

NBF Report Jan.-June. 2003

4th Period

From : January 1, 2003

To : June 30, 2003



Nippon Building Fund Inc.

7-2, Yaesu 2-chome, Chuo-ku, Tokyo, Japan <http://www.nbf-m.com/nbf/>

Table of Contents

	Pages
Introduction	1
Portfolio Snapshot	2
Related Entities of NBF	11
I Performance Information Report	13
Investment Performance Overview	14
Overview of NBF	20
Outline of Investment Portfolio	24
Capital Expenditures	32
Expenses regarding Entrustment etc.	33
Trading Activities during the Current Period	34
II Financial Statements	37
Corporate Data	Back cover



The preparation of this report reflects the most recent six-month accounting period of NBF (ended June 30, 2003). The report with respect to the third period (ended December 31, 2002) includes a "Message from NBFM to the NBF Shareholders" as well as information concerning "Related Entities of NBF", "Investment Policies of NBF", "Distribution Policies of NBF", "Overview of Related Operating Entities", "Investment Objects and Investment Restrictions", which are excluded herefrom (and from any even-numbered period report) but are available by reference to NBF's previous period report.

This document contains translations of selected information described in the Securities Report (yuka shoken hokokusho) filed on September 26, 2003 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2003 to June 30, 2003, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

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



Introduction

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 and 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.



Portfolio snapshot

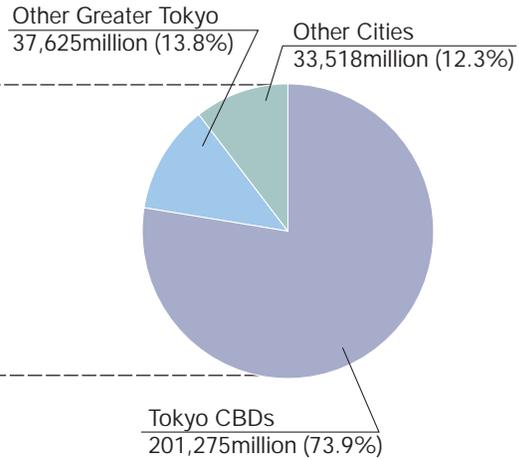
Asset allocation

Total Assets ¥307,688 mil.



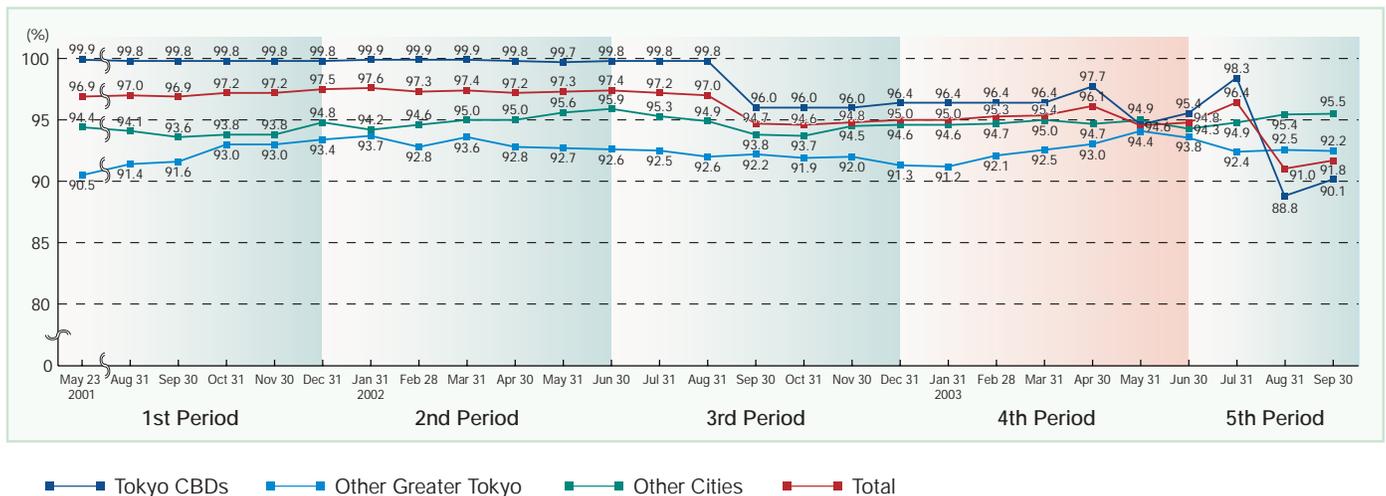
Regional allocation

Total Real Estate etc. ¥272,419 mil.



Note: Figures above are based on the book value as of June 30, 2003.

Occupancy rate



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

Acquisition

NBF acquired the following property on September 30, 2003. An overview of the property as of October 31, 2003 is as follows.

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:	Steel-framed reinforced concrete building, Flat roof 12 above ground floors, 1 below ground floor
Completion:	November 12, 1991
Number of tenants:	20
Rentable area:	5,693.49m ²
Leased area:	4,813.75m ²
Occupancy rate:	84.5%

NBF acquired the following property on November 5, 2003. An overview of the property as of its date of acquisition is as follows.

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:	Kita 8-jo, Nishi 3-chome, Kita-ku, Sapporo, Hokkaido
Site area:	4,759.69m ² in which NBF holds an interest of 23.2%.
Floor area of building:	Gross floor area of the entire building:32,601.54m ² Floor space of divided condominium interests of NBF:8,127.54m ²
Structure:	Steel-framed reinforced concrete building, Flat roof 13 above ground floors, 1 below ground floor
Completion:	March 7, 2003
Number of tenants:	11
Rentable area:	8,451.60m ²
Leased area:	8,451.60m ²
Occupancy rate of NBF's interest:	100%



Location of Office Properties

Tokyo CBDs

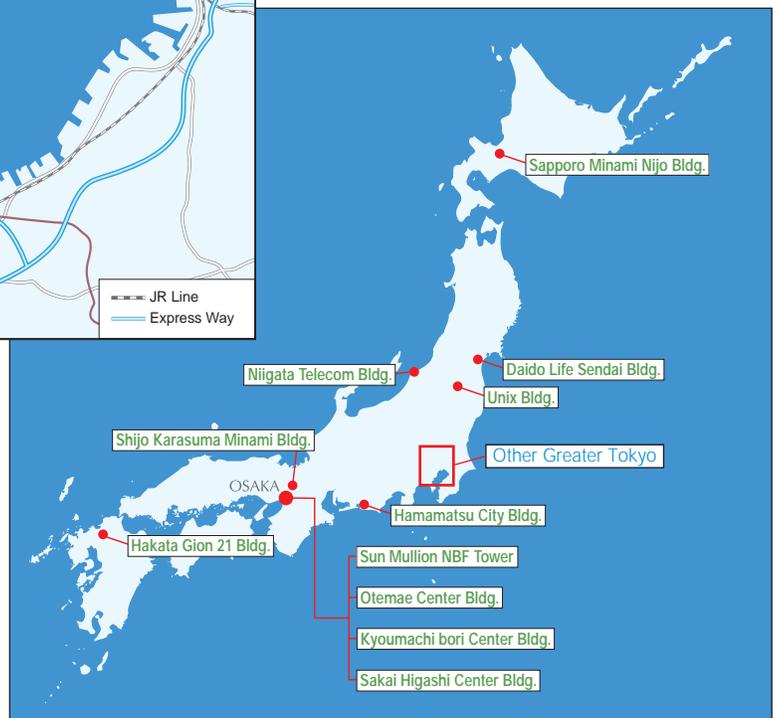


(*)Note: Effective July 1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.

Other Greater Tokyo



Other Cities





Tokyo CBDs



JFE Bldg. _____ (former NKK Headquarters' Bldg.)

Location : 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo
 Site area : 5,495.49m²
 Floor area of building : 62,949.13m²
 Structure : Above ground: 18 floors, below ground 4 floors
 Completion : June 1974



GSK Bldg. _____

Location : 6-15, Sendagaya 4-chome, Shibuya-ku, Tokyo
 Site area : 5,335.28m²
 Floor area of building : 29,137.86m²
 Structure : Above ground: 18 floors, below ground 4 floors
 Completion : November 1990



Shiba NBF Tower _____

Location : 1-30, Shiba Daimon 1-chome, Minato-ku, Tokyo
 Site area : 6,475.44m²(*)
 Floor area of building : 44,437.17m²
 Structure : Above ground: 18 floors, below ground 3 floors
 Completion : October 1986

(*)Note: NBF has leasehold right in trust for most of the land underlying of the building.



Naka-Meguro GT Tower _____

Location : 1-1, Kami-Meguro-2-chome, Meguro-ku, Tokyo
 Site area : 6,971.15m²(*)
 Floor area of building : 56,171.33m²(*)
 Structure : Above ground: 25 floors, below ground 3 floors
 Completion : March 2002

(*)Note: NBF owns 46.9% of the site area. Ownership interest is floors B1, B2 and 14-25 of (office) building.



Shinjuku Mitsui Bldg. No.2 _____

Location : 2-11, Nishi Shinjuku 3-chome, Shinjuku-ku, Tokyo
 Site area : 2,980.64m²
 Floor area of building : 27,685.90m²
 Structure : Above ground: 18 floors, below ground 4 floors
 Completion : October 1983



Kowa Nishi Shinbashi Bldg. B _____

Location : 14-1, Nishi Shinbashi 2-chome, Minato-ku, Tokyo
 Site area : 2,449.40m²(*)
 Floor area of building : 20,180.42m²(*)
 Structure : Above ground: 16 floors, below ground 2 floors
 Completion : August 1994

(*)Note: Condominium ownership of the building (partly co-owned interest thereof). NBF owns approx.83% of the entire building.



