level of tenant satisfaction. By establishing “NBF” as a well-known brand among tenants, NBF ultimately aims to deliver improved value to investors. NBF intends to distinguish itself from other REITs by creating a strong “NBF brand” in both real estate and financial markets, thereby consolidating its position as the No. 1 J-REIT. For the above reasons, NBF believes that it can assure solid growth and stable revenues through asset management from a mid and long term viewpoint. NBF will continue to exert its best efforts to respond to the expectations of investors.

Koichi Nishiyama

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

New Acquisition

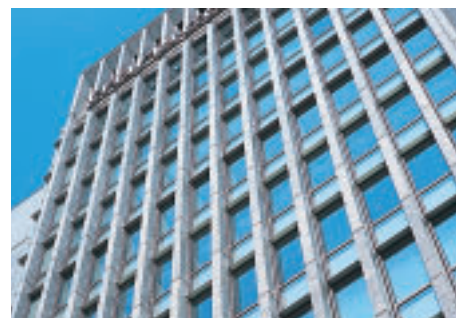
NBF acquired the following property in 6th period. An overview of the property as of February 2, 2004 is as follows:

Shibuya Garden Front

Tokyo CBDs



Acquisition date	February 2, 2004
Outline of acquired property	Co-ownership
Acquisition price	¥8,700 million
Acquisition structure	Real Estate
Location	25-18, Shibuya 3-chome, Shibuya-ku, Tokyo
Site area	3,750.71m ² in which NBF holds an interest of 50%
Floor area of building	22,650.54m ² in which NBF holds an interest of 50%
Structure	Above ground 14 floors, below ground 1 floor
Completion	September 30, 2003
Number of tenants	1
Rentable area	16,516.06m ²
Leased area	16,516.06m ²
Occupancy rate	100%



NBF announced on September 2003 that it would acquire the following property on March 31, 2006. An overview of the property as of December 31, 2003 is as follows:

Shirokane 1-chome East Area Redevelopment Project

Tokyo CBDs



Acquisition date	March 31, 2006 (estimated)
Outline of acquired property	fee simple
Acquisition price	¥27,600 million (price may be adjusted upward to a maximum of ¥31,000 million depending on the seller's success in attracting tenants and improving current estimated profits)
Acquisition structure	Trust
Location	304, Shirokane, 1-chome, Minato-ku, Tokyo
Site area	4,373.93m ²
Floor area of building	50,631.91m ² (estimated)
Structure	Above ground 26 floors, below ground 2 floors
Completion	November 30, 2005 (estimated)

This is a conceptual drawing of what the completed project will look like. Thus, it may differ from the actual building.



New Acquisition

NBF acquired the following properties between July 1, 2003 and December 31, 2003:

Sudacho Verde Bldg.

Tokyo CBDs



Acquisition date	December 25, 2003
Outline of acquired property	fee simple
Acquisition price	¥2,380 million
Acquisition structure	Real Estate
Location	3, Kanda-Sudacho 2-chome, Chiyoda-ku, Tokyo
Site area	515.04m ²
Floor area of building	4,196.61m ²
Structure	Above ground 9 floors, below ground 1 floor
Completion	March 19, 1988
Number of tenants	7
Rentable area	2,971m ²
Leased area	2,961m ²
Occupancy rate	99.7%



Sapporo L-Plaza

Other Cities



Acquisition date	November 5, 2003
Outline of acquired property	Condominium interest
Acquisition price	¥3,195 million
Acquisition structure	Real Estate
Location	28, Kita hachi-jo, Nishi 3-chome, Kita-ku, Sapporo, Hokkaido
Site area	
Floor area of building	4,759.69m ² in which NBF holds an interest of 23.2%
	Gross floor area of the entire building: 32,601.54m ²
	Floor space of divided condominium interests of NBF: 8,127.54m ²
Structure	Above ground 13 floors, below ground 2 floors
Completion	March 7, 2003
Number of tenants	11
Rentable area	8,461m ²
Leased area	8,461m ²
Occupancy rate	100%





NBF Hiroshima Tatemachi Bldg.

[Other Cities](#)

Acquisition date	September 30, 2003
Outline of acquired property	fee simple
Acquisition price	¥2,930 million
Acquisition structure	Real Estate
Location	2-27, Tatemachi, Naka-ku, Hiroshima, Hiroshima
Site area	1,013.35m ²
Floor area of building	8,656.97m ²
Structure	Above ground 12 floors, below ground 1 floor
Completion	November 12, 1991
Number of tenants	19
Rentable area	5,693m ²
Leased area	4,814m ²
Occupancy rate	84.6%



Hiroshima Fukuromachi Bldg.

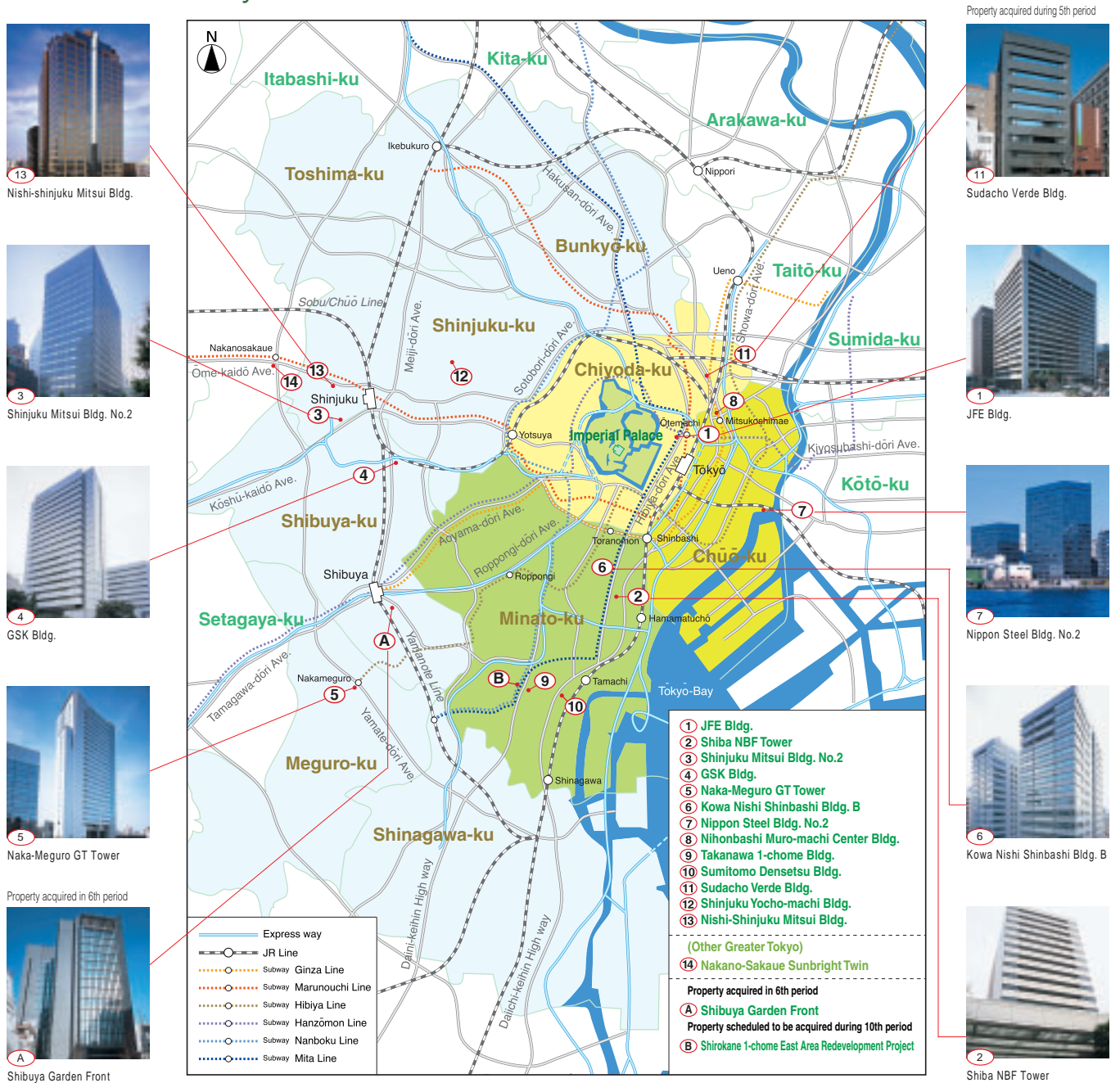
[Other Cities](#)

Acquisition date	November 7, 2003
Outline of acquired property	Co-ownership of Condominium interest
Acquisition price	¥835 million
Acquisition structure	Real Estate
Location	5-25, Fukuromachi, Naka-ku, Hiroshima, Hiroshima
Site area	2,039.20m ² in which NBF holds an interest of 10%
Floor area of building	Gross floor area of the entire building: 16,411.08m ² in which NBF holds a co-ownership of condominium interest of 10.4%
Structure	Above ground 14 floors
Completion	January 30, 2002
Number of tenants	15
Rentable area	1,310m ²
Leased area	1,280m ²
Occupancy rate	97.8%

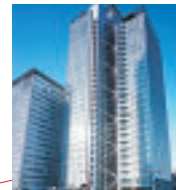
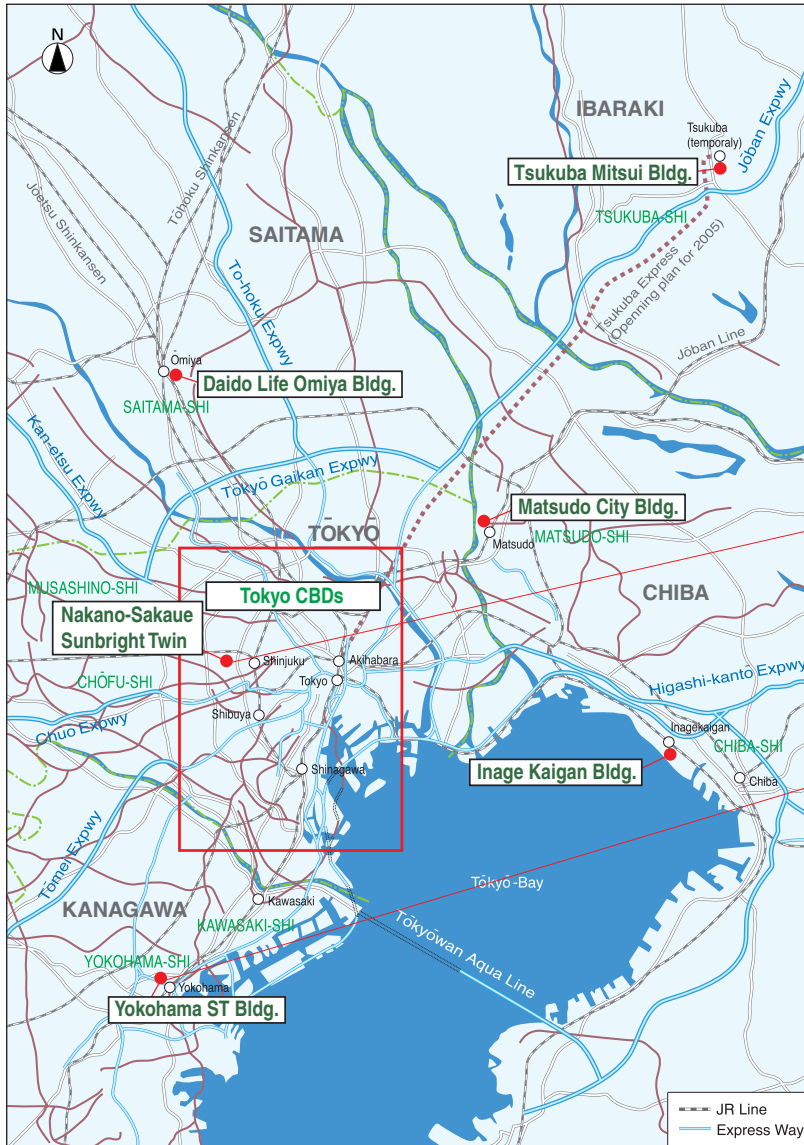


