



## NBF News Release

### NIPPON BUILDING FUND INC. ANNOUNCES 6th PERIOD (FIRST-HALF 2004) RESULTS

Tokyo, Japan August 18, 2004

Koichi Nishiyama,

Executive Director of NBF, President & CEO of NBFM

Nippon Building Fund Inc. (hereinafter “NBF”, also referred to in Japan as “*Nihon Building Fund toshi-hojin*”, TSE ticker code: 8951) today announced its financial results for the First-half 2004 (the 6th fiscal period, commencing January 1, 2004 and ending June 30, 2004).

NBF reported total revenues of ¥12,554 million, income before income taxes of ¥4,263 million, net income of ¥4,263 million, and total cash distribution per share and distribution of accumulated earnings per share of ¥15,185.

As of June 30, 2004, NBF’s total asset balance was ¥366,200 million and total shareholder’s equity was ¥153,162 million, or ¥545,642 per common share. The total book value (net of accumulated depreciation) of NBF’s investment properties was ¥331,861 million, compared to ¥282,379 million at December 31, 2003.

#### First-half 2004 Highlights

##### *Additional Acquired Properties:*

NBF acquired 10 office properties during the 6th fiscal period:

**Shibuya Garden Front** (location: Shibuya-ku, Tokyo; acquisition price: ¥8,700 million; investment type: real estate; type of ownership: co-ownership; total net rentable area of the building: 16,516 square meters in which NBF holds an interest of 50%.)

**Hirokoji Toei Bldg.** (location: Nagoya, Aichi; acquisition price: ¥5,406 million; investment type: real estate; type of ownership: fee simple (100%); total net rentable area of the building: 6,873 square meters.)

**Ikebukuro TG Homest Bldg.** (location: Toshima-ku, Tokyo; acquisition price: ¥4,428

million; investment type: beneficiary interest; type of ownership: fee simple (100%); total net rentable area of the building: 5,127 square meters.)

**Ebisu CS Bldg.** (location: Shibuya-ku, Tokyo; acquisition price: ¥1,000 million; investment type: real estate; type of ownership: fee simple (100%); total net rentable area of the building: 1,595 square meters.)

**NBF Atsugi Bldg.** (location: Atsugi, Kanagawa; acquisition price: ¥2,300 million; investment type: real estate; type of ownership: fee simple (100%); total net rentable area of the building: 5,254 square meters.)

**Shiba A Bldg.** (location: Minato-ku, Tokyo; acquisition price: ¥6,770 million; investment type: real estate ; type of ownership: fee simple (100%); total net rentable area of the building: 7,087 square meters.)

**Daiya Toranomom Bldg.** (location: Minato-ku, Tokyo; acquisition price: ¥13,337 million; investment type: beneficiary interest; type of ownership: fee simple (100%); total net rentable area of the building: 10,354 square meters.)

**Daiya Ikebukuro Bldg.** (location: Toshima-ku, Tokyo; acquisition price: ¥4,695 million; investment type: beneficiary interest; type of ownership: fee simple (100%); total net rentable area of the building: 5,801 square meters.)

**Tanimachi Kowa Bldg.** (location: Osaka; acquisition price: ¥1,944 million; investment type: beneficiary interest; type of ownership: fee simple (100%); total net rentable area of the building: 5,038 square meters.)

**Aqua Dojima East** (location: Osaka; acquisition price: ¥1,914 million; investment type: beneficiary interest; type of ownership: approximately 29.9% (partly 23.7%) co-ownership interest in condominium interests; net rentable area of the building owned by NBF: 3,374 square meters (based on a simplified calculation taking into account the above ownership interests.)

***NBF Portfolio Profile:***

As of June 30, 2004, NBF owned or had beneficiary interests in 43 office properties containing approximately 419,511 rentable square meters of office space. As of June 30, 2004, NBF leased office space to 629 tenants engaged in a variety of businesses, compared to 511 tenants at the close of the preceding fiscal period. The average occupancy rate for office properties, meaning the ratio of leased area to rentable area, was approximately 97.7%, compared to 92.3% at the close of the preceding fiscal period.

***Cash Dividends:***

In accordance with the distribution policy prescribed in our Articles of Incorporation, NBF is scheduled to distribute almost 100% of retained earnings for the current period (¥15,185 per common share) to our shareholders. By distributing over 90% of taxable income for the period to our shareholders and complying with other organizational and

operational requirements, NBF intends to be able to deduct its cash dividends of profit from its taxable income under Japanese tax regulations (Special Taxation Measures Law Article 67-15).