Nippon Steel Bldg. No.2

Location : 31-1, 31-7, 20-15, Shinkawa 2-chome, Chuo-ku, Tokyo
 Site area : 4,307.41m²(*)
 Floor area of building : 25,938.79m²(*)
 Structure : Above ground: 15 floors, below ground 2 floor
 : Above ground: 10 floors, below ground 1 floor
 Completion : November 1989

(*)Note: This property consists of the East and Malson New River Building (site area of 2,775.23m²; floor area of 17,586.10m²) and the West Building (site area of 1,532.18m²; floor area of 8,352.69m²). The figures stated above as "Site area" and "Floor area" are total figures.



Mita City Bldg. (*)

Location : 12-15, Mita 3-chome, Minato-ku, Tokyo
 Site area : 1,458.95m²
 Floor area of building : 9,185.13m²
 Structure : Above ground: 12 floors, below ground 1 floor
 Completion : June 1991

(*)Note: Effective July1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.



Nihonbashi Muro-machi Center Bldg.

Location : 2-15, Nihonbashi Muro-machi 3-chome, Chuo-ku, Tokyo
 Site area : 3,097.74m²(*)
 Floor area of building : 23,019.01m²(*)
 Structure : Above ground: 12 floors, below ground 1 floor
 Completion : October 1986

(*)Note: Ownership interest is of floors 6-12 of the building. Above figures for floor area are for the entire building.



Shinjuku Yocho-machi Bldg.

Location : 10-10, Yocho-machi, Shinjuku-ku, Tokyo
 Site area : 1,984.82m²
 Floor area of building : 7,185.38m²
 Structure : Above ground: 7 floors, below ground 1 floor
 Completion : January 1989



Takanawa 1-chome Bldg.

Location : 3-13, Takanawa 1-chome, Minato-ku, Tokyo
 Site area : 2,618.77m²
 Floor area of building : 12,847.59m²
 Structure : Above ground: 9 floors
 Completion : November 1987



Nishi-shinjuku Mitsui Bldg.

Location : 24-1, Nishi-shinjuku 6-chome, Shinjuku-ku, Tokyo
 Site area : 10,014.02m²(*)
 Floor area of building : 84,634.02m²(*)
 Structure : Above ground: 27 floors, below ground 2 floor
 Completion : April 1999

(*)Note: The figures given for "Site area" and "Floor area" above indicate the total site area and total floor area of this property. NBF owns 3.7% of the site area. An office building (the Nishi-Shinjuku Mitsui Building) and a residential building are located on this site. NBF owns the 18th floor of the office building (1,558.18m²), which represents 4.1% of the exclusive use area of the office building.



Other Greater Tokyo



Nakano-Sakaue Sunbright Twin

Location : 46-1, Honcho 2-chome, Nakano-ku, Tokyo
 Site area : Size of total site 10,331.90m²
 Floor area of building : Floor space of divided condominium interests are 10,955.90m² and 984.32m² respectively , out of the gross floor area of the entire building: 63,396.95m²(including common areas)
 Structure : Steel-framed reinforced concrete building, Flat roof
 Above ground: 30 floors, below ground: 2 floors
 Completion : September 1996



Daido Life Omiya Bldg.

Location : 23-1, Kishiki-cho 1-chome, Omiya-ku, Saitama, Saitama
 Site area : 1,290.21m²
 Floor area of building : 6,155.16m²
 Structure : Above ground: 8 floors
 Completion : October 1991



Yokohama ST Bldg.

Location : 11-15, Hokko1-chome, Nishi-ku, Yokohama, Kanagawa
 Site area : 6,348.45m²(*)
 Floor area of building : 42,568.77m²(*)
 Structure : Above ground: 18 floors, below ground 2 floors
 Completion : October 1987

(*)Note: Co-ownership of 75% of the site and floor area.



Matsudo City Bldg.

Location : 18-4, Hon-cho, Matsudo, Chiba
 Site area : 1,064.25m²
 Floor area of building : 6,386.17m²
 Structure : Above ground: 8 floors
 Completion : August 1992



Tsukuba Mitsui Bldg.

Location : 6-1, Takezono 1-chome, Tsukuba, Ibaraki
 Site area : 6,280.82m²
 Floor area of building : 26,266.10m²
 Structure : Above ground: 19 floors, below ground 2 floors
 Completion : March 1990



Inage Kaigan Bldg.

Location : 23-2, Takasu 3-chome, Mihama-ku, Chiba, Chiba
 Site area : 1,884.29m²
 Floor area of building : 7,175.12m²
 Structure : Above ground: 7 floors
 Completion : November 1992

Other Cities



Sapporo Minami Nijo Bldg.

Location : 18-1, Minami Nijo Nishi 2-chome, Chuo-ku, Sapporo, Hokkaido
 Site area : 970.42m²
 Floor area of building : 8,149.78m²
 Structure : Above ground: 9 floors, below ground 2 floors
 Completion : November 1990



Niigata Telecom Bldg.

Location : 4-27, Bandai 4-chome, Niigata, Niigata
 Site area : 2,385.83m²
 Floor area of building : 14,146.71m²
 Structure : Above ground: 10 floors
 Completion : May 1989



Daido Life Sendai Bldg.

Location : 16-10, Honcho 2-chome, Aoba-ku, Sendai, Miyagi
 Site area : 1,658.99m²
 Floor area of building : 10,585.42m²
 Structure : Above ground: 14 floors, below ground 1 floor
 Completion : June 1987



Hamamatsu City Bldg.

Location : 312-32, Denmachi, Hamamatsu, Shizuoka
 Site area : 1,144.81m²
 Floor area of building : 6,931.30m²
 Structure : Above ground: 9 floors
 Completion : December 1990



Unix Bldg.

Location : 6-6, Sakae-cho, Fukushima, Fukushima
 Site area : 3,112.75m²
 Floor area of building : 23,420.12m²
 Structure : Above ground: 11 floors, below ground 2 floors
 Completion : September 1994



Sun Mullion NBF Tower

Location : 6-12, Minami-Honmachi 2-chome, Chuo-ku, Osaka, Osaka
 Site area : 2,150.36m²
 Floor area of building : 23,755.80m²
 Structure : Above ground: 22 floors, below ground: 2 floors
 Completion : January 1996



Sakai Higashi Center Bldg.

Location : 3-17, Kita Kawara-machi 1-cho, Sakai, Osaka
Site area : 1,978.53m²
Floor area of building : 7,294.35m²
Structure : Above ground: 8 floors
Completion : June 1991



Shijo Karasuma Minami Bldg.

Location : 167, Dojishacho, Karasuma Nishi-iru, Ayanokoji, Shimogyo-ku, Kyoto, Kyoto
Site area : 761.21m²
Floor area of building : 5,792.21m²
Structure : Above ground: 9 floors, below ground 1 floor
Completion : September 1991



Otemae Center Bldg.

Location : 2-15, Otemae 1-chome, Chuo-ku, Osaka, Osaka
Site area : 1,038.25m²
Floor area of building : 7,580.74m²
Structure : Above ground: 13 floors, below ground 1 floor
Completion : June 1992



Hakata Gion 21 Bldg.

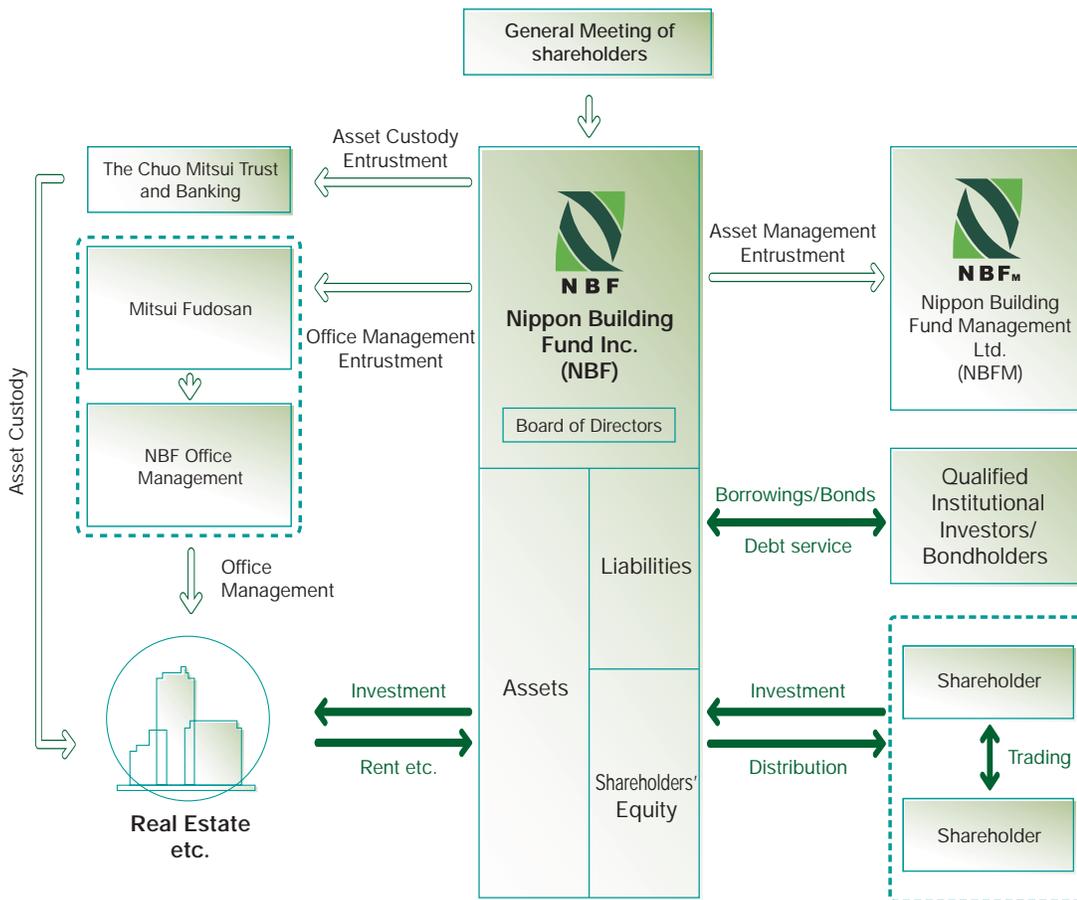
Location : 2-1, Gion-cho, Hakata-ku, Fukuoka, Fukuoka
Site area : 1,394.88m²
Floor area of building : 7,477.69m²
Structure : Above ground: 9 floors
Completion : April 1993



Kyoumachibori Center Bldg.