Location of Office Properties

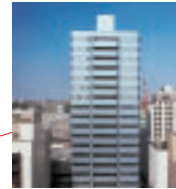
Tokyo CBDs



Other Greater Tokyo

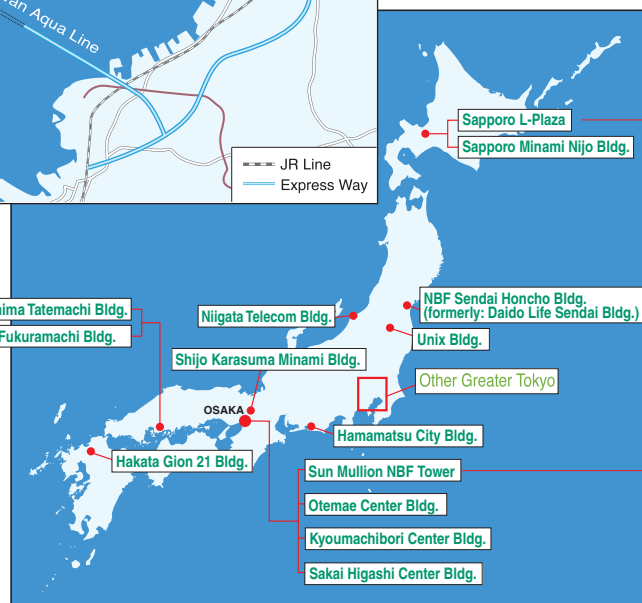


Nakano-Sakaue Sunbright Twin

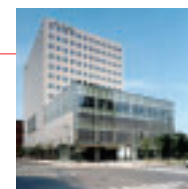


Yokohama ST Bldg.

Other Cities



Property acquired during 5th period



Sapporo L-Plaza

Property acquired during 5th period

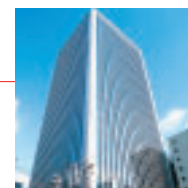


NBF Hiroshima Tatemachi Bldg.

Property acquired during 5th period



Hiroshima Fukuramachi Bldg.



Sun Mullion NBF Tower

Properties Roster

The outline of NBF's properties as of December 31, 2003 is as follows:

Name of Building	Investment Type	Type of Ownership of the Buildings	Percentage of Ownership of the Buildings	Year Built	Acquisition Price	Book Value
			(%)		(Yen in millions)	
Tokyo CBDs						
JFE Bldg.	Trust	fee simple	100.0	1974	¥74,131	¥72,528
Shiba NBF Tower	Trust	fee simple	100.0	1986	32,000	33,688
Shinjuku Mitsui Bldg. No.2	Trust	fee simple	100.0	1983	16,285	15,865
GSK Bldg.	Trust	fee simple	100.0	1990	15,616	14,938
Naka-Meguro GT Tower	Ownership	condominium	60.5	2002	14,056	14,063
Kowa Nishi Shinbashi Bldg. B	Trust	co-ownership of condominium	83.0	1994	13,217	12,800
Nippon Steel Building No.2	Ownership	fee simple	100.0	1989	12,614	12,743
Nihonbashi Muro-machi Center Bldg.	Trust	condominium	48.6	1986	9,945	9,865
Takanawa 1-chome Bldg.	Trust	fee simple	100.0	1987	6,667	6,437
Sumitomo Densetsu Bldg. (Note 4)	Trust	fee simple	100.0	1991	5,365	5,267
Sudacho Verde Bldg.	Ownership	fee simple	100.0	1988	2,380	2,457
Shinjuku Yocho-machi Bldg.	Trust	fee simple	100.0	1989	2,348	2,262
Nishi-Shinjuku Mitsui Bldg.	Ownership	condominium	4.1	1999	1,603	1,677
Other Greater Tokyo						
Nakano-Sakaue Sunbright Twin	Trust	condominium	31.6	1996	8,979	9,069
Yokohama ST Bldg.	Trust	co-ownership	75.0	1987	13,529	13,187
Tsukuba Mitsui Bldg.	Trust	fee simple	100.0	1990	8,876	8,480
Daido Life Omiya Bldg.	Trust	fee simple	100.0	1991	2,361	2,275
Matsudo City Bldg.	Ownership	fee simple	100.0	1992	2,455	2,516
Inage Kaigan Bldg.	Trust	fee simple	100.0	1992	1,941	1,857
Other Cities						
Sapporo L-Plaza	Ownership	condominium	36.0	2003	3,195	3,313
Sapporo Minami Nijo Bldg.	Trust	fee simple	100.0	1990	1,870	1,787
NBF Sendai Honcho Bldg. (Note 5)	Trust	fee simple	100.0	1987	3,566	3,428
Unix Bldg.	Trust	fee simple	100.0	1994	4,029	3,719
Niigata Telecom Bldg.	Trust	fee simple	100.0	1989	3,958	3,816
Hamamatsu City Bldg.	Trust	fee simple	100.0	1990	1,377	1,308
Sun Mullion NBF Tower	Trust	fee simple	100.0	1996	10,500	10,298
Sakai Higashi Center Bldg.	Trust	fee simple	100.0	1991	2,227	2,147
Otemae Center Bldg.	Trust	fee simple	100.0	1992	1,826	1,766
Kyomachibori Center Bldg.	Trust	fee simple	100.0	1987	749	852
Shijo Karasuma Minami Bldg.	Trust	fee simple	100.0	1991	1,627	1,516
NBF Hiroshima Tatemachi Bldg.	Ownership	fee simple	100.0	1991	2,930	3,078
Hiroshima Fukuromachi Bldg.	Ownership	co-ownership of condominium	10.4	2002	835	847
Hakata Gion 21 Bldg.	Trust	fee simple	100.0	1993	2,629	2,530
Total	-	-	-	-	¥285,686	¥282,379

Major Tenants Roster

The outline of NBF's major tenants as of December 31, 2003 is as follows:

	Name of Tenants	Name of Building	Leased Space (m ²)	Percentage of Total Rentable Area***
01	JFE Steel Corporation*	JFE Bldg.	65,280	19.7%
02	GlaxoSmithKline. KK.*	GSK Bldg.	20,407	6.2%
03	Fuji Xerox Co.	Shinjuku Mitsui Bldg. No.2	18,032	5.4%
		Tsukuba Mitsui Bldg.		
		Nakano-Sakaue Sunbright Twin		
		Hamamatsu City Bldg.		
04	Nippon Steel Corporation*	Nippon Steel Building No.2	15,333	4.6%
05	NTT Communications	Kowa Nishi Shinbashi Bldg. B	8,493	2.6%
06	Sumitomo Densetu*	Sumitomo Densetsu Bldg.	5,978	1.8%
07	Sumitomo Life Insurance	Yokohama ST Bldg. and 5 other buildings	5,516	1.7%
08	Toden Kogyo	Takanawa 1-chome Bldg.	5,411	1.6%
09	NEC Facilities	Sapporo L-Plaza	4,176	1.3%
	Mitsui Fudosan**	Naka-Meguro GT Tower	15,500	
		Nishi-Shinjuku Mitsui Bldg.		



Appraisal Value	Rentable Square Meters	Leased Square Meters at the End of Period	Occupancy Rates at the End of Period	Total Number of Tenants at the End of Period	Revenues	Percentage of Total Revenues (Note 1)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)
¥74,700	65,280	65,280	100.0	1	¥2,175	17.5
22,400	24,912	6,787	27.2	6	1,374	11.0
16,400	14,946	14,847	99.3	30	764	6.1
17,600	20,407	20,407	100.0	1	(Note 2)	(Note 2)
14,100	13,924	13,924	100.0	1	667	5.4
13,500	10,088	10,088	100.0	2	(Note 2)	(Note 2)
12,800	17,339	17,338	100.0	2	613	4.9
10,000	8,041	8,041	100.0	9	417	3.3
7,160	10,473	9,469	90.4	3	341	2.7
5,190	5,978	5,978	100.0	1	(Note 2)	(Note 2)
2,380	2,971	2,961	99.7	7	4	0.0
2,410	5,155	5,155	100.0	5	120	1.0
1,630	1,576	1,576	100.0	1	65	0.5
9,410	12,220	12,220	100.0	1	(Note 2)	(Note 2)
13,900	20,089	18,895	94.1	76	753	6.0
8,650	16,863	15,724	93.2	61	519	4.2
2,270	3,604	3,447	95.6	9	131	1.1
2,600	4,772	3,842	80.5	22	122	1.0
1,940	5,878	4,795	81.6	13	142	1.1
3,270	8,461	8,461	100.0	11	73	0.6
1,960	5,376	5,266	97.9	8	136	1.1
3,610	7,510	7,498	99.8	7	243	2.0
4,350	13,479	13,154	97.6	59	324	2.6
4,260	10,221	9,679	94.7	32	272	2.2
1,210	5,085	5,060	99.5	26	99	0.8
9,260	13,974	13,662	97.8	27	466	3.7
2,360	5,332	5,100	95.6	16	146	1.2
1,950	5,532	5,398	97.6	7	135	1.1
630	3,110	2,734	87.9	13	51	0.4
1,520	3,925	3,520	89.7	14	104	0.8
2,900	5,693	4,814	84.6	19	71	0.6
855	1,310	1,280	97.8	15	12	0.1
2,370	5,416	4,992	92.2	6	156	1.3
¥279,545	358,940	331,392	92.3	511	¥12,453	100.0

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

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

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

Note 4: Effective July 1, 2003, the name of this building changed (formerly: Mita City Bldg.).