***Debt Financing:***

NBF obtained funding through interest-bearing debt utilizing mainly unsecured and non-guaranteed bank loans. NBF refinanced short-term loans to long-term and fixed-rate debt in order to hedge against risks related to interest rate hikes and to fix interest rates at current low levels. At the end of the period the ratio of interest-bearing debt to total assets was 50.8%, and the ratio of long-term debt to total interest-bearing debt was 65.6%.

***Credit Ratings:***

NBF was awarded the following issuer credit ratings as a J-REIT, which we believe facilitate our efforts to diversify sources of debt financing.

<u>Rating Agency</u>	<u>Rating Date</u>	<u>Rating Summary</u>
Standard & Poor's	May 1, 2002	Long-term: A, Short-term: A-1, Outlook: stable
	January 29, 2003	2nd unsecured domestic straight bonds: A
	May 30, 2003	3rd unsecured domestic straight bonds: A
Moody's	May 30, 2002	Rating: A3, Outlook: positive
	January 29, 2003	2nd unsecured domestic straight bonds: A3
	May 30, 2003	3rd unsecured domestic straight bonds: A3

**Outline of Forecast for the 7th period**

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, we announced a forecast for second-half 2004 (the 7<sup>th</sup> fiscal period, commencing July 1, 2004 and ending December 31, 2004) as a part of "Kessan-Tanshin". With regard to the conditions of the forecast, please refer to the original "Kessan-Tanshin" released on **August 18, 2004**. An outline of the forecast for second-half 2004 is as follows:

***Performance Forecast:***

For second-half 2004, based on operating activities of 45 office properties including 4 properties sold and 2 properties (**Alliance, S-ino and Omiya North Wing**) which are expected to be acquired during the 7th period as well rental income received from 4 properties prior to their sale on July 30, 2004 and profits from the sale of such properties, NBF forecasts total revenues of ¥15,397 million, net income of ¥5,981 million, and cash distribution of ¥16,400 per share.

***Issues of New Shares***

On June 18, 2004 and again on July 5, 2004 the Executive Committee of NBF resolved to issue the following new shares for the purpose of repayment of loans etc. used to fund the acquisition of properties etc., which shares were duly issued on July 14, 2004 and on August 11, 2004. As the result, the total amount of capital became ¥210,679 million and the number of issued shares became 364,700.

(1) Issues of Shares through Primary Offerings

Number of Newly Issued Shares: 80,000

Offering Price: 759,500 Yen per Share

Total Offering Price: ¥60,760 million

Issue Price: 735,475 Yen per Share

Total Issue Price: ¥58,838 million

Payment Date: July 13, 2004

Dividend Calculation Date: July 1, 2004

(2) Issues of Shares through Allocation to Third Party

Number of Newly Issued Shares: 4,000

Issue Price: 735,475 Yen per Share

Total Issue Price: ¥2,942 million

Payment Date: August 10, 2004

Dividend Calculation Date: July 1, 2004

Allottee: Nomura Securities Co., Ltd.

Number of allotted Issued Shares : 4,000

***New Acquisitions and Sale of 4 Properties after the end of the 6th Fiscal Period***

On June 18, 2004, NBF announced that it would acquire **Alliance** for ¥9,126 million on July 1, 2004. This property is a 5-story high quality office building located at Minami-Aoyama in Minato-ku in the Tokyo Central Business District. Aoyama is one of the representative commercial zones of Japan containing highly sensitive brand shops and high demand for shop space is expected, while on the other hand there are few office buildings in this area. Total net rentable area of this property is 4,043 square meters and its occupancy rate was 100% as of the date of the announcement of its acquisition.

NBF announced on August 12, 2004 that it would acquire **Higashi Ginza Square (Provisional Name)** located in the east Ginza area in Chuo-ku in the Tokyo Central Business District (currently under construction), in March 2005, following its completion for ¥4,800 million (which price may be adjusted upward to a maximum of ¥5,200 million depending on the seller's success in attracting tenants and improving current estimated profits). This 9-story high quality office building is scheduled to be completed in March 2005 and

its total rentable area is anticipated to be 4,870 square meters.