Location : 17-16, Kyoumachibori 1-chome, Nishi-ku, Osaka, Osaka
Site area : 530.21m²
Floor area of building : 3,919.95m²
Structure : Above ground: 10 floors, below ground 1 floor
Completion : April 1987

Related Entities of NBF



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.
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd.
Accounting Agent	HEISEIKAIKEISHA Tax Co.
Administrative Agent	Nippon Building Fund Management Ltd.("NBFM")



Performance Information Report

Investment Performance Overview

Financial Highlights

Performance Review for the Current Period

Management Discussion on Investment Policy and Outlook

Overview of NBF

Distribution for the Current Period

Capitalization

Major Shareholders

Categories of Shareholders

Outline of Investment Portfolio

Portfolio Summary

Selected Data by Property

Selected Office Leasing Data by Property

Selected Financial Data by Property

Major Tenants Roster

Other Assets

Capital Expenditures

Planning

Capital Expenditures for the Current Period

Cash Reserve for Capital Improvements

Expenses regarding Entrustment etc.

Trading Activities during the Current Period

Trading of Real Estate and Real Estate held in Trust

Trading of Other Assets Including Total Amount and Transactions

Related Parties Transactions

1. Investment Performance Overview

1. Financial Highlights

		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
(Yen in millions, except per share data or where otherwise indicated)				
Operating revenues		¥12,239	¥11,846	¥ 11,259
Revenues from property leasing		12,239	11,846	11,259
Operating expenses		7,196	6,656	6,252
Rental expenses		6,548	6,031	5,623
Income before income taxes		4,314	4,563	4,493
Net income	(a)	4,313	4,562	4,492
Total assets	(b)	307,688	290,725	278,976
Total shareholders' equity ('Net assets')	(c)	153,212	153,461	153,391
Contributed capital		148,899	148,899	148,899
Total amount of cash distribution	(e)	4,313	4,562	4,492
Total number of common shares issued (shares)	(d)	280,700	280,700	280,700
Net assets per share (Yen)	(c) / (d)	545,823	546,710	546,460
Distribution per share (Yen)	(e) / (d)	15,367	16,253	16,003
Distribution of accumulated earnings per share (Yen)		15,367	16,253	16,003
Distribution in excess of accumulated earnings per share (Yen)		-	-	-
Return on total assets	Note 2	1.44% (2.88%)	1.60% (3.20%)	1.68% (3.35%)
ROE	Note 2	2.81% (5.63%)	2.97% (5.95%)	2.92% (5.84%)
Capital ratio	(c) / (b)	49.8%	52.8%	55.0%
Payout ratio	(e) / (a)	100.0%	99.9%	100.0%
Number of days	Note 2	181	184	181
Other supplementary data :				
Number of investment properties	Note 4	29	28	26
Number of tenants	Note 4	446	441	448
Total rentable square meters		340,497	322,344	303,485
Occupancy rate	Note 4	94.8%	95.0%	97.4%
Depreciation and amortization		2,366	2,072	1,947
Capital expenditures		1,167	368	454
NOI from property leasing activities	Note 2	8,057	7,886	7,583
FFO per share (Yen)	Note 2	23,794	23,635	22,938

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. Performance Review for the Current Period

About NBF and NBFM

Nippon Building Fund Inc. (formerly “Office Building Fund of Japan, Ltd.” and 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 with Mitsui Fudosan Co. Ltd., The Chuo Mitsui Trust and Banking Co. Ltd. and NBFM (at the time known as “MF Asset Management Co., Ltd”) acting as founders. 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 investment corporation. NBFM, acting as NBF’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Mitsui Fudosan Co., Ltd. and Sumitomo Life Insurance Company own 43% and 35% respectively of NBFM with the remaining 22% mainly owned by financial institutions.

(a) Investment Climate and Operating Performance

Although general industry earnings showed some signs of recovery, the Japanese economy continued to be stagnant during the current period. The employment situation was still severe, capital expenditures by companies as well as personal consumption continued to slump and housing construction and public investment remained weak as a whole. Deflationary trends are prolonged and continuing uncertainty of the U.S. economy affected the Japanese economy.

In the office building rental market, under the condition of depressed demand for new office space, newly constructed office buildings resulting from large-scale development in the areas of Shiodome, Roppongi and the east entrance of the Shinagawa station, etc. accelerated the oversupply of new office space causing higher vacancy rates and lower rent levels in the Tokyo CBDs, which had been relatively stable. Furthermore, occupancy rates continued to fall in most areas of Other Greater Tokyo and Other Cities due to overall weak demand. However, asset sale transactions in the office property market occurred in anticipation of financial restructuring of companies, disposal of bad loans by financial institutions and adoption of “Accounting Standards for Impairment of Fixed Assets” under Japanese GAAP in near future.

In response to this environment, NBF has managed its assets based on the policy of investing in highly desirable office properties which are competitive in terms of location, size and equipment specifications. NBF focuses on attracting prime tenants to provide relatively stable cash flows and decreased risk of sudden decline in asset valuation.

In accordance with the abovesaid policy, NBF has made stringent selections based on analysis of an enormous amount of property information. NBF acquired the Naka-Meguro GT Tower (a condominium interest, the acquisition price of approximately ¥13,760 million being based on the sale and purchase agreement, hereinafter the same) in February 2003, and additional beneficial trust interests in the Tsukuba Mitsui Building (25% of total beneficial interests was acquired at a price of approximately ¥2,010 million. As a result of this transaction, NBF’s interest in the Tsukuba Mitsui Building increased from 75% to 100%, NBF now owns it in fee simple). NBF’s office portfolio at the end of the current period consisted of 29 office properties representing a total investment of approximately ¥276,000 million and comprising total rentable area of approximately 340,000 square meters (approximately 103,000 tsubo).

In addition, the construction of the Sapporo L-Plaza property in which NBF decided to acquire a condominium interest in December 2002, was completed in March 2003, for an anticipated price of approximately ¥3,190 million. This transaction is expected to close in November 2003 as initially scheduled. The occupancy rate of this property at the end of the current period was 100%.

In the existing portfolio, the lease contract with the tenant of the Nippon Steel Building No.2 was converted to a fixed term lease contract. NBF also concluded a full-scale, high-spec renovation of vacated premises and took advantage of the mutually-agreed termination of contracts with large tenants in the Shiba NBF Tower and the Mita City Building by positively pursuing new tenants. Acquisition of successor tenants proceeded smoothly; the entire Mita City Building was leased by a new tenant in July 2003 and the name of the building changed to Sumitomo Densetsu Building at the same time. The occupancy rate for NBF's portfolio as a whole remained high level at 94.8% at the end of the current period.

Further, while continuing proper building maintenance standards, NBF continued to cut leasing operational costs by reviewing and in some cases changing building maintenance companies through competitive bidding as well as by revising the provisions of the contracts with such companies. NBF's target was to achieve a 10% reduction in costs for the 24 properties it then owned at the time of first listing during the following two-year period (2002 and 2003). On a contract by contract basis, costs had been reduced by approximately 20%, even more than original target at the end of the current period.

(b) Outline of Funding

Regarding funding through interest-bearing obligations such as loans etc., NBF intends to exercise financial prudence by focusing on highly flexible unsecured non-guaranteed bank loans (such interest-bearing obligations comprised 41.9% of total assets at the end of the current period). Also, as the result of an aggressive program of replacing short-term loans with long-term fixed interest loans, the portion of interest-bearing obligations represented by long-term loans at the end of the current period was 72.9%. NBF has the objective of minimizing risks of future increases in interest rates, as well as issuing bonds in order to diversify funding methods to take an advantage of the historic low-interest-rate environment.

No.2 Unsecured Bonds	No.3 Unsecured Bonds
Issue Date: Feb. 10, 2003 Issue Amount: ¥10 billion Subscribers: accredited institutional investors only Maturity: 4 years Coupon : 0.75% Ratings Obtained: Standard & Poors: A Moody ' s Investors Service: A3	Issue Dated: June 12, 2003 Issue Amount: ¥10 billion Subscribers: accredited institutional investors only Maturity: 15 years Coupon: 2.00% Ratings Obtained: Standard & Poors: A Moody's Investors Service: A3

Moreover, NBF continued to enjoy the following issuer ratings which facilitated its efforts to diversify future funding methods.