Note 5: Effective February 1, 2004, the name of this building changed (formerly: Daido Life Sendai Bldg.).

* Indicates tenants with long-term lease contracts (JFE Steel Corporation's contract expires March 2011; GlaxoSmithKline's contract expires September 2010 ;Nippon Steel Corporation's contract expires November 2009; Sumitomo Densetsu's contract expires June 2008)

** Mitsui Fudosan, the sole tenant of the property, pools profits from leasing operations and then distributes the proceeds proportionally in accordance with each owner's percentage of the total ownership interest.

*** Percentage of Total Rentable Area = Leased Space ÷ Total Rentable Area of All Properties in Portfolio



The number of executive directors of NBF is one or more, and the number of supervisory directors is four or fewer (but always equal to the number of executive directors, plus a minimum of one additional supervisory director) (Articles of Incorporation). At the end of the immediately preceding term the organization of NBF consisted of, in addition to the general meeting of the shareholders, two executive directors and four supervisory directors as well as a Board of Directors comprised of the executive directors and supervisory directors.

At the end of the immediately preceding term, members of the Board of Directors of NBF were as set forth in the table below.

Name of executive directors and supervisory directors	Title	
Toshihiko Fukase	Executive Director	
Koichi Nishiyama	Executive Director	
Tadashi Niizawa	Supervisory Director	Certified Public Accountant, Certified Public Tax Accountant
Tomio Hirota	Supervisory Director	Lawyer
Akira Nishizawa	Supervisory Director	Real Estate Appraiser
Nobutoshi Kozuka	Supervisory Director	Certified Public Accountant, Certified Public Tax Accountant

Note: Koichi Nishiyama, Executive Director, is concurrently President & CEO of NBFM. No executive or supervisory director directly or indirectly holds any shares in NBF. Further, while some supervisory directors are concurrently officers in other corporations, there exist no conflicts of interest between said corporations and NBF.

Investment Policies of NBF

1. Basic Investment Policies

A. Basic Policies

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

Compared to other sectors of income-producing real estate in Japan, NBF believes there to exist a relatively abundant stock of high-quality office buildings. NBF also believes it will be able to take advantage of this special characteristic both to create the portfolio and to efficiently undertake management of the office buildings (Office Management Business, as defined below), placing emphasis thereon in adopting the basic policies described above.

(2) Strategy for Creation of the Portfolio

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

Area Diversification

The investment strategy of NBF divides the investment area into three areas consisting of Tokyo CBDs, Other Greater Tokyo and Other Cities in such manner that 70% or more of total investment assets (Real Estate etc.) is 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 abovesaid area diversification strategy.

Area and Allocation Ratio	Area Analysis
Tokyo CBDs 9 central wards in Tokyo : Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro	Relatively high rent levels and low vacancy rates compared to Other Cities; also, relatively large market scale (both leasing and purchase/sale) with high growth rates. Relatively low yearly NOI yields. Relatively high liquidity at the time of sales.
Other Greater Tokyo Other 14 wards in Tokyo and Neighboring Cities (see Note 1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama etc.	Basic special characteristics are between those of Tokyo CBDs and Other Cities.
Total of above two areas :70% or more	
Other Cities Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto etc.	Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs. Also, scale of market is relatively small and growth rates relatively low. Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
Total of above area: 30% or less	

Note 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.

Note 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 Objects and Policies", Articles of Incorporation).

(3) Acquisition Strategy

Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to both the "Designated Real Estate Ratio" and the "Real Estate etc. Ratio"(both defined in the Note below). As of December 31, 2003, NBF satisfied both of the above criteria.

Note:

- The ratio of the amount of Designated Real Estate acquired by NBF to the total amount of Designated Assets (as those terms are defined in the Investment Trust Law of Japan, with such ratio hereinafter "Designated Real Estate Ratio") will be 75% or more.

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).

- The ratio of the amount of Real Estate etc. (real estate, real estate leasehold rights, superficies and beneficiary certificates (but limited to real estate held in trust, land leasehold rights and superficies) and *tokumei kumiai* ownership interests (but limited to operating real estate, real estate leasehold rights and superficies) to the total amount of all assets (herein “Real Estate etc. Ratio”) will, in accordance with the relevant Article of the Finance Ministry Ordinance (Finance Ministry Ordinance) be 75% or more.

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 measures 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 Objects 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	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 ² (approximately 500 <i>tsubo</i>) or more. Standard net rentable area per floor is 330m ² (approximately 100 <i>tsubo</i>) or more.
Construction type and specifications of facilities	Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment etc.
Earthquake resistance	Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.
Measures regarding status of legal title	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, following matters are appropriately treated. <ul style="list-style-type: none"> • measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans; • appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner’s interest etc; • condition of secured interests established prior to acquisition etc.
Tenancy characteristics	Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents etc.
Current building management etc.	Condition of compliance with applicable laws and regulations etc.
Environmental; condition of land etc.	Absence of harmful substances such as asbestos, (or countermeasures can be implemented for any such substances), non-existence of soil pollution etc.

Uncompleted or Unleasable Properties

In principle, NBF acquires Real Estate etc. which are leased/leasable assets at the time of closing. NBF may acquire a property which is not yet leasable at the time of closing based on consideration of the impact on NBF's asset management activities after taking into account the investment amount, the date of completion or of becoming leasable, estimated revenues 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).

Direct Acquisition of Real Estate

One objective is for the ratio of the amount of real estate directly acquired by NBF to the total amount of Designated Assets acquired by NBF during each year to be 50% or more of Designated Real Estate. This objective will be applicable during the period from April 1, 2002 until the existence of the measures to abate the real estate acquisition tax ("Investment Objects and Goals", Articles of Incorporation). However, this requirement was abolished effective December 31, 2003 pursuant to amendments of the tax law.

(4) Management and Disposition Policies

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

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

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

Reserves for Long-Term Renovations

From the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. As of March 23, 2004, foreseen reserves provided from January to December 2004 are as follows:

Item	Reason
Reserves for long-term renovations	Average annual amount over an approximately 10-year period based on engineering reports
Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)	Expenses of providing “free access floor”(or raised floor); expenses for other move-in construction costs (partitions etc.)
Total Foreseen Amount: (annual basis) ¥1,555 million	

(Note) 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.

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, beginning with area diversification, will be exerted to obtain adequate fire and casualty insurance, such as fire insurance, insurance for loss of rental income caused by earthquakes, owner’s liability insurance etc.

Appraisal Value etc.

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

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 Objects and Policies”, Articles of Incorporation).

(5) 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 Objects and Policies”, Articles of Incorporation).

NBF will in principle, when undertaking borrowings or issues of NBF bonds, undertake short-term borrowings as a flexible method of obtaining capital required for the acquisition of new properties, and undertake mid-term to long-term borrowings at fixed interest rates, or issue NBF bonds, as a stable method of obtaining capital.

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

Loan to Value Ratio

The ratio of the total amount of borrowings and issues of NBF bonds 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.

Derivatives

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

Distribution Policies of NBF

A. Distributions of Profits

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

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

Earnings Available for Distributions

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

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

Cash Distribution of Profits

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

B. Distribution in Excess of Earnings

A registered investment corporation is allowed to distribute cash to its shareholders in excess of retained earnings under the Investment Trust Law of Japan, although the Investment Trusts Association of Japan has established rules such that a corporate-style J-REIT may pay out the excess of retained earnings for the period up to a maximum of 60% of depreciation for the period. NBF is entitled to make cash distributions of the amounts described below in excess of the Distributable Earnings in the following cases; provided, however, that the maximum amount of such distributions will be the amount set forth in the rules of the Investment Trusts Association of Japan (Article 16.2 of the Articles of Incorporation).

- Amount determined by NBF as being eligible for the requirements of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Earnings being less than the Taxable Income Available for Dividends
- Amount determined by NBF not in excess of the amount of depreciation for the current term

less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macro-economic environments, real estate markets and leasing markets

NBF's Current Policy on Distributions in Excess of Profits

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions etc.

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

Investment Restrictions

NBF will invest neither in real estate located outside of Japan nor in assets denominated in non-Japanese currencies as specified in the Articles of Incorporation. Please see " Appendix Investment Restrictions" regarding other investment restrictions. Also, refer to " Basic Investment Policies (B) Investment Strategy" hereinabove.



Performance Information Report

Overview of NBF

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Overview of NBF

1. Financial Highlights

		5th Period from July 1, 2003 to December 31, 2003	4th Period from January 1, 2003 to June 30, 2003	3rd Period from July 1, 2002 to December 31, 2002
(Yen in millions, except per share data or where otherwise indicated)				
Operating revenues		¥12,453	¥12,239	¥11,846
Revenues from property leasing		12,453	12,239	11,846
Operating expenses		7,464	7,196	6,656
Rental expenses		6,891	6,548	6,031
Income before income taxes		4,094	4,314	4,563
Net income	(a)	4,093	4,313	4,562
Total assets	(b)	314,362	307,688	290,725
Total shareholders' equity ('Net assets')	(c)	152,992	153,212	153,461
Contributed capital		148,999	148,899	148,899
Total amount of cash distribution	(e)	4,093	4,313	4,562
Total number of common shares issued (shares)	(d)	280,700	280,700	280,700
Net assets per share (Yen)	(c) / (d)	545,038	545,823	546,710
Distribution per share (Yen)	(e) / (d)	14,582	15,367	16,253
Distribution of accumulated earnings per share (Yen)		14,582	15,367	16,253
Distribution in excess of accumulated earnings per share (Yen)		-	-	-
Return on total assets	Note 2	1.32% (2.63%)	1.44% (2.88%)	1.60% (3.20%)
ROE	Note 2	2.67% (5.35%)	2.81% (5.63%)	2.97% (5.95%)
Capital ratio	(c) / (b)	48.7%	49.8%	52.8%
Payout ratio	(e) / (a)	100.0%	100.0%	99.9%
Number of days		184	181	184
Other supplementary data :				
Number of investment properties	Note 4	33	29	28
Number of tenants	Note 4	511	446	441
Total rentable square meters		358,940	340,497	322,344
Occupancy rate	Note 4	92.3%	94.8%	95.0%
Depreciation and amortization		2,403	2,366	2,072
Capital expenditures		2,314	1,167	368
NOI from property leasing activities	Note 2	7,964	8,057	7,886
FFO per share (Yen)	Note 2	23,141	23,794	23,635

Note 1 Operating revenues do not include consumption taxes.