On August 13, 2004, NBF also announced that it would acquire a condominium interest in the 9th through the 20th above ground floors of **S-ino Omiya North Wing** for ¥11,236 million on October 1, 2004. which is a 20-story high quality office building located in Saitama, Saitama in the Other Greater Tokyo. Total net rentable area of this property is 13,245 square meters and its occupancy rate was approximately 89% on August 5,2004.

Moreover, on May 13, 2004, NBF announced its decision to sell 4 properties owned by it: **Shinjuku Yocho-machi Bldg.**, **Inage Kaigan Bldg.**, **Hamamatsu City Bldg.** and **Kyomachibori Center Bldg.** The total transfer price of these 4 properties was ¥7,100 million (provided, however, that the amounts calculated to be equivalent to fixed assets tax and city-planning tax, as well as consumption tax, are excluded) and delivery to the purchasers took place on July 30, 2004. A breakdown of the sales price is as follows: Shinjuku Yocho-machi Bldg. (¥2,700 million), Inage Kaigan Bldg. (¥2,100 million), Hamamatsu City Bldg. (¥1,400 million) and Kyomachibori Center Bldg. (¥900 million). The total book value of these 4 properties as of the end of the 6th period was ¥5,952 million compared to the total sales price of ¥7,100 million.

#### **About NBF**

NBF is one of the leading Japanese real estate investment corporations which was formed on March 16, 2001 as the real estate investment corporation under the Investment Trust Law of Japan. NBF is an externally managed real estate investment company.

Registration of NBF with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and acquisition of office properties commenced on May 23, 2001.

As of September 10, 2001, NBF had raised approximately ¥50 billion through an initial public offering of its common shares, which are listed on the J-REIT section of the Tokyo Stock Exchange.

Nippon Building Fund Management Ltd. (formerly: Office Building Fund Management Japan, Ltd. (hereinafter "NBFM")), NBF's asset management company, is engaged in acquiring, owning, managing, leasing, and renovating office properties on behalf of NBF. Mitsui Fudosan Co., Ltd. currently owns 43% of NBFM, Sumitomo Life Insurance Company holds a 35% stake and 22% is owned by others. As of June 30, 2004, NBFM was solely engaged in asset management for NBF.

### Investor Relations

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This news release contains translations of selected information described in the Financial Release (“*Kessan-Tanshin*”) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange, and portions of the Financial Statements and the Performance Information Report for the period from January 1, 2004 to June 30, 2004, 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 Financial Release 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 concepts 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 portions(s) of any document(s) translated into English. No person has been authorized to give any information or make any representations other than as contained in this document in relation to the matters set out in this document, and if given or made, such information or representation must not be relied upon as having been authorized by Nippon Building Fund Inc., Nippon Building Fund Management Ltd. or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates.

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

Many provisions of this document contain forward-looking statements and information. We base these statements on our beliefs as well as our assumptions based solely on certain limited information currently available to us. Because these statements reflect our current views concerning future events, these statements involve known and unknown risks, uncertainties and assumptions. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation: the general economy, market conditions, financial markets including the performance of the office space market, interest rate fluctuations, competition with our office properties, and the impact of changing regulations or taxation. NBF does not intend, and is under no obligation to, update any particular forward-looking statement included in this document. The forward-looking statements contained in this press release speak only as of the date of release, **August 18, 2004**, and NBF does not undertake to revise those forward-looking statements to reflect events occurring after the date of this release.

## 6th Period (First-half 2004) Financial Highlights

The following table sets forth selected financial and operating information on a historical basis for Nippon Building Fund Inc.