Rating Agency	Rating Description
Standard & Poors	Long Term Corporate : A Short Term Corporate : A-1 Outlook : stable
Moody's Investors Service	Issuer Rating: A3 Outlook : stable

(c) Outline of Business Results and Distributions

NBF's business results of operations during the current six month period ended June 30, 2003 consisted of operating revenues of ¥12,239 million (an increase of ¥393 million, or 3.3%, compared to the six month period ended December 31, 2002), operating income from leasing activities of ¥5,691 million (a decrease of ¥123 million, or 2.1%, compared to the previous period), operating income after asset management, custody and agent fees of ¥5,043 million (a decrease of ¥146 million, or 2.8%, compared to the previous period) and income before income taxes of ¥4,314 million (a decrease of ¥249 million, or 5.5% compared to the previous period). During the current period, in spite of decreased rental revenues in several buildings, increases were recorded in both revenue and profit with respect to the 28 properties excluding the Shiba NBF Tower. Such increases are attributable to cancellation fees from the large tenant of the Mita City Building, leasing revenue from operation of the Nishi Shinjuku Mitui Building and the Nippon Steel Building No.2 which were acquired during the previous period, and leasing revenue from commencement of operation of the Naka-Meguro GT Tower and the Tsukuba Mitsui Building which were acquired during the current period, as well as to a decrease of rental expenses due to reduction of property management costs. As for the Shiba NBF Tower, a significant decrease in revenue and profitability was recorded, which was mainly due to the non-recurring receipt of cancellation fees that occurred in the previous period and decreased rental revenue resulting from the vacancy until a successor tenant was acquired. As a result, revenues with respect to all 29 properties increased but profits decreased compared to the previous period.

In addition, NBF distributed almost 100% of unappropriated profit (¥15,367 per share) in accordance with the distribution policies of its Articles of Incorporation and assumes that the regulations concerning the deduction of such distribution from taxable income (Article 67-15 of the Special Taxation Measures Law) will apply resulting in net income of ¥4,313 million for the current period (down 5.5% compared to the previous period).

3. Management Discussion on Investment Policy and Outlook

(a) Operating Policies

While certain economic indices showed signs of recovery, Japanese economy remains uncertain and is anticipated to remain weak.

The future office building rental market in the Tokyo CBDs is, as a whole, expected to maintain the trends of higher vacancy rates and lower rent levels due to a decline in demand as well as the effect of oversupply of new office space (the so-called "2003 problem"), pressures to reduce costs through mergers or consolidations and concentration of business functions. Moreover, in the Other Cities, in spite of the fact that some areas were stable, the market as a whole may suffer weakness in the future due to factors such as the concentration of business activities in Tokyo and the uncertainties of the regional economies.

Further, needs of tenants for office infrastructure are diversified and tenants are demanding higher standards of IT capability, HVAC equipment, security, multi-functionality and so forth. Tenants prefer to choose a highly desirable building responding to their needs. NBF is determined to implement its strategy of differentiating itself by providing competitive, value-added properties which address the needs of tenants.

As for the market for the purchase and sale of office properties, disposal of properties are expected to be accelerated in anticipation of the needs of businesses to improve their financial standing, increasing disposal of bad loans by financial institutions and the adoption of “Accounting Standards for Impairment of Fixed Assets” under Japanese GAAP. We believe these factors will create an environment in which there are increased opportunities to acquire highly desirable properties.

Under these circumstances, NBF has, based on the following management strategies and with a long-term view, conducted appropriate operations with the objective of achieving steady growth and stable profits from managed assets.

With the objective of obtaining further efficiencies in connection with the expansion of its managed assets, effective July, 2003 NBF reduced the fees paid to NBFM, to which it entrusts management of NBF's assets, as well as the fees paid to Mitsui Fudosan Co., Ltd., to which it entrusts office custodial activities, from the rate of 3% of NBF's revenues to 2.5% respectively.

(b) Management Strategies

(1) Operating Strategies for Existing Properties

Based on analysis of the tenant satisfaction surveys conducted annually as one of NBF's differentiation strategies, NBF grasps the detailed needs of its tenants and takes the initiative in retaining or improving the terms and conditions of contracts for the purpose of further enhancing the level of service provided to tenants. Home pages are established by each building for its tenants as another example of tenant communications tools, which serve to further strengthen the relationship with its existing clients.

Further, with respect to vacant space, NBF establishes rents properly in line with current market trends and places priority on improvement of occupancy rates and conducts sales activities positively in order to elicit demand from potential tenants which are suited to the special characteristics of each property.

With respect to lease contracts, NBF strives to generate stable lease income through use of fixed-term lease contracts, long-term lease contracts, and addition of covenants such as prohibiting early cancellation by tenants.

Regarding building management, NBF continues to exert its best efforts to reduce costs by changing maintenance companies through effective methods such as competitive bidding and by continuing proper building maintenance standards.

(2) Strategies for New Investment

In accordance with its operating policies, NBF, while placing emphasis on distribution per share, primarily conducts operations with the goal of ensuring steady growth of managed assets and stable profits.

NBF continues to strive to obtain information in advance regarding potential sales and to develop information routes to locate desirable properties in order to avoid excessive price competition through bidding. NBF has implemented risk management policies for the purpose of acquiring competitive properties on favorable terms and conditions at rational prices. NBF focuses on considering commitments to buildings which have yet to be constructed that are planned to be purchased upon completion.

In the Tokyo CBDs, NBF rigorously selects, from the high volume of large scale new buildings coming on line, buildings that are in competitive condition (i.e. buildings that have close proximity to the nearest subway or train station, are of recent construction, have expansive space per floor, are esthetically pleasing in appearance, have high-spec electrical supply and HVAC, IT compatibility, and amenities such as a sufficient number of parking spaces) in order to respond to tenant demands of reduced costs and improved building facilities, management and service.

Further, for the purpose of reducing the risk of vacancy due to tenant relocations, priority is given to acquisition of buildings in which it is foreseeable that tenants will sign long term lease contracts, and multi-tenant buildings. By studying market trends and avoiding areas in which competition is particularly severe, NBF invests in comparatively stable areas.

While markets are smaller and demand is stagnant or declining in Other Greater Tokyo and Other Cities, the impact of new supply is great and NBF is considering even more focused investments taking into account not only the desirability of a particular building but also scarcity in the location and the possibility of new supply in the area.

(3) Financial Strategies Etc.

As for financing, and in particular obtaining operating funds through borrowings, NBF is preparing for future increases in interest rates by continuing to base its funding needs on long-term fixed interest borrowings. Further, to provide a stable funding base, measures such as the issuance of bonds are being considered.

NBF is continuously increasing its output of information concerning investment management. In addition to timely disclosures required under the rules of the Tokyo Stock Exchange, NBF regularly releases such information as may be useful to investors including various disclosure documents, detailed information such as descriptive summaries of the existing portfolio of properties, monthly portfolio performance reports, explanations of new acquisitions and distributions, Q&A, all of which are readily accessible on the website (<http://www.nbf-m.com/nbf/>).

Overview of NBF

1. Distribution for the Current Period

Distribution per share for the current period was ¥15,367. 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		
	June 30, 2003	December 31, 2002	June 30, 2002
	(Yen in thousands, except per share amount)		
Retained earnings	¥ 4,313,553	¥ 4,562,325	¥ 4,492,139
Undistributed earnings	36	108	96
Total cash distribution	4,313,517	4,562,217	4,492,042
(Total cash distribution per share)	15,367	16,253	16,003
Distribution of accumulated earnings	4,313,517	4,562,217	4,492,042
(Distribution of accumulated earnings per share)	15,367	16,253	16,003
Cash Distribution in excess of accumulated earnings (per share)			

Note Above cash distributions were paid after the period end.

2. 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 June 30, 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, said 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 debts and

to fund property acquisition.

Market Price of shares

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

	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
	(in Yen)		
High.	¥ 694,000	¥ 624,000	¥ 581,000
Low.	570,000	537,000	474,000

Borrowings

Borrowings by financial institution as of June 30, 2003 are shown below.

Short-term debts

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%	July 11, 2003			Unsecured
The Norinchukin Bank	3,300	0.5%	May 21, 2004			/unguaranteed
The Sumitomo Mitsui Banking Corp.	3,150	0.5%	May 21, 2004	Bullet payment	(Note 3)	/pari passu, See (Note 4)
The Hachijuni bank	1,300	0.5%	September 5, 2003			
Shinkin Central Bank	1,000	0.5%	September 22, 2003			
The Chugoku Bank, Ltd.	1,000	0.5%	September 22, 2003			Floating rate
Yamanashi Chuo Bank	500	0.5%	September 16, 2003			
The Gunma Bank, Ltd.	500	0.5%	February 3, 2004			
Short-term debt Total	¥ 26,950					

Long-term debts

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			Unsecured
Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			/unguaranteed
	4,000	2.2%	April 27, 2012	Bullet payment	(Note 3)	/pari passu, See (Note 4)
	1,000	2.2%	May 23, 2012			
	2,000	1.2%	February 26, 2010			
Sumitomo Trust and Banking Corp.	6,000	1.3%	July 16, 2007			Fixed rate
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			
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			
The Iyo Bank, Ltd.	1,000	0.7%	March 31, 2006			
Long-term debts Total	¥ 74,000					
Borrowings Total	¥100,950					

- 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	-	19,000,000	2,000,000	28,000,000

NBF Bonds

Issue	Issue Date	Balance as of June 30, 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 ¥21,369 million as of June 30, 2003.