Note 2 All valuations are calculated through the following formulas. The figures in parenthesis are annualized based on the 6 months figures for the period.

Return on total assets: $\text{Income before income taxes} / (\text{Initial total assets} + \text{Total assets at end of period}) \div 2$

ROE: $\text{Net income} / (\text{Initial shareholder's equity} + \text{Shareholder's equity at end of period}) \div 2$

NOI (Net Operating Income) from property leasing activities:

$(\text{Revenue from property leasing} - \text{Rental expenses}) + \text{Depreciation and Amortization}$

FFO (Funds From Operation) per share : $(\text{Net income} + \text{Depreciation and Amortization}) / \text{Weighted average number of common shares issued and outstanding during the period.}$

Note 3 As for payout ratio, figures beyond the first decimal place have been disregarded.

Note 4 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 ratio of gross leased area to total rentable area at the end of the period.

2. Distribution for the Current Period

Distribution per share for the current period was ¥14,582. NBF expects to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen in thousands, except per share amount)		
Retained earnings	¥ 4,093,179	¥ 4,313,553	¥ 4,562,325
Undistributed earnings	12	36	108
Total cash distribution	4,093,167	4,313,517	4,562,217
(Total cash distribution per share)	14,582	15,367	16,253
Distribution of accumulated earnings	4,093,167	4,313,517	4,562,217
(Distribution of accumulated earnings per share)	14,582	15,367	16,253
Cash Distribution in excess of accumulated earnings (per share)			

Note Above cash distributions were paid after the period end.

3. Capitalization

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2003, NBF had issued 280,700 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.

Payment date	Remarks	Common Shares outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(shares)		(Yen in millions)		
March 15, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 22, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 7, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3

Note 1 NBF was established with initial capital of ¥500,000 per share.

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

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

Market Price of shares

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

	December 31, 2003	For the six months ended June 30, 2003	December 31, 2002
		(in Yen)	
High.	¥ 696,000	¥ 694,000	¥ 624,000
Low.	631,000	570,000	537,000

Borrowings

Borrowings by financial institution as of December 31, 2003 are shown below.

Short-term debt

Lender	Balance	Average interest rate(%) (Note 1)	Due on	Repayment Method	Use of Funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., Ltd.	¥ 10,800	0.5%	May 21, 2004			
Bank of Tokyo Mitsubishi	5,400	0.5%	January 9, 2004			
The Norinchukin Bank	3,300	0.5%	May 21, 2004			
The Sumitomo Mitsui Banking Corp.	3,150	0.5%	May 21, 2004			
The Hachijuni bank	2,000	0.5%	February 6, 2004			Unsecured
Shinkin Central Bank	1,000	0.5%	March 22, 2004			/unguaranteed
The Chugoku Bank, Ltd.	1,000	0.5%	March 22, 2004	Bullet		/pari passu,
Yamanashi Chuo Bank	500	0.5%	March 16, 2004	payment	(Note 3)	See (Note 4)
The Gunma Bank, Ltd.	500	0.5%	February 3, 2004			
The Bank of Fukuoka, Ltd.	2,000	0.5%	February 5, 2004			Floating rate
The Shizuoka Bank, Ltd.	1,000	0.5%	February 5, 2004			
Mizuho Corporate Bank, Ltd.	1,000	0.5%	November 4, 2004			
The Yamaguchi Bank, Ltd.	1,000	0.5%	February 27, 2004			
The Kagoshima Bank, Ltd.	500	0.5%	February 27, 2004			
Short-term debt Total	¥ 33,150					

Long-term debt

Sumitomo Life Insurance Company	¥ 12,000	1.7%	May 23, 2008			
	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 16, 2011			
	3,000	1.2%	February 3, 2010			
The Chuo Mitsui Trust and Banking Co., Ltd..	10,000	1.3%	May 23, 2006			
	9,000	1.3%	July 16, 2007			
Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			Unsecured
	1,000	2.2%	May 23, 2012			/unguaranteed
	2,000	1.2%	February 26, 2010	Bullet		/pari passu,
Sumitomo Trust and Banking Corp.	6,000	1.3%	July 16, 2007	payment	(Note 3)	See (Note 4)
Nippon Life Insurance Company	3,000	0.7%	August 9, 2005			
	2,000	0.7%	September 30, 2005			
The Sumitomo Mitsui Banking Corp.	2,000	1.2%	March 12, 2007			Fixed rate
The Joyo Bank, Ltd.	1,000	0.9%	May 23, 2006			
	1,000	1.4%	May 23, 2008			
Daido Life Insurance Company	2,000	1.2%	February 3, 2010			
The Dai-Ichi Mutual Life Insurance Company	2,000	0.7%	March 31, 2006			
	1,000	0.9%	September 29, 2006			
The Iyo Bank, Ltd.	1,000	0.7%	March 31, 2006			
Long-term debt Total	¥ 75,000					
Borrowings Total	¥108,150					

Note 1. Average interest rate is stated for each lender (average weighted by borrowing outstanding in case of more than one loan from the same lender) by rounding down to the second decimal place.

- Note 2. 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.
- Note 3. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.
- Note 4. A special agreement attached to "Loan Agreement" entered into between the NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.
- Note 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.

(Unit : ¥1000)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	5,000,000	15,000,000	17,000,000	13,000,000

NBF Bonds

Issue	Issue Date	Balance as of December 31, 2003 (Yen in millions)	Coupon	Maturity Date	Redemption	Use of Proceeds	Note
No.1 Unsecured Bonds	May 23, 2001	¥ 8,000	0.68%	May 21, 2004	Bullet Payment	Note 1	Note 2
No.2 Unsecured Bonds	Feb 10, 2003	¥ 10,000	0.75%	Feb 9, 2007	Bullet Payment	Note 1	Note 2
No.3 Unsecured Bonds	June 12, 2003	¥ 10,000	2.00%	June 12, 2018	Bullet Payment	Note 1	Note 2
Total		¥ 28,000					

- Note 1. Use of funds includes acquisition of Real Estate etc., repayment of borrowings and working capital.
- Note 2. The bonds are limited to qualified institutional investors and rank pari passu with other debts issued.
- Note 3. 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.

(Unit: ¥1000)

	within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	8,000,000	-	-	10,000,000	-

Others

NBF has security deposits totaling ¥18,730 million as of December 31, 2003.

4. Major Shareholders

The following table sets forth our major shareholders' information as of December 31, 2003.

Name	Address	Number of Common Shares Owned	Ownership
Mitsui Fudosan Co., Ltd.	1-1 Nihonbashi Muro-machi, 2-chome, Chuo-ku, Tokyo	16,200	5.7%
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	14,454	5.1
The Nomura Securities Co., Ltd.	9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	11,502	4.0
Obic Business Consultants Co., Ltd.	1-1 Nishi Shinjuku 2-chome, Shinjuku-ku, Tokyo	11,000	3.9
Sumitomo Life Insurance Company	18-24 Tsukiji 7-chome, Chuo-ku, Tokyo	10,000	3.5
The Joyo Bank, Ltd.	5-5 Minami-machi 2-Chome, Mito, Ibaraki	7,002	2.4
Bank Of Ikeda	1-11 Jyounan2-Chome, Ikeda, Osaka	6,946	2.4
Yasuda Mutual Life Insurance Company	9-1 Nishi Shinjuku 1-chome, Shinjuku-ku, Tokyo	6,712	2.3
The Chugoku Bank, Ltd.	15-20 Marunouchi 1-chome, Okayama, Okayama	6,712	2.3
Aozora Bank, Ltd.	3-1 Kudan-Minami 1-chome, Chiyoda-ku, Tokyo	6,630	2.3
Total		97,158	34.6%

5. Categories of Shareholders

(as of December 31, 2003)

	Number of shareholders	Number of shares owned	Percent of number of shares owned
Financial institutions	140	148,611	52.9%
Other legal entities	364	48,818	17.4
Overseas investors	134	33,133	11.8
Individuals and others	12,130	37,630	13.4
Securities companies	9	12,508	4.5
Japanese government and regional authorities	-	-	-
Total	12,777	280,700	100.0%

Note Japan Securities Depository Center (JASDEC) is included in "Other legal entities".

Capital Expenditures

1. Planning

NBF is planning the following capital expenditures for the renovation of the 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.

Property (Location)	Objective	Estimated Duration	Estimated Amounts		
			Total Amounts	Payment for the Current Period	Cumulative
				(from July 1, 2003 to December 31, 2003)	Amount
				(Yen in millions)	
Daido Life Omiya Bldg.	Renovation of bicycle parking area within parking lot	From March 2004 To May 2004	¥ 34	¥ -	¥ -

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥ 2,314 million in capital expenditures together with ¥ 648 million for repairs and maintenance expenses.

Name of Property	Objective	Period	Expenditure (Yen in millions)
Shiba NBF Tower	Renewal work to maintain and improve competitiveness		1,807
Tsukuba Mitsui Bldg.	Leasehold improvements for new tenant		163
Hamamatsu City Bldg.	Leasehold improvements associated with tenant relocation within the building and roof repairs	From July, 2003 To December, 2003	18
Other buildings	Renovations intended to improve the level of tenant satisfaction		326
Total			¥ 2,314

3. Cash Reserve for Capital Improvements

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

	As of December 31, 2003	As of June 30, 2003
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 2,114	¥ 1,984
Amount accumulated in current period	1,104	1,635
Withdrawal from reserves in the current period	1,069	1,505
Amount carried forward	¥ 2,149	¥ 2,114

Note 1 Upon the acquisition of Real Estate etc., NBF also assumed accumulated reserves of ¥ 811 million as of December 31, 2003 for capital expenditures from previous owners, which were not included in the above accumulated amounts.

Note 2 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 .

Expenses regarding Entrustment etc.

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

Item	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen in millions)		
Asset management fees	¥ 438	¥ 501	¥ 497
Asset custody fees	14	13	12
Agent fees (stock transfer, accounting and administrative)	38	47	38
Director's remuneration	11	11	11
Auditor's fees	12	12	12
Other expenses	60	64	55
Total	¥ 573	¥ 648	¥ 625

Note: In addition to the amounts stated above, there are asset management fees of ¥ 48 million for the period from July 1, 2003 to December 31, 2003, ¥ 68 million for the period from January 1, 2003 to June 30, 2003 and ¥ 63 million for the period from July 1, 2002 to December 31, 2002 related to investment in properties, which were booked on each property.

