

NBF Report 2001

1st Period

From : March 16, 2001 (Date of Inception)

To : December 31, 2001

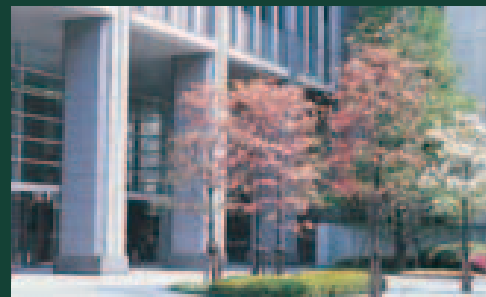


Office Building Fund of Japan, Inc.

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

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This document contains translations of selected information described in the Securities Report (*yuka shoken hokokusho*) filed on March 27, 2002 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from March 16, 2001 to December 31, 2001, of Office Building Fund of Japan, 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 Office Building Fund of Japan, Inc., Office Building Fund Management Japan, 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 Office Building Fund of Japan, Inc., Office Building Fund Management Japan, Ltd. or any of their respective directors, officers, employees, partners, shareholders, agents or affiliates.

The financial statements of Office Building Fund of Japan, 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

Office Building Fund of Japan, Incorporated (hereinafter “NBF”, being an abbreviation of “Nihon Building Fund toshi-hojin”) was formed on March 16, 2001 in Japan as an investment corporation under the Law concerning Investment Trusts and Investment Corporations of Japan (“the Investment Trust Law of Japan”) with the objective investing assets consisting primarily of Designated Assets (as this term is defined in the Investment Trust Law of Japan), and in accordance with said law which 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, Office Building Fund Management Japan, Ltd. hereinafter “NBFM”, being an abbreviation of “Nihon Building Fund Management”) 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 company, is a closed-end fund whose shares are non-redeemable upon demand by a shareholder. The accounting period is six months, except for this 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 (formerly “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 of NBF on the Japanese Real Estate Investment Trust (hereinafter “J-REIT”) section of the Tokyo Stock Exchange.



Message from NBFM to the NBF Shareholders



(right) *Toshihiko Fukase*, Executive Director of Office Building Fund of Japan Incorporated.

(left) *Koichi Nishiyama*, President & CEO of Office Building Fund Management Japan Ltd., Executive Director of Office Building Fund of Japan Incorporated.

Office Building Fund Management Japan Ltd. (“NBFM”), the asset management company of NBF, is exclusively engaged in managing NBF’s investments, primarily acquiring, owning, managing, leasing, and renovating office properties.

Prices of real estate in Japan have been declining over the past 10 years. On the other hand, while an asset evaluation method based on cash flow generated from real estate has become standard in Japan, a brake has been put on such dropping prices, or conversely, prices seem to be rising in certain places in the central business areas of Tokyo. Economic activity, which has been slow to date, has reached the stage where a cyclical bottom can be confirmed due to progress in

concentrating and restructuring the management resources of Japanese business enterprises.

In this environment, NBFM’s asset management business starts from a clear understanding of the market and with a view toward the future. NBFM believes that in order to maximize shareholder value, all features are important, including the size of, quality of, and diversification of the portfolio, and tenant satisfaction. In order to approach these strategic features, we believe it is also important to establish healthy financing policies and a high-level compliance system. Our asset management activities are implemented with the support of the enthusiasm and enhanced concept of morals of NBFM’s management and staff.

The supply level of newly-constructed, large-scale office buildings in the Tokyo central business areas will be higher in 2003, which affects not only the office leasing market but also the activities of the tenants who are NBF’s principal and potential customers. Based upon its estimation of the impact of such supply and the recovery of the market, NBFM believes that there is a chance for NBF to expand its scale externally through further acquisition, and its superiority becomes evident through a comparison of internal growth such as retention of tenants and reduction of rental costs, especially in a weak market. It is also our basic strategy, due to the extreme concentration of economic activities in Tokyo, to realize area diversification of the properties of NBF, while securing the Tokyo central business area as an important investment target. NBFM took as its goal the expansion of NBF’s portfolio size to 300,000 million yen by the end of 2002, and to

500,000 million yen by the end of 2005, in order to obtain further portfolio efficiency as well as to establish a firm basis for profitability. By overcoming this challenging period for the leasing market, we believe that further growth can be achieved.

As for the characteristics of the Japanese office building market, in the past business enterprises and administrative agencies tended to own and use real estate themselves. Recently, from the viewpoint of efficient use of capital, cases where business enterprises sold and leased back their headquarters' office or liquidated investment properties they managed, including spin-off's of their real estate investment departments, have seen an increase. This presents major opportunities for NBF. However, the current situation has yet to indicate that a secondary market for commercial real estate has matured. NBFM's management and staff share a common scenario for the success and growth of NBF and can quickly judge whether or not to acquire specific properties by examining whether they may reasonably be expected to satisfy the return-on-investment requirements set forth in the asset management guidelines established by NBFM.