3. Major Shareholders

The following table sets forth our major shareholders' information as of June 30, 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%
Obic Business Consultants Co., Ltd.	1-1 Nishi Shinjuku 2-chome, Shinjuku-ku, Tokyo	11,524	4.1
The Nomura Securities Co., Ltd	9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	10,701	3.8
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	10,439	3.7
Sumitomo Life Insurance Company . .	18-24 Tsukiji 7-chome, Chuo-ku, Tokyo	10,000	3.6
Aozora Bank, Ltd. . .	3-1 Kudan-Minami 1-chome, Chiyoda-ku, Tokyo	8,000	2.9
The Cyugoku Bank, Ltd.	15-20 Marunouchi 1-chome, Okayama, Okayama	7,151	2.5
The Joyo Bank, Ltd.	5-5 Minami-machi 2-Chome, Mito, Ibaraki	7,002	2.5
Bank Of Ikeda	1-11 Jyounan2-Chome, Ikeda, Osaka	6,946	2.5
Yasuda Mutual Life Insurance Company . . .	9-1 Nishi Shinjuku 1-chome, Shinjuku-ku, Tokyo	6,712	2.4
Total		94,675	33.7%

4. Categories of Shareholders

(as of June 30, 2003)

	Number of shareholders	Number of shares owned	Percent of number of shares owned
Financial institutions	136	144,021	51.3%
Other legal entities	406	51,276	18.3
Overseas investors	130	35,040	12.5
Individuals and others	12,233	39,119	13.9
Securities companies	10	11,244	4.0
Japanese government and regional authorities	-	-	-
Total	12,915	280,700	100.0%

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

Outline of Investment Portfolio

1. Portfolio Summary

Asset type	Region	As of June 30, 2003		As of December 31, 2002	
		Investments	Investments / total assets	Investments	Investments / total assets
		(Yen in millions)	(%)	(Yen in millions)	(%)
Real estate	Tokyo CBDs	¥ 28,393	9.2	¥ 14,535	5.0
	Other Greater Tokyo.	2,524	0.8	2,538	0.9
Real estate held in trust.	Tokyo CBDs	172,882	56.2	173,005	59.5
	Other Greater Tokyo.	35,102	11.4	33,433	11.5
	Other Cities.	33,518	10.9	33,957	11.7
Subtotal of Real estate and Real estate held in trust		272,419	88.5	257,468	88.6
Deposits and other assets		35,269	11.5	33,257	11.4
Total assets		¥307,688	100.0	¥ 290,725	100.0

Note Investments above are based on the book value as of June 30, 2003 and December 31, 2002 respectively.

2. Selected Data by Property

The outline of NBF's properties as of June 30, 2003 and December 31, 2002, is as follows.

Name of Building	Invest-ment Type (Note 1)	Type of Ownership of the Buildings	Percentage of Ownership of the Buildings	Year Built	Book Value		Appraisal Value (Note 2)		Probable Maximum Loss (PML) (Note 3)
					As of June 30, 2003	As of December 31, 2002	As of June 30, 2003	As of December 31, 2002	
			(%)		(Yen in millions)		(Yen in millions)		(%)
Tokyo CBDs									
JFE Bldg. (Note 4)	Trust	fee simple	100	1974	¥72,820	¥73,122	¥72,900	¥72,983	10.0
Shiba NBF Tower (Note 5)	Trust	fee simple	100	1986	32,244	31,815	22,400	26,900	6.8
Shinjuku Mitsui Bldg. No.2	Trust	fee simple	100	1983	15,943	16,036	15,700	16,300	10.0
GSK Bldg.	Trust	fee simple	100	1990	15,064	15,196	18,000	18,000	2.2
Naka-Meguro GT Tower	Ownership	condominium	59	2002	13,839	-	13,900	-	3.7
Kowa Nishi Shinbashi Bldg. B	Trust	condominium	83	1994	12,876	12,951	12,900	13,000	6.0
Nippon Steel Building No.2	Ownership	fee simple	100	1989	12,863	12,862	12,710	12,750	7.4
Nihonbashi Muro-machi Center Bldg.	Trust	condominium	100 (Note 6)	1986	9,854	9,888	10,100	10,500	12.6
Takanawa 1-chome Bldg.	Trust	fee simple	100	1987	6,484	6,531	7,060	6,900	15.0
Mita City Bldg. (Note 7)	Trust	fee simple	100	1991	5,317	5,167	4,920	5,290	12.9
Shinjuku Yocho-machi Bldg.	Trust	fee simple	100	1989	2,279	2,299	2,440	2,430	14.0
Nishi-Shinjuku Mitsui Building	Ownership	condominium	4	2001	1,692	1,673	1,560	1,670	4.8
Other Greater Tokyo									
Nakano-Sakaue Sunbright Twin	Trust	condominium	32	1996	9,192	9,319	9,400	9,310	2.8
Yokohama ST Bldg.	Trust	co-ownership	75	1987	13,291	13,396	13,600	13,942	6.4
Tsukuba Mitsui Bldg. (Note 8)	Trust	fee simple	100	1990	8,462	6,519	8,450	6,832	11.0
Daido Life Omiya Bldg.	Trust	fee simple	100	1991	2,292	2,313	2,580	2,660	14.8
Matsudo City Bldg.	Ownership	fee simple	100	1992	2,524	2,538	2,540	2,530	10.8
Inage Kaigan Bldg.	Trust	fee simple	100	1992	1,865	1,886	1,880	1,850	13.0
Other Cities									
Sapporo Minami Nijo Bldg.	Trust	fee simple	100	1990	1,799	1,816	1,980	2,020	6.8
Daido Life Sendai Bldg.	Trust	fee simple	100	1987	3,451	3,479	3,520	3,640	3.9
Unix Bldg.	Trust	fee simple	100	1994	3,767	3,830	4,250	4,200	1.6
Niigata Telecom Bldg.	Trust	fee simple	100	1989	3,847	3,879	4,260	4,270	12.0
Hamamatsu City Bldg.	Trust	fee simple	100	1990	1,316	1,333	1,190	1,173	6.1
Sun Mullion NBF Tower	Trust	fee simple	100	1996	10,440	10,620	9,640	9,560	2.3
Sakai Higashi Center Bldg.	Trust	fee simple	100	1991	2,164	2,187	2,360	2,423	10.2
Otemae Center Bldg.	Trust	fee simple	100	1992	1,783	1,807	2,020	2,176	5.4
Kyomachibori Center Bldg.	Trust	fee simple	100	1987	861	868	635	663	8.6
Shijo Karasuma Minami Bldg.	Trust	fee simple	100	1991	1,542	1,567	1,550	1,614	17.0
Hakata Gion 21 Bldg.	Trust	fee simple	100	1993	2,548	2,571	2,470	2,473	13.0
Total	-	-	-	-	¥272,419	¥257,468	¥266,915	¥258,059	4.3

Note 1 All financial activities in the properties are accounted for in the appropriate financial statements of each property, even in case of trust beneficiary interests or in case where a trust contains more than one building.

Note 2 Appraisal values as of June 30, 2003 and December 31, 2002 are based on the appraisal methods prescribed in the Articles of Incorporation and in the guidelines set forth by the Investment Trusts Association of Japan. The above values have been prepared by Tanizawa Real Estate Appraisal.

Note 3 The figures for "probable maximum loss" of real estate (excluding the JFE Bldg.) were obtained from

the report of Engineering & Risk Services Corporation (ERS). As for the JFE Bldg., the figure was obtained from the report of Nikken Sekkei Co., Ltd. Probable maximum loss is used as an index to estimate the earthquake resistance of buildings or foundations of buildings. In the report provided by ERS, the loss factor indicates only the ratio of restoration costs against the cost of reconstruction of buildings themselves (structural materials, non-structural materials and construction facilities) and incidental damages such as damage to production equipment or machinery, furniture or fixtures, damage due to water or fire, indemnification of affected persons, or loss of business due to suspension of business. These reports were provided with respect to each entire building, regardless of NBF's ownership interest therein, and accordingly the figure above represents each entire building.

- Note 4 Effective April 1, 2003, the name of this building changed. (formerly:NKK Headquarters Bldg.)
- Note 5 Most of the land underlying the Shiba NBF Tower (6,075.38 m² out of 6,475.44 m²) is owned by the Japanese Red Cross Society. It simultaneously entrusted the leasehold with respect to the leased land, along with its own building and land, to the Trustee. The leasehold was entrusted with the consent of the owner of said land.
- Note 6 The trustee of the Nihonbashi Muro-machi Center Bldg. owns 100% of the interests in the portion of offices consisting of the 6th through 12th floors (floor space of 7,755.94 m²), 45.11% of the parking portion (floor space of 1,141.83 m²) and 45.11% of the common use space established pursuant to an agreement.
- Note 7 Effective July 1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.
- Note 8 NBF previously owned 75% of the trust beneficiary interest in the Tsukuba Mitsui Bldg. However, on March 28, 2003 it acquired the remaining 25% interest. With the exception of Book Value and Appraisal Value as of December 31, 2002, the figures set forth in the table above include the additional 25% interest.

3. Selected Office Leasing Data by Property

The following table sets forth selected information relating to office leasing as of June 30, 2003.