Trading Activities during the Current Period

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

(Yen in millions)

Name of Building	Acquired		Transferred			Capital Gain/Loss
	Date	Acquisition Price(Note 1)	Date	Transfer Price	Book Value	
Naka-Meguro GT Tower (Note 2)	September 1, 2003	293	-	-	-	-
NBF Hiroshima Tatemachi Bldg.	September 30, 2003	2,930	-	-	-	-
Sapporo L-plaza	November 5, 2003	3,195	-	-	-	-
Hiroshima Fukuromachi Bldg.	November 7, 2003	835	-	-	-	-
Sudacho Verde Bldg.	December 25, 2003	2,380	-	-	-	-
Total		¥ 9,633	-	-	-	-

Note 1 “Acquisition price” does not include national consumption tax, regional consumption tax and miscellaneous costs of acquisition.

Note 2 On its acquisition date, the acquired portion was converted into an equity interest in the “Naka-Meguro GT Tower Kyoyushoukumiai” (a voluntary partnership as defined by Article 667 of the Civil Code of Japan).

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. Related Parties Transactions

1. Ongoing Transactions

Category	Amount of Purchase Price etc. (Note 2) (Note 3)	
	Purchase Price etc. (Yen in millions)	Sale Price etc. (Yen in millions)
Total Amount	9,633	-
	Amount of purchases from related parties	Amount of sales to related parties
	1,247 (13.0)	- (-)
Breakdown of transactions with related parties etc.		
Mitsui Fudosan Co., Ltd.	1,247 (100.0)	- (-)
Total:	1,247 (100.0)	- (-)

2. Fees Paid for the period from July 1, 2003 to December 31, 2003

Category	Total Fees Paid (A) (Yen in millions)	Description of Transactions with Related Parties		B/A
		Paid to	Amount of Payment (B) (Yen in millions)	
Brokerage commissions	252	Mitsui Fudosan Co., Ltd.	164	65.1%
Office management fees etc.	623	Mitsui Fudosan Co., Ltd.	617	99.1%
		NBF Office Management Co., Ltd.	6	0.9%
Property transfer fees	11	Mitsui Fudosan Co., Ltd.	11	100.0%
Property maintenance fees	1,012	Mitsui Fudosan Co., Ltd.	220	21.8%
		Daiichi Seibi Co., Ltd.	137	13.6%
		Izumitec Co., Ltd.	81	8.0%
		Mitsui Fudosan Building Management Co., Ltd.	12	1.2%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.2%
		NBF Office Management Co., Ltd.	1	0.1%
Leasing related service fees	125	Mitsui Fudosan Co., Ltd.	18	14.0%
		NBF Office Management Co., Ltd.	16	13.1%

Note 1 "Related parties" mean parties defined in Article 20 of the government ordinance regarding the Investment Trust Law of Japan, principally, parties related to an asset management company. Effective August 1, 2003, MF Building Management Co., Ltd. changed its name to Mitsui Fudosan Building Management Co., Ltd.

Note 2 Figures set forth above are purchase prices taken from sale and purchase agreements and do not include ¥ 2 million paid to Mitsui Fudosan Co., Ltd. in settlement of fixed assets taxes etc.

Note 3 Figures in parentheses indicate percentages of total purchase prices and sale prices respectively.

Note 4 NBF leases the Naka-Meguro GT Tower and the Nishi-Shinjuku Mitsui Building to Mitsui Fudosan Co., Ltd., which sub-leases them to sub-lessees. Accordingly, NBF does not entrust the office management business for those properties to Mitsui Fudosan. Instead, NBF Office Management Co., Ltd. has been entrusted to undertake such business on behalf of NBF, the owner and lessor of those properties.

Note 5 In addition to the above fees, a certain portion of the fees paid by NBF to a third party (a company supervising investment company shares) for handling payments of principal and interest concerning No.2 and No.3 NBF Bonds was paid by the said company to Daiwa Securities SMBC Co., Ltd.

Note 6 In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

	(Yen in millions)
Izumitec Co., Ltd.	¥ 136
Daiichi Seibi Co., Ltd.	77
Mitsui Fudosan Co., Ltd.	74
Mitsui Fudosan Building Management Co., Ltd.	27
Mitsui Fudosan Housing Lease Co., Ltd.	6
Mitsui Designtech Co., Ltd.	4



Financial Statements

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Independent Auditors' Report

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2003 and June 30, 2003, and the related statements of income, shareholders' equity and cash flows for the six months ended December 31, 2003, June 30, 2003 and December 31, 2002, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of December 31, 2003 and June 30, 2003, and the results of its operations and its cash flows for the six months ended December 31, 2003, June 30, 2003 and December 31, 2002, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the financial statements.

Aya & Co.

Tokyo, Japan
March 18, 2004

NIPPON BUILDING FUND INC.

BALANCE SHEETS

As of December 31, 2003 and June 30, 2003

	As of December 31, 2003	As of June 30, 2003
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥ 30,418	¥ 33,448
Tenant receivables	136	160
Consumption tax refund receivables and other assets	199	281
Total current assets	30,753	33,889
Investment properties:		
Land including trust accounts	170,904	166,297
Building and improvements including trust accounts	103,756	96,241
Other tangible assets	1,777	1,724
Less: accumulated depreciation	(10,920)	(8,539)
Leasehold rights in trust accounts and other intangible assets	16,816	16,818
Total investment properties, net	282,333	272,541
Other assets	1,276	1,258
Total Assets	¥ 314,362	¥ 307,688
Liabilities		
Current Liabilities:		
Short-term loans	¥ 33,150	¥ 26,950
Long-term debt due within one year	8,000	8,000
Accounts payable	4,059	1,807
Rents received in advance	1,830	1,820
Accrued expenses and other liabilities	569	500
Total current liabilities	47,608	39,077
Long-term debt	95,000	94,000
Tenant security deposits	18,730	21,369
Other liabilities	32	30
Total Liabilities	161,370	154,476
Shareholders' Equity		
Common shares, non-par value	148,899	148,899
Shares Authorized: 2,000,000 shares		
Shares Issued and Outstanding: 280,700 shares		
Retained Earnings	4,093	4,313
Total Shareholders' Equity	152,992	153,212
Total Liabilities and Shareholders' Equity	¥ 314,362	¥ 307,688

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

NIPPON BUILDING FUND INC.

STATEMENTS OF INCOME

For the six months ended December 31, 2003 and June 30, 2003 and December 31, 2002

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen in millions)		
Revenues:			
Rental	¥ 10,476	¥ 11,111	¥ 10,366
Others	1,977	1,128	1,480
Total Revenues	12,453	12,239	11,846
Operating Expenses:			
Property management fees	1,632	1,684	1,542
Real estate taxes	1,097	1,093	974
Insurance	46	47	47
Repairs and maintenance	648	408	521
Other rental expenses	1,065	950	875
Depreciation and amortization	2,403	2,366	2,072
Asset management fees	438	501	496
Other expenses	135	147	129
Total Operating Expenses	7,464	7,196	6,656
Operating Income	4,989	5,043	5,190
Interest income	1	1	1
Interest expense	(782)	(679)	(585)
Amortization of deferred bond issue costs	(27)	(27)	(6)
Other expenses, net	(87)	(24)	(37)
Income Before Income Taxes	4,094	4,314	4,563
Current and deferred income taxes	(1)	(1)	(1)
Net Income	¥ 4,093	¥ 4,313	¥ 4,562

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

NIPPON BUILDING FUND INC.

STATEMENTS OF SHAREHOLDERS' EQUITY

For the six months ended December 31, 2003 and June 30, 2003 and December 31, 2002

		(Yen in millions)		
	Number of Common Shares	Common Shares	Retained Earnings	Total
Balance as of June 30, 2002	280,700	¥148,899	¥4,492	¥153,391
Cash Dividends declared			(4,492)	(4,492)
Net income			4,562	4,562
Balance as of December 31, 2002	280,700	148,899	4,562	153,461
Cash Dividends declared			(4,562)	(4,562)
Net income			4,313	4,313
Balance as of June 30, 2003	280,700	148,899	4,313	153,212
Cash Dividends declared			(4,313)	(4,313)
Net income			4,093	4,093
Balance as of December 31, 2003	280,700	¥148,899	¥4,093	¥152,992

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

NIPPON BUILDING FUND INC.

STATEMENTS OF CASH FLOWS

For the six months ended December 31, 2003 and June 30, 2003 and December 31, 2002

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 4,094	¥ 4,314	¥ 4,563
Depreciation and amortization	2,403	2,366	2,072
Amortization of deferred bond issue costs	27	27	6
Interest expense	782	679	585
Decrease (increase) in tenant receivables	24	(55)	78
Increase in accounts payable	2,252	85	334
Increase in rents received in advance	10	73	79
Cash payments of interest expense	(769)	(618)	(557)
Other, net	195	(105)	137
Net Cash Provided by Operating Activities	9,018	6,766	7,297
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(12,249)	(17,472)	(14,991)
Proceeds from tenant security deposits	2,621	2,914	2,979
Payments for tenant security deposits	(5,259)	(4,397)	(1,781)
Refunds from security deposits paid to lessors	25	21	6
Payments for security deposits paid to lessors	(6)	(10)	(9)
Payments for purchases of other assets	(68)	(42)	(42)
Net Cash Used in Investing Activities	(14,936)	(18,986)	(13,838)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	48,700	125,150	117,100
Repayment of short-term loans	(42,500)	(136,650)	(112,100)
Proceeds from long-term debt	1,000	30,000	5,000
Payments for deferred bond issue costs	-	(126)	-
Payment of dividends	(4,312)	(4,560)	(4,488)
Net Cash Provided by Financing Activities	2,888	13,814	5,512
Net Change in Cash and Cash Equivalents	(3,030)	1,594	(1,029)
Cash and cash equivalents at the beginning of the period	33,448	31,854	32,883
Cash and Cash Equivalents at the end of the period	¥ 30,418	¥ 33,448	¥ 31,854

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

NOTES TO FINANCIAL STATEMENTS

Nippon Building Fund Inc.

December 31, 2003, June 30, 2003 and December 31, 2002

Note 1 –Organization and Basis of Presentation

Organization

Nippon Building Fund Inc. (formerly: "Office Building Fund of Japan, Inc." The current name was adopted on March 14, 2003, hereinafter "NBF") was formed on March 16, 2001 as an investment corporation under 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. (formerly: "Office Building Fund Management Japan Limited", hereinafter "NBFM") acting as sponsors. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001.

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

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

As of December 31, 2003, NBF had ownership or beneficiary interests in 33 office properties containing approximately 358,940 rentable square meters of office space. As of December 31, 2003, NBF had leased office space to 511 tenants engaged in a variety of businesses. The occupancy rate for the Office Properties was approximately 92.3%.