We are furthermore aware of the fact that tenants' requirements or needs for office space have been changing in Japan. They are even more interested than ever in not only reviewing rents, but in location, consolidation of offices, IT availability, earthquake resistance and security etc. It seems obvious that now is the time that NBF can obtain relatively large-scale, newly-constructed and highly-equipped Grade-A buildings at relatively reasonable prices compared to the past. Even after acquisition by

NBF, under the asset management policies of NBFM, the Mitsui Fudosan group is engaged in "office management" (the active and fully-integrated management of office properties, including interfacing with tenants, planning renovations, and providing accounting support), and will continue efforts to provide comfortable office environments by means of customer-focused property management. We hope that investors acknowledge not only that we have attained performance results so far, but also that we have a competitive advantage which will be publicly known based on our future results. In comparison with other J-REITs, we believe that we can prove our originality in both acquisition and office management. While utilizing the strength of the Mitsui Fudosan group, we intend to maximize the effects of cost, which is possible through the collective whole of our management and staff who respectively have experience in various fields and outsourcing ("the right man in the right place"). There are many day-to-day business activities which are low-key and inconspicuous, such as communication with tenants, but we are proud that our management and staff are enthusiastically conducting operations and management.

Healthy financial management through flexible and quick means of funding helps to broaden choices of strategies and measures for implementation. We are reminded that, in addition to the merits of bargaining power in the real estate market based on the size of our portfolio, the fact that we have been able to establish the current portfolio with a healthy financial basis during the initial period was extremely important with respect to gaining



access to the financial markets. After the close of our first term, NBF was awarded ‘A’ long-term and ‘A-1’ short-term corporate credit ratings by S&P and an issuer rating of A3 by Moody’s. As for our legal compliance system, we will develop the equivalent level of internal oversight functions employed by other top-rated financial institutions engaged in fiduciary duties with respect to the asset management business.

NBF was established in March 2001 and its common shares were listed on the Tokyo Stock Exchange as the first J-REIT in September. Thus, NBFM has also been in a position, in both financial markets and real estate markets, to bear a large amount of responsibility as an asset management company, which, from both mid-term and long-term perspectives, is required by the numerous investors in NBF. As our contacts with financial markets and media through providing NBF company information have increased after it became a public company, we have acquired much valuable experience within a short time and come to better understand our social responsibility at the same time.

The J-REIT system is the first magnificent adventure in the Japanese real estate industry in which earnings are distributed in accordance with so-called “pass-through” characteristics and the fiduciary duty owed directly to shareholders in the public market is guaranteed by achievement of a high-level of disclosure. It was during the first term that we launched structuring of our investor base, including individual investors, and it will be our mission to promote recognition and understanding of, and expand the scale of, NBF during the second term. Additional efforts will be necessary for

NBF and NBFM to achieve sufficient recognition and appreciation from the markets.

Trust is one of the most important factors in our business. Our objective is to earn further trust through the results of our performance.

Although both NBF and NBFM are still developing entities, we hope to build stable brand equity vis-a-vis both tenants and financial markets at the earliest opportunity in order to enjoy an appropriate reputation as a leading J-REIT.

Office Building Fund Management Japan Ltd.

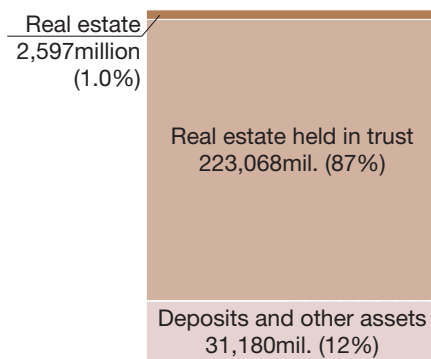
President & CEO

Kaichi Nishiyama

Portfolio Snapshot

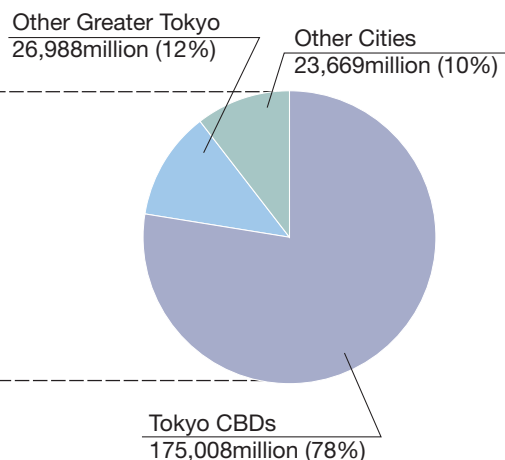
Asset allocation

Total Assets ¥256,847 mil.