Current period (January 1, 2003-June 30, 2003)	Rentable Square Meters (Note 1)	Leased Square Meters at the End of Period (Note 1)	Occupancy Rates at the End of Period (Note 2)	Total Number of Tenants at the End of Period
Tokyo CBDs				
JFE Bldg.	65,280	65,280	100.0%	1
Shiba NBF Tower	24,889	21,731	87.3%	3
Shinjuku Mitsui Bldg. No.2	14,946	14,946	100.0%	29
GSK Bldg.	20,407	20,407	100.0%	1
Naka-Meguro GT Tower	13,626	13,626	100.0%	1
Kowa Nishi Shinbashi Bldg. B	10,088	10,088	100.0%	2
Nippon Steel Building No.2	17,338	17,338	100.0%	2
Nihonbashi Muro-machi Center Bldg.	8,041	8,041	100.0%	7
Takanawa 1-chome Bldg.	10,473	10,473	100.0%	4
Mita City Bldg. (Note 3)	5,978	0	0.0%	0
Shinjuku Yocho-machi Bldg.	5,177	5,177	100.0%	4
Nishi-Shinjuku Mitsui Building	1,576	1,576	100.0%	1
Other Greater Tokyo				
Nakano-Sakaue Sunbright Twin	12,220	12,220	100.0%	1
Yokohama ST Bldg.	20,089	20,000	99.6%	76
Tsukuba Mitsui Bldg. (Note 4)	16,863	15,219	90.2%	59
Daido Life Omiya Bldg.	3,604	3,364	93.3%	8
Matsudo City Bldg.	4,772	3,986	83.5%	23
Inage Kaigan Bldg.	5,876	4,710	80.2%	13
Other Cities				
Sapporo Minami Nijo Bldg.	5,376	4,926	91.6%	7
Daido Life Sendai Bldg.	7,498	7,498	100.0%	7
Unix Bldg.	13,479	13,237	98.2%	57
Niigata Telecom Bldg.	10,227	9,486	92.8%	32
Hamamatsu City Bldg.	5,152	4,778	92.7%	25
Sun Mullion NBF Tower	14,208	12,740	89.7%	25
Sakai Higashi Center Bldg.	5,333	5,100	95.6%	16
Otemae Center Bldg.	5,532	5,398	97.6%	7
Kyomachibori Center Bldg.	3,110	2,531	81.4%	13
Shijo Karasuma Minami Bldg.	3,922	3,617	92.2%	15
Hakata Gion 21 Bldg.	5,417	5,417	100.0%	7
Total	340,497	322,910	94.8%	446

Note 1 Figures stated above are based on NBF's ownership interest.

Note 2 Occupancy rates is the ratio of leased area to rentable area at the end of period.

Note 3 Due to the relocation of Canon Sales Co., Ltd., the occupancy rate for the Mita City Bldg. as of June 30, 2003 was 0%. However, the execution of a fixed-term lease contract with Sumitomo Densetsu Co., Ltd. effective July 1, 2003 resulted in an occupancy rate of 100%. Further, effective the same date, the name of the building changed to Sumitomo Densetsu Bldg.

Note 4 Includes the additional interest acquired during the current period.

4. Selected Financial Data by Property

The following table sets forth selected information relating to office leasing for the period from January 1, 2003 to June 30, 2003.

Current period (January 1, 2003-June 30, 2003)	Revenues	Percent of total revenues (Note 1)	Operating Expenses	Net Operating Income (Note 3)	Capital Expendi- tures	Operating Days in the current period
	(Yen in millions)	(%)		(Yen in millions)		
Tokyo CBDs						
JFE Bldg. (Note 5,6)	¥ 2,175	17.8	¥ 719	¥ 1,758	¥ -	181
Shiba NBF Tower	1,221	10.0	837	693	740	181
Shinjuku Mitsui Bldg. No.2	727	5.9	363	477	20	181
GSK Bldg.	(Note2)	(Note2)	(Note2)	555	10	181
Naka-Meguro GT Tower	533	4.4	281	386	-	148
Kowa Nishi Shinbashi Bldg. B	(Note2)	(Note2)	(Note2)	367	7	181
Nippon Steel Building No.2	555	4.5	344	348	6	181
Nihonbashi Muro-machi Center Bldg.	471	3.8	169	335	-	181
Takanawa 1-chome Bldg.	345	2.8	160	234	2	181
Mita City Bldg. (Note 7)	(Note2)	(Note2)	(Note2)	271	212	181
Shinjuku Yocho-machi Bldg.	124	1.0	78	70	4	181
Nishi-Shinjuku Mitsui Building	67	0.5	34	48	1	181
Other Greater Tokyo						
Nakano-Sakaue Sunbright Twin	(Note2)	(Note2)	(Note2)	248	-	181
Yokohama ST Bldg.	758	6.2	431	474	42	181
Tsukuba Mitsui Bldg.	433	3.5	309	260	58	181
Daido Life Omiya Bldg.	136	1.1	62	95	1	181
Matsudo City Bldg.	131	1.1	78	83	16	181
Inage Kaigan Bldg.	136	1.1	89	70	2	181
Other Cities						
Sapporo Minami Nijo Bldg.	139	1.1	75	86	6	181
Daido Life Sendai Bldg.	245	2.0	130	147	5	181
Unix Bldg.	328	2.7	233	162	4	181
Niigata Telecom Bldg.	274	2.2	148	169	10	181
Hamamatsu City Bldg.	98	0.8	82	42	10	181
Sun Mullion NBF Tower	482	3.9	371	290	2	181
Sakai Higashi Center Bldg.	151	1.2	67	109	1	181
Otemae Center Bldg.	151	1.2	85	92	2	181
KyomachiboriCenter Bldg.	57	0.5	35	31	1	181
Shijo Karasuma Minami Bldg.	109	0.9	62	73	1	181
Hakata Gion 21 Bldg.	159	1.3	101	84	4	181
Total	¥ 12,239	100.0	¥ 6,548	¥ 8,057	¥ 1,167	-

Note 1 Percent 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 Net Operating Income of an individual property is calculated through the following formula:
(Revenue from property leasing - Rental expenses) + Depreciation and Amortization

Note 4 Figures stated above are based on NBF's ownership interest.

Note 5 JFE Steel Corporation, who is the only tenant of JFE Bldg, is responsible for capital expenditures.

Note 6 Effective April 1, 2003, the name of this building changed (formerly: NKK Headquarters Bldg).

Note 7 Effective July 1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.

Breakdown of Operating Expenses

Current period (January 1, 2003 - June 30, 2003)	Operating Expenses	Real Estate Taxes	Utility Charges	Building Main- tenance Costs	Office Manage- ment Fee etc.	Repairs and Main- tenance	Land and House Rent	Casualty Insurance & Trust Charges	Other Expenses	Depre- ciation
(Yen in millions)										
Tokyo CBDs										
JFE Bldg. (Note 2,3)	¥ 719	¥ 281	¥ -	¥ -	¥ 122	¥ -	¥ -	¥ 14	¥ 0	¥ 302
Shiba NBF Tower	837	72	52	112	61	35	94	7	95	309
Shinjuku Mitsui Bldg. No.2	363	72	44	69	38	12	-	11	4	113
GSK Bldg.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	141
Naka-Meguro GT Tower	281	0	40	104	3	-	-	1	0	134
Kowa Nishi Shinbashi Bldg. B	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	83
Nippon Steel Building No.2	344	51	37	48	29	39	-	3	1	137
Nihonbashi Muro-machi Center Bldg.	169	44	20	41	25	0	-	5	0	33
Takanawa 1-chome Bldg.	160	26	23	20	19	19	-	5	0	49
Mita City Bldg. (Note 4)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	62
Shinjuku Yocho-machi Bldg.	78	12	11	13	6	11	-	1	0	24
Nishi-Shinjuku Mitsui Building	34	7	-	10	2	0	-	0	0	15
Other Greater Tokyo										
Nakano-Sakaue Sunbright Twin	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	124
Yokohama ST Bldg.	431	61	62	57	47	49	-	6	4	146
Tsukuba Mitsui Bldg.	309	26	53	44	22	14	-	6	7	137
Daido Life Omiya Bldg.	62	8	7	11	7	5	-	1	1	22
Matsudo City Bldg.	78	9	10	11	7	8	0	0	1	30
Inage Kaigan Bldg.	89	14	22	16	7	5	-	2	0	23
Other Cities										
Sapporo Minami Nijo Bldg.	75	13	11	12	7	6	0	1	2	23
Daido Life Sendai Bldg.	130	20	20	18	13	25	-	1	0	33
Unix Bldg.	233	40	39	46	16	22	-	2	1	66
Niigata Telecom Bldg.	148	23	23	30	14	12	-	3	0	43
Hamamatsu City Bldg.	82	9	10	14	5	15	-	1	2	26
Sun Mullion NBF Tower	371	48	38	56	24	15	-	5	5	178
Sakai Higashi Center Bldg.	67	9	10	12	8	1	-	1	0	25
Otemae Center Bldg.	85	13	15	18	8	4	-	1	0	26
KyoumachiboriCenter Bldg.	35	5	7	5	3	4	-	1	0	8
Shijo Karasuma Minami Bldg.	62	8	7	11	6	2	-	1	1	27
Hakata Gion 21 Bldg.	101	15	13	17	8	19	-	2	0	27
Total	¥ 6,548	¥ 1,093	¥ 697	¥ 1,006	¥ 625	¥ 408	¥ 95	¥ 101	¥ 158	¥ 2,366

Note 1 Consent for disclosure was not obtained from tenants from whom rent revenue accounts for more than 80% of total rent revenue of the property. However, relevant figures are included in the total.

Note 2 JFE Steel Corporation, who is the only tenant of JFE Bldg, is responsible for costs of administration and maintenance, repair, retention and renewal, etc. except for casualty insurance and real estate taxes.

Note 3 Effective April 1, 2003, the name of this building changed (formerly: NKK Headquarters Bldg).

Note 4 Effective July 1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.

Note 5 Figures stated above are based on NBF's ownership interest.

5. Major Tenants Roster

Building leases in Japan are usually for a relatively short term (most commonly two years) and subject to automatic renewals unless either party gives notice to the contrary. Such leases also typically allow for termination by the lessee before the expiry of the term upon six months' prior written notice. However, in Japan there also exists a special type of building lease known as "*teiki tatemono chintaishaku*" which is for a fixed term that cannot be terminated by the landlord prior to the expiry of its term or by the tenant without compensation to the landlord with regard to the remaining period. Such fixed term lease agreement may set a fixed rental amount that is not subject to adjustment.