Basis of Presentation

NBF maintains its records and prepares financial statements in Japanese yen and in accordance with the provisions set forth in the Investment Trust Law of Japan and the Securities and Exchange Law of Japan, and in conformity with accounting principles generally accepted in Japan. Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices. The accompanying financial statements have been translated from the audited financial statements that were prepared for Japanese domestic purposes from accounts and records maintained by NBF and were filed with Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. NBF does not prepare consolidated financial statements, as NBF has no subsidiaries.

In preparing the accompanying financial statements, certain reclassifications and modifications have been made in the financial statements issued domestically in order to present them in a form that is more

familiar to readers outside Japan. The statements of shareholders' equity and cash flows have been prepared for the purpose of inclusion in the accompanying financial statements, although such statements were not required for domestic purposes and were not filed with regulatory authorities.

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

Investments properties are recorded at cost, which included the allocated purchase price and related costs and expenses for acquisition of the office properties and the beneficiary interests of properties in trust. Property and equipment balances are depreciated using the straight-line method over estimated useful lives. The estimated useful lives of the buildings vary from 16 to 50 years. Costs related to the renovation, construction and improvement of properties are capitalized. Expenditures for repairs and maintenance which do not add to the value or prolong the useful life of a property, are expensed as incurred.

Deferred Bond Issue Costs

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

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. NBF is allocated the portion of the real estate taxes related to the period following the purchase date of each property through the end of the year and the equivalent amounts of those allocated portions are capitalized as part of the acquisition costs of the relative properties. Capitalized real estate taxes amounted to ¥19 million for the period ended December 31, 2003 and ¥96 million for the period ended June 30, 2003 and ¥13 million for the period ended December 31, 2002, respectively.

Revenue Recognition

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

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 – Schedule of Other Tangible Assets

Other tangible assets as of December 31, 2003 and June 30, 2003 consisted of the following:

	As of December 31, 2003			As of June 30, 2003		
	(Yen in millions)					
	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value
Structures	¥ 350	¥ (34)	¥ 316	¥ 314	¥ (16)	¥ 298
Machinery and equipment.	150	(7)	143	26	(3)	23
Tools, furniture and fixtures	16	(2)	14	4	(1)	3
Structures in trust	422	(111)	311	396	(96)	300
Machinery and equipment in trust	565	(155)	410	562	(123)	439
Tools, furniture and fixtures in trust	267	(116)	151	244	(97)	147
Construction in process.	7	-	7	178	-	178
Total	¥1,777	¥(425)	¥1,352	¥1,724	¥ (336)	¥ 1,388

Note 4 – Shareholders' Equity

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

Note 5 – 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 at December 31, 2003 and June 30, 2003 mainly ranging from 0.48% to 0.52% and from 0.48% to 0.52%, respectively. Long-term debt is fixed rates and as of December 31, 2003 and June 30, 2002 consisted of the following:

	(Yen in millions)	
	As of December 31, 2003	As of June 30, 2003
Unsecured loans due 2005 to 2012 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.2%	¥ 75,000	¥ 74,000
0.68% unsecured bonds due 2004	8,000	8,000
0.75% unsecured bonds due 2007	10,000	10,000
2.00% unsecured bonds due 2018	10,000	10,000
	103,000	102,000
Less: amount due within one year	8,000	8,000
	¥ 95,000	¥ 94,000

The annual maturities of long-term debt as of December 31, 2003 were as follows:

	(Yen in millions)
2004	¥ 8,000
2005	5,000
2006	15,000
2007	27,000
2008	13,000
Thereafter	35,000

During the period ended December 31, 2003, NBF obtained committed credit lines of ¥30 billion with

certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion at December 31, 2003.

Note 6 –Rental Revenues and Expenses

Rental revenues and expenses for the periods ended December 31, 2003, June 30, 2003 and December 31, 2002 were as follows:

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen in millions)		
Revenues from Property Leasing :			
Rental:			
Rental revenues	¥ 9,154	¥ 9,598	¥ 8,925
Common area charges.	1,254	1,448	1,404
Others.	68	65	37
Subtotal	10,476	11,111	10,366
Others:			
Parking lots.	284	281	255
Facility charge	60	61	59
Incidental income.	684	555	563
Cancellation fees.	938	213	585
Miscellaneous income	11	18	18
Subtotal	1,977	1,128	1,480
Total revenues from property leasing. . . .	12,453	12,239	11,846
Rental Expenses:			
Property management fee.	1,632	1,684	1,542
Real estate taxes	1,097	1,093	974
Repairs and maintenance	648	408	521
Insurance	46	47	47
Other rental expenses	1,065	950	875
Depreciation and amortization.	2,403	2,366	2,072
Total rental expenses.	6,891	6,548	6,031
Operating Income from Property Leasing Activities	¥ 5,562	¥ 5,691	¥ 5,815

Note 7 –Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was 0.02% for the periods ended December 31, 2003, June 30, 2003 and December 31, 2002, respectively. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
Statutory effective tax rate	39.39 %	39.39 %	39.39 %
Deductible dividends paid	(39.38)%	(39.38)%	(39.37)%
Others	0.01	0.01	0.00
Effective tax rate	0.02 %	0.02 %	0.02 %

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

Note 8– Per Share Information

Information about earnings per share for the periods ended December 31, 2003, June 30, 2003 and December 31, 2002 and net assets per share as of December 31, 2003 and June 30, 2003 was as follows.

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

	For the six months ended		
	December 31, 2003	June 30, 2003	December 31, 2002
	(Yen)		
Earnings per Share of Common Shares:			
Net income:	¥ 14,582	¥ 15,367	¥ 16,253
Weighted average number of common shares outstanding:	280,700	280,700	280,700
	As of	As of	
	December 31, 2003	June 30, 2003	
Net Assets Per Share.	¥ 545,038	¥ 545,823	

Note 9–Leases

NBF leases its real estate properties to outside parties under non-cancelable operating leases. As of December 31, 2003 and June 30, 2003, the future lease revenues under the non-cancelable operating leases are as follows:

	As of December 31, 2003	As of June 30, 2003
	(Yen in millions)	
Due within one year.....	¥ 7,940	¥ 6,609
Due after one year.....	17,609	18,390
Total.....	<u>¥ 25,549</u>	<u>¥ 24,999</u>

Note 10– Significant Subsequent Events

Cash distribution

As of February 10, 2004, the Board of Directors of NBF declared to effect payment of a cash distribution of ¥14,582 per share aggregating ¥ 4,093 million to shareholders of record on December 31, 2003.

Overview of Related Operating Entities

Summary of the Business Relationship

As an investment corporation, NBF undertakes management of funds obtained from investors by investing mainly in Real Estate etc. The following sets forth in general terms the business relationships related to the asset management with related operating entities and their businesses.

(1) Business Related to Asset Management and Real Estate etc. Acquisition

NBFM, as the asset management company of NBF, studies and determines whether or not to acquire Real Estate etc. as part of its asset management of NBF. NBFM is entitled to require that NBF Office Management Co., Ltd., as Property Acquisition Advisory Agent, provide advice concerning the acquisition of Real Estate etc. In order to perform such advice, the Property Acquisition Advisor is entitled to receive necessary materials etc. from Mitsui Fudosan Co., Ltd., as Property Acquisition Assistant Advisor.

When NBF acquires Real Estate etc., Mitsui Fudosan Co., Ltd., as Property Transfer Agent, will undertake supervision of the repair of existing defects and delivery of notifications etc. which must occur prior to the delivery of Real Estate etc., in advance of commencing the management of Real Estate etc. With the exception of a certain portion of such business, all such business will be entrusted to NBF Office Management Co., Ltd., as Property Transfer Sub-Agent.

(2) Business Related to Management etc. of Real Estate etc.

In the event that NBF acquires Real Estate etc., Mitsui Fudosan Co., Ltd., as Office Management Business Agent, will, upon an entrustment from NBF, undertake office management of said Real Estate etc.

In addition to above, while the trustee will possess managerial authority over any real estate held in trust, NBF, as beneficiary, will have certain rights to instruct, and the Office Management Business Agent, as agent and upon an entrustment from NBF, will perform on behalf of the trustee, such business concerning office management of such real estate held in trust.

Among Office Management Business concerning Real Estate etc. acquired by NBF, all business, excluding a certain portion of such business, will be entrusted to the Office Management Business Sub-Agent.

Furthermore, businesses such as acting as intermediary in the execution of leasing agreements including the delivery of information regarding the leasing market in general, possible relocation of existing tenants (vacancies), identification of prospective new tenants, maintaining custody of information regarding business opportunities will be conducted for the existing tenants by NBF Office Management Co., Ltd. etc. as Existing Tenant Intermediary Agent, and for other than existing tenants, by Mitsui Fudosan Co., Ltd. etc. as New Tenant Intermediary Agent.

(a) Nippon Building Fund Inc. ("NBF", an Investment Corporation)

Organization of NBF

The number of executive directors of NBF is one or more, and the number of supervisory directors is four or fewer (but always equal to the number of executive directors, plus a minimum of one additional supervisory director) (Articles of Incorporation).

As of December 31, 2003, the organs of NBF consisted of, in addition to the general meeting of the shareholders, two executive directors and four supervisory directors as well as a Board of Directors comprised of the executive directors and supervisory directors.

As of December 31, 2003, members of the Board of Directors of NBF were as set forth in the table below, each of which was reelected at the 3rd general meeting of NBF held on March 14, 2003 for 2 years terms commencing March 17, 2003.

Name of executive directors and supervisory directors	Title
Toshihiko Fukase	Executive Director
Koichi Nishiyama	Executive Director
Tadashi Niizawa	Supervisory Director
Tomio Hirota	Supervisory Director
Akira Nishizawa	Supervisory Director
Nobutoshi Kozuka	Supervisory Director

Note Koichi Nishiyama, Executive Director, is concurrently President & CEO of NBFM. No executive or supervisory director directly or indirectly holds any shares in NBF. Further, while some supervisory directors are concurrently officers in other corporations, there exist no conflicts of interest between said corporations and NBF.

General Meeting of Shareholders

Certain matters concerning NBF set forth in the Investment Trust Law of Japan or its Articles of Incorporation are determined by the general meeting of shareholders. The general meeting of shareholders of NBF is held once or more during each two year period. The time for convocation of a meeting is not fixed. The meetings are to take place in Chuo-ku or any neighboring ward in Tokyo. The general meeting of shareholders is to be convened by public notice at least two months prior to the date of meeting as well as by notice to be sent to each shareholder at least two weeks prior to such date (Article 91.1 of the Investment Trust Law of Japan). In principle, a resolution may be adopted by a majority of the voting rights of those present; provided, however, that with respect to certain material matters such as amendment of the Articles of Incorporation, a resolution must be adopted by two-thirds of the total voting rights (special resolution) of the shareholders present who represent a majority of all issued and outstanding shares.