<b>NIPPON BUILDING FUND INC.</b>					
<b>SELECTED FINANCIAL HIGHLIGHTS(Note1)</b>					
<b>(Yen in millions, except for per share data)</b>					
	6th Period	5th Period	4th Period	3rd Period	2nd Period
	2004	2003	2003	2002	2002
	1st-Half	2nd-Half	1st-Half	2nd-Half	1st-Half
<b>Operating Data:</b>					
Revenues:					
Rental	¥ 11,265	¥ 10,476	¥ 11,111	¥ 10,366	¥ 10,427
Others	1,193	1,977	1,128	1,480	832
Gain on sales of properties	96	-	-	-	-
	<u>12,554</u>	<u>12,453</u>	<u>12,239</u>	<u>11,846</u>	<u>11,259</u>
Operating Expenses:					
Property operating, taxes and others	4,148	4,489	4,182	3,959	3,676
Depreciation and amortization	2,628	2,403	2,366	2,072	1,947
Asset management fees and other expenses	616	572	647	625	629
Total operating expenses	<u>7,392</u>	<u>7,464</u>	<u>7,195</u>	<u>6,656</u>	<u>6,252</u>
Interest income and others	14	1	0	1	12
Interest expense	(892)	(809)	(706)	(591)	(527)
Other expenses	(21)	(87)	(24)	(37)	-
Income before income taxes	<u>4,263</u>	<u>4,094</u>	<u>4,314</u>	<u>4,563</u>	<u>4,493</u>
Current and deferred income taxes	0	(1)	(1)	(1)	(1)
Net income	<u>¥ 4,263</u>	<u>¥ 4,093</u>	<u>¥ 4,313</u>	<u>¥ 4,562</u>	<u>¥ 4,492</u>
Distribution of accumulated earnings per share (Yen):	¥ 15,185	¥ 14,582	¥ 15,367	¥ 16,253	¥ 16,003
Weighted average number of common shares outstanding	280,700	280,700	280,700	280,700	280,700
Total cash distribution per share(Yen)	¥ 15,185	¥ 14,582	¥ 15,367	¥ 16,253	¥ 16,003
<b>Balance Sheets Data:</b>					
<b>Assets</b>					
Current assets	¥ 33,102	¥ 30,753	¥ 33,890	¥ 32,164	¥ 33,368
Investment properties, net of accumulated depreciation	331,815	282,333	272,541	257,428	244,509
Other assets	1,283	1,276	1,257	1,133	1,098
Total assets	<u>¥ 366,200</u>	<u>¥ 314,362</u>	<u>¥ 307,688</u>	<u>¥ 290,725</u>	<u>¥ 278,975</u>
<b>Liabilities</b>					
Short-term loans	64,050	41,150	34,950	38,450	33,450
Other current liabilities	5,074	6,458	4,127	3,937	3,459
Long-term debts	122,000	95,000	94,000	72,000	67,000
Tenant security deposits	21,878	18,730	21,369	22,852	21,654
Other liabilities	36	32	29	25	21
Total liabilities	<u>213,038</u>	<u>161,370</u>	<u>154,475</u>	<u>137,264</u>	<u>125,584</u>
<b>Shareholders' Equity</b>					
Common shares	148,899	148,899	148,899	148,899	148,899
Retained earnings	4,263	4,093	4,314	4,562	4,492
Total Shareholders' Equity	<u>153,162</u>	<u>152,992</u>	<u>153,213</u>	<u>153,461</u>	<u>153,391</u>
Total Liabilities and Shareholders' Equity	<u>366,200</u>	<u>314,362</u>	<u>307,688</u>	<u>290,725</u>	<u>278,975</u>
<b>Cash Flow Data:</b>					
Cash flow provided by operating activities	¥ 5,182	¥ 9,018	¥ 6,766	¥ 7,298	¥ 9,467
Cash flow used for investing activities	(49,250)	(14,936)	(18,986)	(13,838)	(20,479)
Cash flow provided by financial activities	45,811	2,888	13,814	5,512	16,227
Cash and cash equivalents	<u>32,160</u>	<u>30,418</u>	<u>33,448</u>	<u>31,854</u>	<u>32,882</u>
<b>Other Supplement Data:</b>					
Number of investment properties	43	33	29	28	26
Number of tenants	629	511	446	441	448
Total rentable square meters of office properties	419,657	358,940	340,497	322,344	303,485
Occupancy rate of office properties	97.7 %	92.3 %	94.8 %	95.0 %	97.4 %
NOI from property leasing activities (Note2)	¥ 8,311	¥ 7,964	¥ 8,057	¥ 7,886	¥ 7,583
FFO per share (Note2)	¥ 24,203	¥ 23,141	¥ 23,794	¥ 23,635	¥ 22,938

- (1) The selected financial data has been derived from the historical financial statements of Nippon Building Fund Inc. based on generally accepted accounting principles in Japan (Japanese GAAP) and audited by Azsa & Co., independent auditors.
- (2) All valuations are calculated through the following formulas. The figures in parenthesis are annualized based on the 6 months figures for the period.