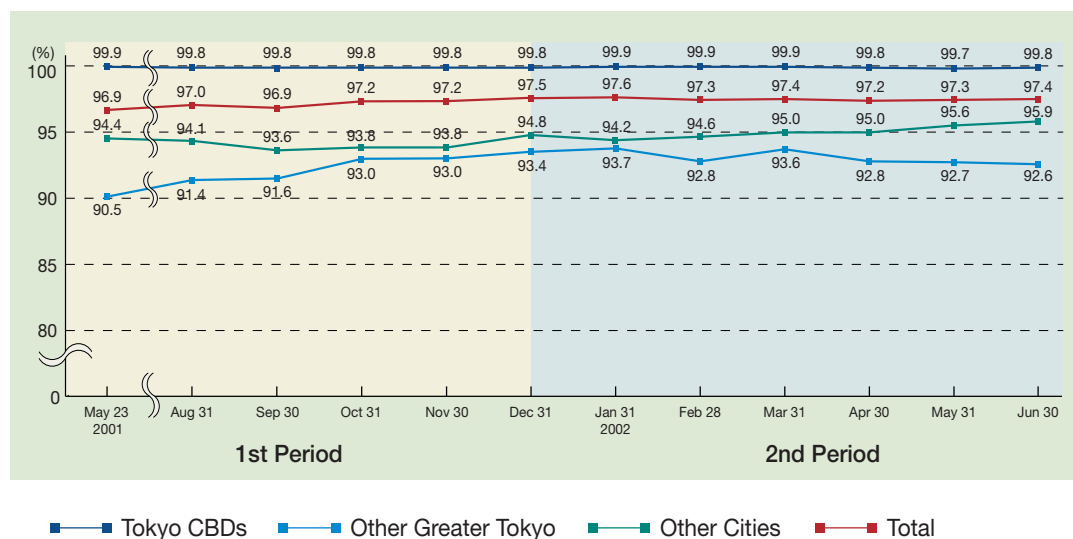
Regional allocation

Total Real Estate etc. ¥225,666 mil.



Note: Figures above are based on the book value as of December, 2001.