Policies of asset management by NBF are set forth in its Articles of Incorporation. In order to change the policies of asset management set forth in the Articles of Incorporation, the Articles of Incorporation must be amended pursuant to the procedures for special resolutions set forth above.

NBF has entered into an Asset Management Entrustment Agreement with NBFM, an asset management company, and entrusted business such as managing the assets of NBF (herein "Managed Assets") to NBFM. In the event that NBFM is to terminate the Asset Management Entrustment Agreement, it must obtain the agreement of NBF, and in order for the executive directors to give such agreement, they must obtain the approval of the general meeting of shareholders. Also, in the event

NBF terminates the Asset Management Entrustment Agreement, it must, in principle, be determined by resolution of the general meeting of shareholders.

Executive Directors, Supervisory Directors and Board of Directors

In addition to executing the business of NBF, the executive directors, as representatives of NBF, are authorized to conduct any and all judicial or non-judicial acts in relation to the business of NBF except for executing asset management. However, certain acts such as agreeing to the termination by NBFM of the Asset Management Entrustment Agreement, convening the general meeting of shareholders, entrusting administrative affairs to the Administrative Agent, execution of an asset management entrustment agreement or asset custody entrustment agreement, or any other business undertaking set forth in the Investment Trust Law of Japan, need to be approved by the Board of Directors. The supervisory directors are authorized to supervise the business conduct of the executive directors. The Board of Directors has the authority to approve certain matters concerning business as stated above and also has such authority as is set forth in the Investment Trust Law of Japan and the Articles of Incorporation as well as the authority to supervise the business conduct of the executive directors. Resolutions of the Board of Directors will be adopted at a meeting at which a majority of directors comprising the Board of Directors is present and with the consent of the majority of such attending directors.

The rules of the Board of Directors of NBF stipulate that an executive director or supervisory director may not participate in a resolution in which such director has any specific interest, and that, in such case, such executive director or supervisory director will be excluded from the calculation of the number of executive directors and supervisory directors present.

Change of Directors

The term of office of the executive directors and supervisory directors is two years commencing upon their appointment; provided, however, that the term of office of an executive director or supervisory director who is appointed due to a vacancy or an increase in the number of directors will be the same as the remaining term of his predecessor or the concurrent directors (Articles of Incorporation).

The executive directors and supervisory directors are selected and appointed at the general meeting of shareholders (Articles 95 & 100 of the Investment Trust Law of Japan, Articles of Incorporation) except for those who are deemed selected and appointed upon the establishment of NBF based on the provisions of the Investment Trust Law of Japan (Article 72 of the Investment Trust Law of Japan, Articles of Incorporation).

Executive directors and supervisory directors may be removed by a special resolution of the general meeting of shareholders. If the motion for removal of an executive director or supervisory director is rejected in spite of the fact that there was material misconduct or violation of laws or the Articles of Incorporation with respect to the duties of such executive director or supervisory director, any shareholder representing 3% or more of the total issued and outstanding shares (and who has been a shareholder with respect to said shares for not less than six months) may, within thirty days of said resolution, submit a demand for the removal of such executive director or supervisory director to the court (Articles 99.1 & 104 of the Investment Trust Law of Japan, Article 257 of the Commercial Code of Japan).

Appointment of Third Parties

Under the Investment Trust Law of Japan, due to the legal requirement of external asset management, the Board of Directors of NBF has limited functions which include approving the commencement of any bond offering and the appointment of a Bond Trustee for any of NBF bonds, issuance of new shares, convocation of the general meeting of shareholders, termination of the Asset Management Entrustment Agreement (subject to approval by the general meeting of shareholders), financial documents, appointment of NBF administrative service provider, any agreements pertaining to asset management and asset custody, and any payment of fees, charges or other expenses pertaining to asset management and asset custody.

NBF is required under the Investment Trust Law of Japan to appoint third parties to undertake its management and administrative functions, including the management of its properties. Related operating entities to NBF means the asset management company that performs management of the assets of NBF, the Administrative Agent of NBF, the Asset Custodian, the Bond Trustee and so forth involved in the management of NBF, the names and related functions of which are set forth below.

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31 2003, 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 ((1) in the diagram on page 57) 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 ((2) in the diagram on page 57) .

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 ¥10,000million | 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 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, 2003	Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")

List of Shareholders (as of December 31 2003)

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

Directors and Staff

As of December 31, 2003 the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 14 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Kenji Iino	Director, Head of Investment & Finance Group (standing)
Satoru Yamanaka	Director, Head of Administration Group (standing)
Yasuo Kitagawa	Director
Tamotsu Shinyama	Director
Yoshinori Nishitsuji	Corporate Auditor
Noriaki Moromachi	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

Current as of March 31, 2003	Yen in thousands
Total Assets	1,055,131
Total Liabilities	183,892
Shareholders' Equity	871,238

Profit & Loss for the Most Recent Fiscal Year

First Fiscal Year	
From: April 1, 2002	
To: March 31, 2003	Yen in thousands
Operating Income	1,129,810
Ordinary Profit	574,692
Net Income	318,834

(c) The Chuo Mitsui Trust and Banking Co., Ltd. (Manager of General Administration regarding Share Transfers and General Asset Custodian)

The Chuo Mitsui Trust and Banking Co., Ltd. performs commercial banking and trust business pursuant to the Bank Act and the Trust Law in Japan. As of September 30, 2003 the Bank had paid-in capital of ¥351 billion. As of December 31, 2003, the Bank owned 2,000 shares of NBF. There are no concurrent directorships with NBF.

Operation

- acting as a Transfer Agent pursuant to a Share Transfer Entrustment Agreement ((3) in the diagram on page 57), based on an entrustment from NBF, creates, controls and maintains the Shareholder Registry and Beneficial Shareholder Registry, transfers names of owners of shares, delivers investment share certificates, prepares convocation notices for the general meeting of shareholders and performs other administration work concerning the procedures for the calculation and payment of cash distributions as well as the issue of new shares etc.
- acting as an Asset Custodian pursuant to an Asset Custody Agreement ((4) in the diagram on page 57) and based on an entrustment from NBF, undertakes custody of written documents, including documents required to prove ownership of assets owned by NBF, such as real estate registration documents, beneficiary certificates, contracts, securities and other certificates and instruments and other documents.

(d) Heisei Kaikeisya Tax. Co. (Formerly: Akira Sugai of Heiseikaikeisha Accounting Office)(General Agent Concerning Accounting Business Etc.)

Heisei Kaikeisya Tax. Co. is an Accounting Office. There is neither a capital relationship nor any concurrent directorships with NBF.

Operation

- acting as an Accounting Agent pursuant to a General Accounting Business Entrustment Agreement ((5) in the diagram on page 57) and based on an entrustment from NBF, undertakes the preparation of financial and accounting documents and tax-related affairs.

(e) Mitsui Fudosan Co., Ltd. (Office Management Business Agent, Property Acquisition Assistant Advisor, Property Transfer Agent and New Tenant Intermediary Agent)

Mitsui Fudosan Co., Ltd. performs comprehensive real estate business, such as real estate development, leasing, sales of housing, office building and land, brokerage and so forth. As of September 30, 2003, Mitsui Fudosan had paid-in capital of ¥134 billion. As of December 31, 2003, Mitsui Fudosan owned 16,200 shares of NBF. There are no concurrent directorships with NBF.

Operation

- based on Office Management Agreements ((6) in the diagram on page 57) concluded with respect to office property(ies), performs Office Management Business concerning Real Estate Real Estate etc. acquired by NBF.

Excluding a portion of such business, entrusts all business (herein "Subcontracted Office Management Business ") to NBF Office Management Co., Ltd. ((7) in the diagram on page 57)

(Note) Office Management

"Office Management", as defined by Mitsui Fudosan group, means the active and fully-integrated management of office properties,. "Office Management Business" is collectively defined to include profit management, interfacing with tenants, planning renovations, emergency management and so forth concerning Real Estate etc. acquired by NBF as well as real estate held in trust, providing instructions to trustees, and similar trust representative business including the provision of accounting support.

- based on a Supplemental Property Acquisition Advisory Agreement ((11) in the diagram on page 57) assists NBF Office Management Co., Ltd. in performing Property Acquisition Advisory Business including preparation and gathering of documents, conducting investigations etc. as required for undertaking the Property Acquisition Advisory Business for NBFM (hereinafter "Supplemental Property Acquisition Advisory Business").
- based on a Property Transfer Agency Business Agreement ((8) in the diagram on page 57) when NBF acquires Real Estate etc., in order to avoid thereafter hindering the entrustment of management of real estate and having received a request from NBF, undertakes supervision of the repairs of existing defects etc. and delivery of notifications etc. which must occur prior to the delivery of real estate, in advance of commencing the management of real estate.
- excluding a portion of such business, entrusts all Property Transfer Agency Business (herein "Subcontracted Property Transfer Agency Business") to NBF Office Management Co., Ltd. ((9) in the diagram on page 57)
- based on a New Tenant Intermediary Business Agreement ((13) in the diagram on page 57), acts as an intermediary concerning the execution of leasing agreements (hereinafter "New Tenant Intermediary Business") including delivery of information regarding the leasing market in general, and possible relocations of potential tenants other than existing tenants to, NBF.

Fees for the Office Management Operation

Entrustment Business Fees

The total amount of both fees described below payable pursuant to each Office Management Agreement, which in the case of real estate is paid by NBF, and in the case of real estate held in trust, is paid from the trust assets related to the real estate held in trust.

- 2.5% effective from July 1,2003 of revenue arising from each item of 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);

- 3% of net operating income before deduction of Entrustment Business Fees and amount of depreciation (hereinafter “Adjusted NOI”); provided, however, that income from the sale of Real Estate etc. and other Managed Assets is excluded herefrom; and further provided that notwithstanding the foregoing, if Adjusted NOI becomes zero or negative, no fees based on Adjusted NOI will be payable.

Construction Supervision Fees

In the event that the Office Management Business Agent prepares plans and undertakes supervision of building-maintenance construction or tenant improvements and large-scale renovation, construction supervision fees calculated per instance in accordance with construction cost (before consumption tax) as described below will be payable.