NBF's ten major tenants by leased area as of June 30, 2003 are listed in the table set forth below.

	Name of Tenants	Name of Building	Leased square meters	Expiration Date (Note 1)	Percent of total rentable area
1	JFE Steel Corporation	JFE Bldg.	65,280	March 31, 2011 (Note 2)	20.2%
2	GlaxoSmithKline. K.K.	GSK Bldg.	20,407	September 30, 2010 (Note 3)	6.3%
3	Fuji Xerox Co., Ltd.	Shinjuku Mitsui Bldg. No.2 / Tsukuba Mitsui Bldg / Nakano-Sakaue Sunbright Twin / Hamamatsu City Bldg.	18,032	March 31, 2004	5.6%
4	Matsushita Investment and Development Co., Ltd.	Shiba NBF Tower	17,855	September 30, 2004 (Note 4)	5.5%
5	Nippon Steel Corporation	Nippon Steel Bldg. No2	15,333	November 30, 2009 (Note 5)	4.7%
6	Mitsui Fudosan Co., Ltd.	Naka-Meguro GT Tower / Nishi-Shinjuku Mitsui Building	15,202	March 31, 2012	4.7%
7	NTT Communications Corporation	Kowa Nishi Shinbashi Bldg. B	8,493	March 31, 2005	2.6%
8	Sumitomo Life Insurance Company	Yokohama ST Bldg. and other 5 buildings	5,516	March 31, 2004	1.7%
9	Toden Kogyo Co., Ltd.	Takanawa 1-chome Bldg.	5,411	December 31, 2004	1.7%
10	Dai Nippon Printing Co., Ltd.	Shinjuku Yocho-machi Bldg.	3,966	May 31, 2004	1.2%

Note 1 The expiration date in cases where the tenant has several lease contracts with respect to real estate owned by NBF indicates the earliest expiration date out of said contracts.

Note 2 The lease contract with JFE Steel Corporation is of the abovementioned "*teiki tatemono chintaishaku*" type; provided, however, that the lessee may terminate the contract by notifying the lessor in writing prior to the end of March during each of the years 2006 to 2008 with termination to be effective as of the end of March of the immediately following year. Also, the lessee may terminate the contract by payment of the amount equal to the rent for the remaining term of the lease contract. Further, as JFE Steel Corporation is responsible for costs of administration and maintenance, repair, retention and renewal, etc. during the term of the contract, common area charges are not collected. Upon complete vacation due to the expiration or termination of contract as stated above, JFE Steel Corporation will be, in principle, be released from the obligation to restore the premises to their original condition.

Note 3 Although the term of the lease contract with Glaxo Smith Kline K.K. is relatively long compared with lease

contracts commonly used in Japan, it is not an abovestated “*teiki tatemono chintaishaku*” type of contract. Glaxo Smith Kline K.K. may exercise its priority right to offer to purchase and negotiate during the applicable period (being the two-month period commencing October 1 and ending November 30, during each year of the period commencing October 1, 2002 and ending September 30, 2007). In the event that the lessee offers to purchase the GSK Building, it has the priority right to negotiate with NBF. Terms and conditions such as the price determination method etc. are separately set forth, but NBF is under no obligation to sell the building.

- Note 4 In connection with the consolidation of the Matsushita Electric Industrial Co., Ltd. group in the Higashi-Shinagawa Seaside Forest Redevelopment Bldg. Matsushita Investment and Development Co., Ltd. vacated its entire space in the Shiba NBF Tower effective August 17, 2003.
- Note 5 Nippon Steel Corporation's lease contract is a fixed-term lease contract which is valid during the remaining term of the abovesaid contract. The leased square meter figure given for the Nippon Steel Building No. 2 indicates the total area consisting of the East Building, Maison New River and the West Building.
- Note 6 Percent of total rentable area is calculated by dividing the area leased by the tenant by the total leased area (in square meters). Total rentable area and leased area (in square meters) are based on NBF's ownership interest.

6 . Other Assets

Real estate held in trust is included in the Selected Data by Property (Sec. 2). There are no other significant investment assets in the portfolio as of June 30, 2003 and December 31, 2002.

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 (from January 1, 2003 to June 30, 2003)	Cumulative Amount Paid
(Yen in millions)					
Tsukuba Mitsui Bldg.	Renewal of automated security system	From July 2003 To December 2003	¥ 118	¥ -	¥ -
Shiba NBF Tower	Renovation work of upper floors	From August 2003 To December 2003	1,443	-	-
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 ¥ 1,166 million in capital expenditures together with ¥ 408 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		740
Mita City Bldg. (Note)	Leasehold improvements for new tenant	From January 2003 To June 2003	212
Other buildings	Renovations intended to improve the level of tenant satisfaction		215
Total			¥ 1,167

Note Effective July 1, 2003, the name of this building changed to Sumitomo Densetsu Bldg.

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 June 30, 2003	As of December 31, 2002
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 1,984	¥ 1,409
Amount accumulated in current period	1,635	934
Withdrawal from reserves in the current period	1,505	359
Amount carried forward	¥ 2,114	¥ 1,984

Note 1 Upon the acquisition of Real Estate etc., NBF also assumed accumulated reserves of ¥ 751 million as of June 30, 2003 for capital expenditures from previous owners, which were not included in the above accumulated amounts.

Note 2 With respect to the first as well as the current period, the amount of reserves jointly owned together with other owners attributable to the ownership interests of said other owners has been excluded and the figures represent only the amount of reserves attributable to NBF's ownership interest.

Expenses regarding Entrustment etc.

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

Item	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
	(Yen in millions)		
Asset management fees	¥ 501	¥ 497	¥ 477
Asset custody fees	13	12	11
Agent fees (stock transfer, accounting and administrative)	47	38	39
Director's remuneration	11	11	11
Auditor's fees	12	12	9
Other expenses	64	55	82
Total	¥ 648	¥ 625	¥ 629

Note: In addition to the amounts stated above, there are asset management fees of ¥ 68 million for the period from January 1, 2003 to June 30, 2003, ¥ 63 million for the period from July 1, 2002 to December 31, 2002 and ¥ 96 million for the period from January 1, 2002 to June 30, 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	Date	Transfer Price	Book Value	
Naka-Meguro GT Tower	February 3, 2003	13,763	-	-	-	-
Tsukuba Mitsui Bldg.	March 28, 2003	2,010	-	-	-	-
Total		¥ 15,773	-	-	-	-

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

Note 2 The Naka-Meguro GT Tower transaction was a direct acquisition of an interest in real estate while the Tsukuba Mitsui Bldg. transaction was an acquisition of a trust beneficiary interest.

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	15,773	-
	Amount of purchases from related parties 15,773 (100.0)	Amount of sales to related parties - (-)
Breakdown of transactions with related parties etc.		
Mitsui Fudosan Co., Ltd.	15,773 (100.0)	- (-)
Total:	15,773 (100.0)	- (-)

2. Fees Paid for the period from January 1, 2003 to June 30, 2003

Category	Total Fees Paid (A) (Yen in millions)	Description of Transactions with Related Parties		
		Paid to	Amount of Payment (B) (Yen in millions)	B/A
Office management fees etc.	655	Mitsui Fudosan Co., Ltd.	650	99.2%
		NBF Office Management Co., Ltd.	5	0.8%
Property transfer fees	3	Mitsui Fudosan Co., Ltd.	3	100.0%
Property maintenance fees	1,006	Mitsui Fudosan Co., Ltd.	176	17.5%
		Daiichi Seibi Co., Ltd.	170	16.9%
		MF Building Management Co., Ltd	11	1.1%
		NBF Office Management Co., Ltd.	1	0.1%
		Mitsui Fudosan Housing Lease Co., Ltd.	0	0.0%
Leasing related service fees	143	Mitsui Fudosan Co., Ltd.	10	7.1%
		NBF Office Management Co., Ltd.	3	2.1%
Fees related to issues of NBF bonds	95	Daiwa Securities SMBC Co., Ltd. (Note 4)	40	42.1%

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.

Note 2 Figures set forth above are purchase prices taken from sale and purchase agreements and do not include ¥95,539,000 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 This item sets forth fees paid directly by NBF to Daiwa Securities SMBC Co., Ltd. in connection with offerings of NBF's No. 2 Unsecured Bonds. In addition to this item, a portion of the fees paid by NBF to a third party (an underwriting securities company) in connection with offerings of NBF's No. 3 Unsecured Bonds was paid by said underwriter to another securities company in connection with the private placement of said Bonds pursuant to a separate agreement with said securities company.

Note 5 In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

(Yen in millions)

Daiichi Seibi Co., Ltd	¥ 86
Mitsui Fudosan Co., Ltd.	30
MF Building Management Co., Ltd.	9
Mitsui Fudosan Housing Lease Co., Ltd.	2
Mitsui Designtech Co., Ltd.	1

Financial Statements

Independent Auditors' Report
Balance Sheets
Statements of Income
Statements of Shareholders' Equity
Statements of Cash Flows
Notes to Financial Statements

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 June 30, 2003 and December 31, 2002, and the related statements of income, shareholders' equity and cash flows for the six months ended June 30, 2003, December 31, 2002 and June 30, 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 June 30, 2003 and December 31, 2002, and the results of its operations and its cash flows for the six months ended June 30, 2003, December 31, 2002 and June 30, 2002, in conformity with accounting principles generally accepted in Japan as described in Note 1 to the financial statements.

Asahi & Co.