NOI (Net Operating Income) from property leasing activities:

(Revenue from property leasing—Rental expenses)+ Depreciation and Amortization, excluding Gain on sales of properties

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

### Office Properties Selected Data

The following table sets forth selected information as of June 30, 2004 relating to the office properties in which we have invested.

Name of Building	Location	Book value			
		(Yen in millions)	Net rentable square meters	Number of tenants	Occupancy rate
JFE Bldg.	Tokyo	72,236	65,280	1	100.0
Shiba NBF Tower	Tokyo	33,373	24,728	28	100.0
Shinjuku Mitsui Bldg. No.2	Tokyo	15,768	14,946	34	98.7
GSK Bldg.	Tokyo	14,813	22,702	1	100.0
Naka-Meguro GT Tower	Tokyo	13,898	13,924	1	100.0
Daiya Toranomom Bldg.	Tokyo	13,872	10,354	11	98.8
Kowa Nishi Shinbashi Bldg. B	Tokyo	12,720	10,088	2	100.0
Nippon Steel Bldg. No2	Tokyo	12,620	17,338	2	100.0
Nihonbashi Muromachi Center Bldg.	Tokyo	9,902	8,041	9	100.0
Shibuya Garden Front	Tokyo	8,757	8,258	1	100.0
Shiba A Bldg.	Tokyo	6,862	7,087	3	100.0
Takanawa 1-chome Bldg.	Tokyo	6,400	10,473	4	98.1
Sumitomo Densetsu Bldg.	Tokyo	5,214	5,978	1	100.0
Daiya Ikebukuro Bldg.	Tokyo	4,865	5,801	10	95.2
Ikebukuro TG Homest Bldg.	Tokyo	4,502	5,127	9	100.0
Sudacho Verde Bldg.	Tokyo	2,446	2,971	7	99.7
Shinjuku Yocho-machi Bldg.	Tokyo	1,981	5,155	5	100.0
Nishi-Shinjuku Mitsui Bldg.	Tokyo	1,662	1,576	1	100.0
Ebisu CS Bldg.	Tokyo	1,050	1,595	5	100.0
Nakano-Sakaue Sunbright Twin	Tokyo	8,945	12,074	1	100.0
Yokohama ST Bldg.	Kanagawa	13,119	20,089	79	97.0
NBF Atsugi Bldg.	Kanagawa	2,327	5,254	17	91.6
Tsukuba Mitsui Bldg.	Ibaraki	8,353	16,863	58	89.5
Daido Life Omiya Bldg.	Saitama	2,285	3,604	9	93.4
Matsudo City Bldg.	Chiba	2,494	4,772	23	89.0
Inage Kaigan Bldg.	Chiba	1,836	5,878	15	100.0
Sapporo L · Plaza	Hokkaido	3,302	8,461	11	100.0
Sapporo Minami Niho Bldg.	Hokkaido	1,772	5,376	7	83.3
NBF Sendai Honcho Bldg(Note1)	Miyagi	3,434	7,567	7	92.5
Unix Bldg.	Fukushima	3,678	13,479	56	96.7
Niigata Telecom Bldg.	Niigata	3,799	10,220	36	100.0
Hamamatsu City Bldg.	Shizuoka	1,288	5,077	25	99.5
Hirokoji Toei Bldg.	Aichi	5,594	6,873	10	97.4
Sun Mullion NBF Tower	Osaka	10,120	13,974	25	96.7
Sakai Higashi Center Bldg.	Osaka	2,129	5,332	17	98.9
Tanimachi Kowa Bldg.	Osaka	1,946	4,953	1	80.3
Aqua Dojima East	Osaka	1,979	3,265	17	91.4
Otemae Center Bldg.	Osaka	1,755	5,532	7	97.6
Kyomachibori Center Bldg.	Osaka	847	3,101	13	88.0



Name of Building	Location	Book value		Number of tenants	Occupancy rate
		(Yen in millions)	Net rentable square meters		
Shijo Karasuma Minami Bldg.	Kyoto	1,500	3,929	15	97.5
NBF Hiroshima Tatemachi Bldg.	Hiroshima	3,074	5,690	22	89.3
Hiroshima Fukuromachi Bldg.	Hiroshima	836	1,310	16	99.0
Hakata Gion 21 Bldg.	Fukuoka	2,508	5,416	7	100.0
Total		331,861	419,511	629	97.7

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