- No Fees for construction cost less than ¥0.5 million
- Fees of 5% of construction cost from ¥0.5 million up to and excluding ¥10 million
- Fees of ¥0.5 million plus 3% of construction cost from ¥10 million up to and excluding ¥100 million

Note Construction supervision fees will be determined on a case-by-case basis pursuant to separate discussions regarding execution of extraordinarily large-scale renovation with respect to supervision of planning and construction, negotiations with tenants, neighborhood and administration agency concerning the execution of construction projects which are considered to be very large compared to ordinary construction projects, including construction cost exceeding ¥100 million.

Transfer Supervision Fees

If NBF or the Trustee entrusts supervision of management of assets to the Office Management Business Agent as representative of the seller of Real Estate etc., Transfer Supervision Fees (including costs of preparation to conduct leasing business), being the amount equivalent to the actual costs of supervision of the delivery of documents etc., will be paid as separately determined by discussions.

(f) NBF Office Management Co., Ltd. (Office Management Business Sub-Agent, Agent for Vicarious Execution of Office Business, Property Transfer Sub-Agent, Existing Tenant Intermediary Agent and Property Acquisition Advisor, herein "NBFOM")

NBFOM engages solely in businesses concerning office management of NBF and is a 100% owned subsidiary of Mitsui Fudosan Co., Ltd. as of December 31, 2003. As of September 30, 2003, NBFOM had paid-in capital of ¥10,000,000. There is neither a capital relationship nor any concurrent directorships with NBF.

Operation

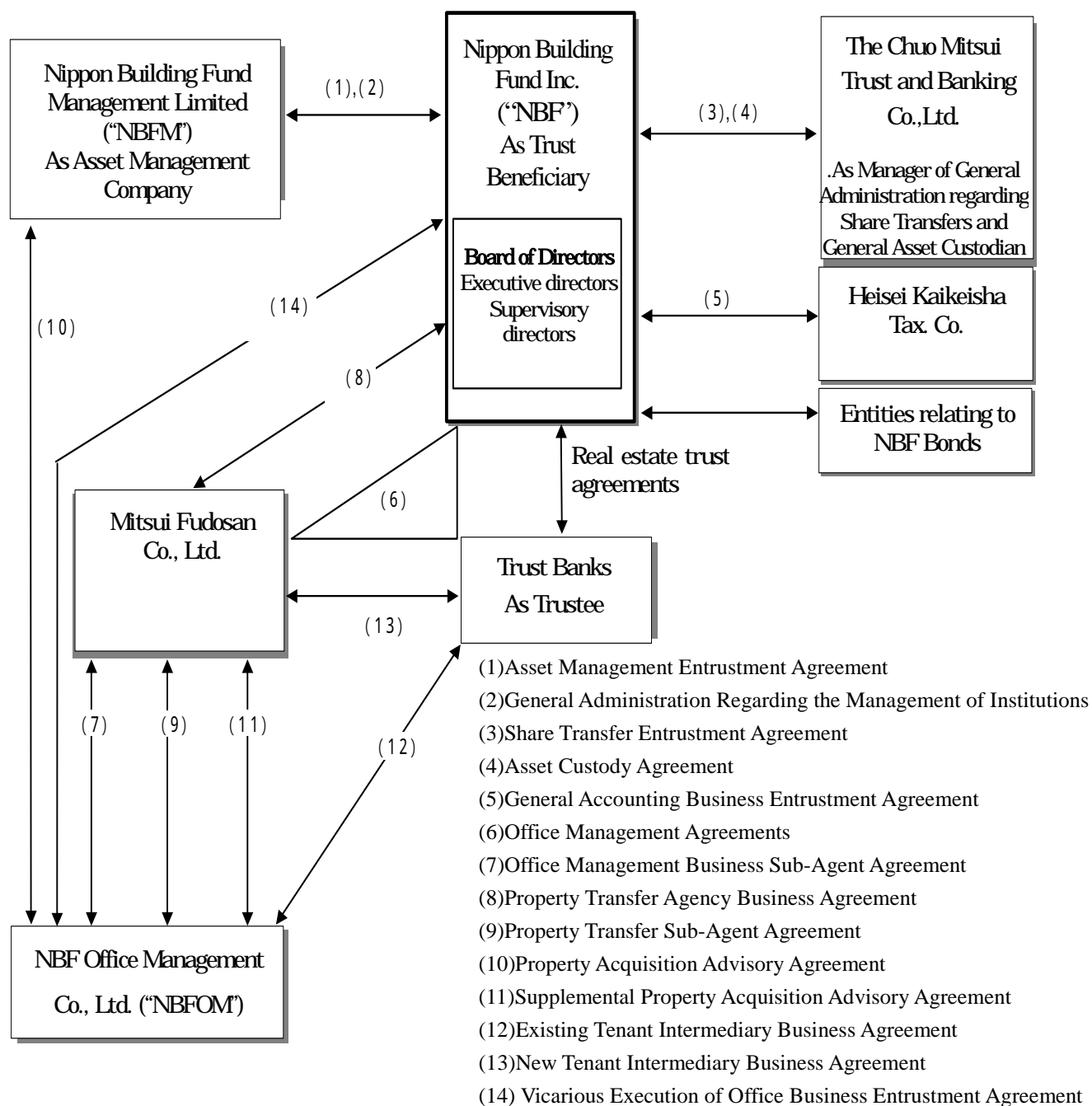
- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to an Office Management Business Sub-Agent Agreement ((7) in the diagram on page 57), performs Subcontracted Office Management Business (as defined below)

- based on a Vicarious Execution of Office Business Entrustment Agreement ((14) in the diagram on

page 57) concluded with respect to office property(ies) for which certain Office Management Business activities have not been entrusted to third parties, performs said Office Business Management activities in lieu of the owners and lessors of said buildings.

- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to a Property Transfer Sub-Agent Agreement ((9) in the diagram on page 57), performs subcontracted Property Transfer Agency Business (as defined below)
- based on an Existing Tenant Intermediary Business Agreement ((12) in the diagram on page 57), acts as an intermediary concerning the execution of leasing agreements, including delivery of information regarding Real Estate etc. acquired by NBF to existing tenants and regarding possible relocations of, or expansions of leased space occupied by, existing tenants to NBF (Existing Tenant Intermediary Business).
- based on a Property Acquisition Advisory Agreement ((10) in the diagram on page 57), when NBFM is to acquire Real Estate etc., advises NBFM concerning study and determination of the acquisition of such Real Estate etc.

Diagram of Related Operating Entities



Note:

This diagram indicates, in the event that NBF holds real estate held in trust, the principal contractual relationships and entities. In the event NBF directly holds real estate, the parties to contracts (6) and (13) are NBF and Mitsui Fudosan Co., Ltd., and as for contract (12), NBF and NBFOM. In the case of other forms of ownership, the contracts and their parties (entities) may vary.

With respect to contracts and entities not included in this diagram, for example, building security and maintenance etc., the Property Maintenance Company will perform pursuant to a Property Maintenance Agreement. In the event that NBF acquires real estate directly, said agreement will be by and among the Property Maintenance Company, NBF and NBFOM. In the event NBF acquires real estate held in trust, the agreement will be by and among Trust Banks as Trustee, the Property Maintenance Company and NBFOM.

Appendix

Investment Objectives

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

A. Principal Investment Objectives among Designated Assets

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

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

B. Other Investment Objects among Designated Assets

NBF may, for the purpose of efficiently managing surplus funds, invest in the following Designated Assets.

- (1) Bank deposits.
- (2) Call loans.
- (3) Japanese Government Bonds, Notes and Bills
- (4) Regional Treasury Bonds, Notes and Bills
- (5) Commercial Paper
- (6) Designated Bonds of Special Purpose Companies (meaning those specified in Article 2.1.3.2 of the Securities and Exchange Law of Japan; provided, however, that this is limited to asset-backed securities principally referred to in paragraphs (1) and (2) of section (a) above).
- (7) Monetary Claims (excluding those subject to the provisions of Paragraphs 1, 12 and 14 of Article 3 of the government ordinance regarding the Investment Trust Law of Japan).
- (8) Beneficiary Certificates of Money Trust invested and managed for the purpose of any of the foregoing items.

Moreover, in order to avoid risks of fluctuation in the prices of the Managed Assets as well as risks of fluctuations in interest rates, futures transactions, option transactions, swap transactions and forward rate transactions with respect to Japanese interest rates may be undertaken.

C. Assets other than Designated Assets

NBF may, for the purpose of efficiently managing surplus funds, invest in Certificates of Deposit issued by Japanese legal entities. Moreover, NBF may invest in equity interests of voluntary partnerships as defined by Article 667 of the Civil Code of Japan associated with investment in real estate, lease rights or superficies (but limited to investment in partnerships established with contributions of real estate, lease rights or superficies and having the objective of leasing, operating and managing etc. the same).

D. Investment in Ordinary Securities

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

Investment Restrictions

- A. The investment restrictions specified in the Articles of Incorporation and the asset management guidelines applicable to NBF.

Investment Location and Currencies

NBF will invest neither in real estate located outside of Japan nor in assets denominated in non-Japanese currencies ("Investment Objects and Policies", Articles of Incorporation). Please also refer to "Investment Policies of NBF 1. Basic Investment Policies B. Investment Strategy" herein.

Subscription and Margin Trading of Securities

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

Borrowing

See "Investment Policies of NBF 1. Basic Investment Policies B. Investment Strategy (5) Financial Policies"

Concentration of investment

There is no limitation on concentration of investment. See "Investment Policies of NBF 1. Basic Investment Policies B. Investment Strategy (2) Strategy for Creation of the Portfolio".

Investment in Other Funds

See "Appendix Investment Objects A. Principal Investment Objects amongst Designated Assets".

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

Investment in Assets Lacking Liquidity

There is no limitation on investment in assets lacking liquidity.

Compliance with Laws and Regulations

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

B. Compliance with the Investment Trust Law of Japan

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

Reciprocal Transactions with Investment Corporations (§ 34.3.1.5)

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

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

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

Transactions for the benefit of Third Parties (§ 34.3.1.6)

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

Transactions Harmful to the Interests of NBF (§ 34.3.1.7)

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

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

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

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

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

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

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

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

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

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

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

Restrictions of Transactions with Interested Parties

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

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

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

- g) 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.

(2) 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.

Nippon Building Fund Inc.

Corporate Data

Corporate Office:	7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810 http://www.nbf-m.com/nbf/_e
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding as of December 31, 2003: ¥148,899 million 280,700 shares
Shareholders:	12,777 (As of December 31, 2003)
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Public Accountants:	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. 7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810

This document contains translations of selected information described in the Securities Report (Yuka shoken hokokusho) filed on March 23, 2004 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2003 to December 31, 2003, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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Nippon Building Fund Inc.