Tokyo, Japan
September 18, 2003

NIPPON BUILDING FUND INC. BALANCE SHEETS

As of June 30, 2003 and December 31, 2002

	As of June 30, 2003	As of December 31, 2002
(Yen in millions)		
Assets		
Current Assets:		
Cash and cash equivalents	¥ 33,448	¥ 31,854
Tenant receivables	160	105
Consumption tax refund receivables and other assets	281	205
Total current assets	33,889	32,164
Investment properties:		
Land including trust accounts	166,297	159,446
Building and improvements including trust accounts	96,241	86,051
Other tangible assets	1,724	1,292
Less: accumulated depreciation	(8,539)	(6,176)
Leasehold rights in trust accounts and other intangible assets	16,818	16,815
Total investment properties-net	272,541	257,428
Other assets	1,258	1,133
Total Assets	¥ 307,688	¥ 290,725
Liabilities		
Current Liabilities:		
Short-term loans	¥ 26,950	¥ 38,450
Long-term debt due within one year	8,000	-
Accounts payable	1,807	1,722
Rents received in advance	1,820	1,747
Accrued expenses and other liabilities	500	468
Total current liabilities	39,077	42,387
Long-term debt	94,000	72,000
Tenant security deposits	21,369	22,852
Other liabilities	30	25
Total Liabilities	154,476	137,264
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	4,313	4,562
Total Shareholders' Equity	153,212	153,461
Total Liabilities and Shareholders' Equity	¥ 307,688	¥ 290,725

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

	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
(Yen in millions)			
Revenues:			
Rental	¥ 11,111	¥ 10,366	¥ 10,427
Others	1,128	1,480	832
Total Revenues	12,239	11,846	11,259
Operating Expenses:			
Property management fees	1,684	1,542	1,545
Real estate taxes	1,093	974	977
Insurance	47	47	52
Repairs and maintenance	408	521	315
Other rental expenses	950	875	787
Depreciation and amortization	2,366	2,072	1,947
Asset management fees	501	496	477
Other expenses	147	129	152
Total Operating Expenses	7,196	6,656	6,252
Interest income	1	1	3
Other income	-	1	10
Interest expense	(679)	(585)	(521)
Amortization of deferred bond issue costs	(27)	(6)	(6)
Other expenses	(24)	(38)	
Income Before Income Taxes	4,314	4,563	4,493
Current and deferred income taxes	(1)	(1)	(1)
Net Income	¥ 4,313	¥ 4,562	¥ 4,492

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

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of December 31, 2001	280,700	¥148,899	¥5,341	¥154,240
Cash Dividends declared			(5,341)	(5,341)
Net income			4,492	4,492
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

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

NIPPON BUILDING FUND INC. STATEMENTS OF CASH FLOWS

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

	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 4,314	¥ 4,563	¥ 4,493
Depreciation and amortization	2,366	2,072	1,947
Amortization of deferred bond issue costs	27	6	6
Interest expense	679	585	521
Tenant receivables	(55)	78	(74)
Accounts payable	85	334	257
Rents received in advance	73	79	146
Cash payments of interest expense	(618)	(557)	(496)
Other-net	(105)	137	2,667
Net Cash Provided by Operating Activities	6,766	7,297	9,467
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(17,472)	(14,991)	(20,806)
Proceeds from tenant security deposits	2,914	2,979	1,501
Payments for tenant security deposits	(4,397)	(1,781)	(512)
Refunds from security deposits paid to lessors	21	6	14
Payments for security deposits paid to lessors	(10)	(9)	(1)
Payments for purchases of other assets	(42)	(42)	(675)
Net Cash Used in Investing Activities	(18,986)	(13,838)	(20,479)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	125,150	117,100	96,750
Repayment of short-term loans	(136,650)	(112,100)	(84,200)
Proceeds from long-term debt	30,000	5,000	9,000
Payments for deferred bond issue costs	(126)		
Payment of dividends	(4,560)	(4,488)	(5,322)
Net Cash Provided by Financing Activities	13,814	5,512	16,228
Net Change in Cash and Cash Equivalents	1,594	(1,029)	5,216
Cash and cash equivalents at the beginning of the period	31,854	32,883	27,667
Cash and Cash Equivalents at the end of the period	¥ 33,448	¥ 31,854	¥ 32,883

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

NOTES TO FINANCIAL STATEMENTS

Nippon Building Fund Inc.

June 30, 2003, December 31, 2002 and June 30, 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 June 30, 2003, NBF had ownerships or beneficiary interests in 29 office properties containing approximately 340,497 rentable square meters of office space. As of June 30, 2003, NBF had leased office space to 446 tenants engaged in a variety of businesses. The occupancy rate for the Office Properties was approximately 94.8%.

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

Investment 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 income 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 ¥96 million for the period ended June 30, 2003 and ¥13 million for the period ended December 31, 2002 and ¥182 million for the period ended June 30, 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 June 30, 2003 and December 31, 2002 consisted of the following:

	As of June 30, 2003			As of December 31, 2002		
	(Yen in millions)					
	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value
Structures	¥ 314	¥ (16)	¥ 298	¥ 91	¥ (1)	¥ 90
Machinery and equipment	26	(3)	23	26	(0)	26
Tools furniture and fixtures	4	(1)	3	4	(0)	4
Structures in trust	396	(96)	300	379	(72)	307
Machinery and equipment in trust	562	(123)	439	538	(92)	446
Tools, furniture and fixtures in trust	244	(97)	147	230	(72)	158
Construction in process	178	-	178	24	-	24
Total	¥1,724	¥ (336)	¥ 1,388	¥1,292	¥ (237)	¥1,055

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 Debts

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 June 30, 2003 and December 31, 2002 mainly ranging from 0.48% to 0.52% and from 0.47% to 0.53%, respectively. Long-term debt is fixed rates and as of June 30, 2003 and December 31, 2002 consisted of the following:

	(Yen in millions)	
	As of June 30, 2003	As of December 31, 2002
Unsecured loans due 2005 to 2012 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.2%	¥ 74,000	¥ 64,000
0.68% unsecured bonds due 2004	8,000	8,000
0.75% unsecured bonds due 2007	10,000	-
2.00% unsecured bonds due 2018	10,000	-
	102,000	72,000
Less: amount due within one year	8,000	-
	¥ 94,000	¥ 72,000

The annual maturities of long-term debt as of June 30, 2003 were as follows:

(Yen in millions)	
2003	-
2004	¥ 8,000
2005	5,000
2006	14,000
Thereafter	75,000

During the period ended June 30, 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 June 30, 2003.

Note 6 –Rental Revenues and Expenses

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

	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
(Yen in millions)			
Revenues from Property Leasing :			
Rental:			
Rental revenues	¥ 9,598	¥ 8,925	¥ 8,971
Common area charges.	1,448	1,404	1,422
Others	65	37	34
Subtotal	11,111	10,366	10,427
Others:			
Parking lots	281	255	248
Facility charge	61	59	54
Incidental income	555	563	488
Cancellation fees	213	585	13
Miscellaneous income	18	18	29
Subtotal	1,128	1,480	832
Total revenues from property leasing	12,239	11,846	11,259
Rental Expenses:			
Property management fee	1,684	1,542	1,545
Real estate taxes	1,093	974	977
Repairs and maintenance	408	521	315
Insurance	47	47	52
Other rental expenses	950	875	787
Depreciation and amortization	2,366	2,072	1,947
Total rental expenses	6,548	6,031	5,623
Operating Income from Property Leasing Activities	¥ 5,691	¥ 5,815	¥ 5,636

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 period ended June 30, 2003 and approximately 0.02% for the period ended December 31, 2002 and approximately 0.02% for the period ended June 30, 2002. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended		
	June 30, 2003	December 31, 2002	June 30, 2002
Statutory effective tax rate	39.39 %	39.39 %	39.39 %
Deductible dividends paid	(39.38)	(39.37)	(39.37)
Others	0.01	0.00	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 June 30, 2003, December 31, 2002 and June 30, 2002 and net assets per share as of June 30, 2003 and December 31, 2002 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		
	June 30, 2003	December 31, 2002	June 30, 2002
	(Yen)		
Earnings per Share of Common Shares:			
Net income:	¥ 15,367	¥ 16,253	¥ 16,003
Weighted average number of common shares outstanding:	280,700	280,700	280,700
	As of	As of	
	June 30, 2003	December 31, 2002	
Net Assets Per Share	¥ 545,823	¥ 546,710	

Effective April 1, 2002, NBF adopted the new accounting standard for earning per share (Accounting Standards Board Statement No. 2, "Accounting Standard for Earning Per Share", issued by the Accounting Standards Board of Japan on September 25, 2002). For the period ended December 31, 2002, as well as for the current period, earnings per share calculated in accordance with the new accounting standards and the related guidance were identical with those calculated in accordance with the previous accounting method.

Note 9–Leases

NBF leases its real estate properties to outside parties under non-cancelable operating leases. As of June 30, 2003 and December 31, 2002, the future lease revenues under the non-cancelable operating leases are as follows:

	<u>As of June 30, 2003</u>	<u>As of December 31, 2002</u>
	(Yen in millions)	
Due within one year.....	¥ 6,609	¥ 4,948
Due after one year.....	18,390	14,225
Total.....	<u>¥ 24,999</u>	<u>¥ 19,173</u>

Note 10– Significant Subsequent Events
Cash distribution

As of August 5, 2003, the Board of Directors of NBF resolved to effect payment of a cash distribution of ¥15,367 per share aggregating ¥ 4,313 million to shareholders of record on June 30, 2003.

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/>

Date of Inception:

March 16, 2001

Capital:

Contributed capital and common shares issued and outstanding as of June 30, 2003:
¥148,899 million
280,700 shares

Shareholders:

12,915 (As of June 30, 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

Asahi & Co.
Asahi 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 Japan Ltd.
7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan
+81-3-3281-8810



Nippon Building Fund Inc.