Occupancy rates

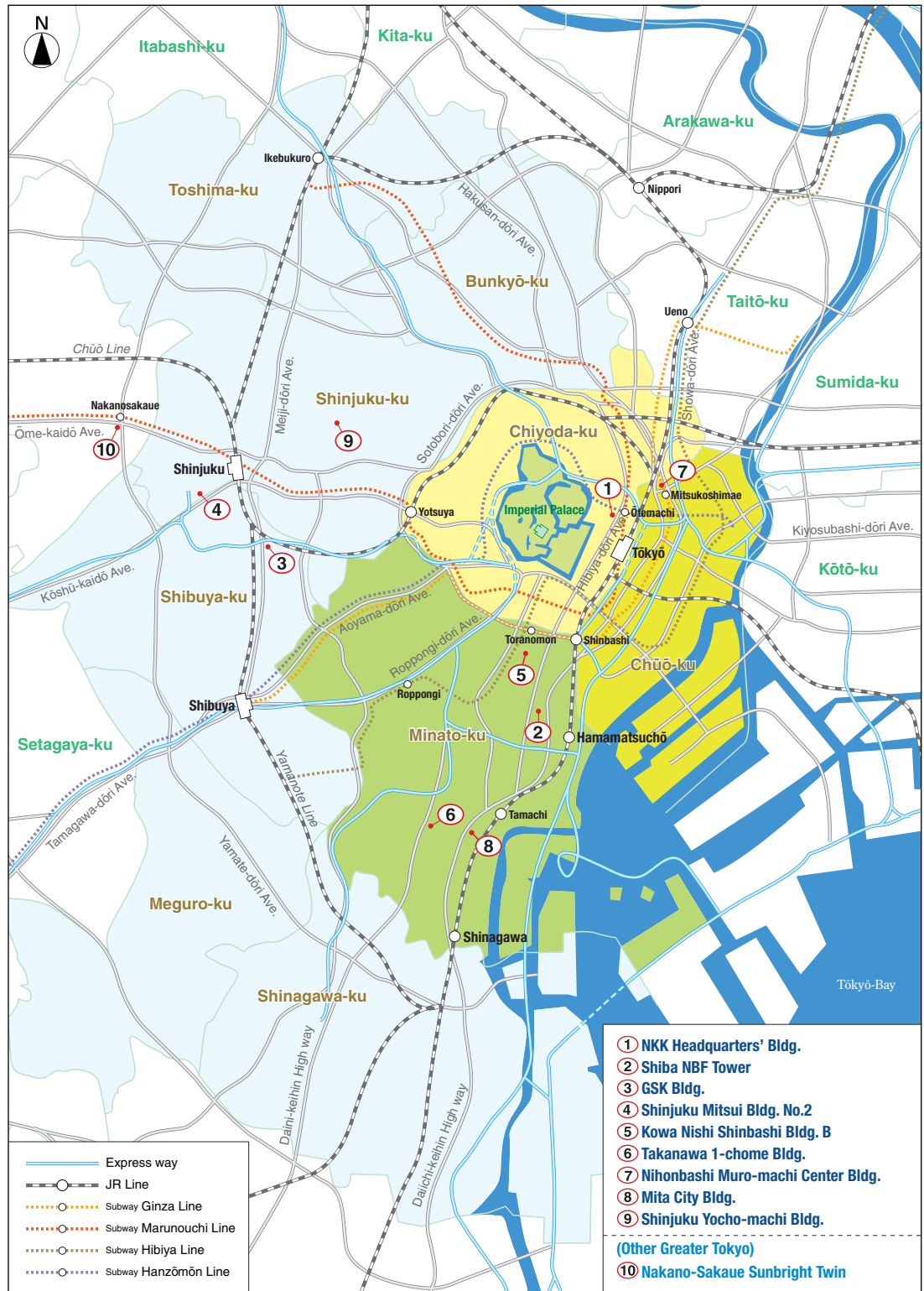


Note: Occupancy rates: Ratio of gross leased area to total rentable area

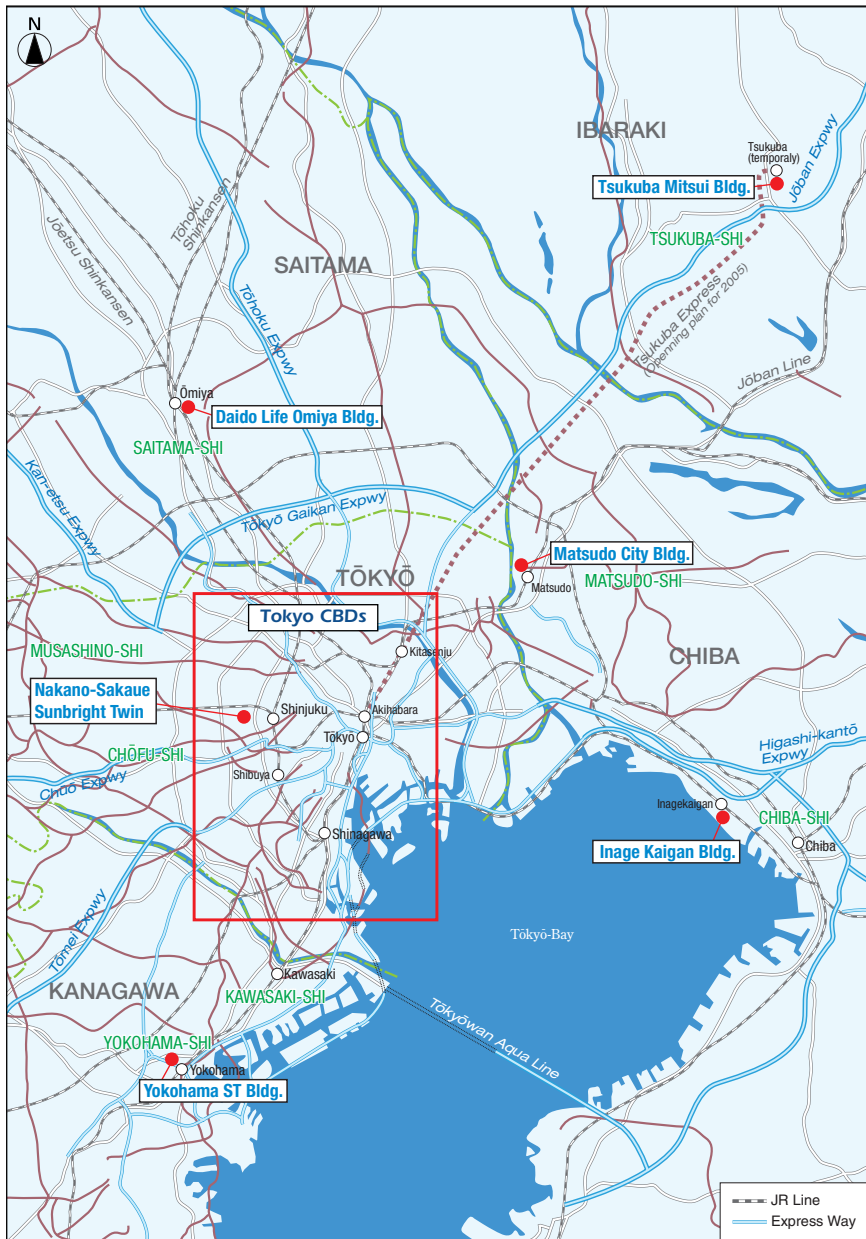


Location of Office Properties

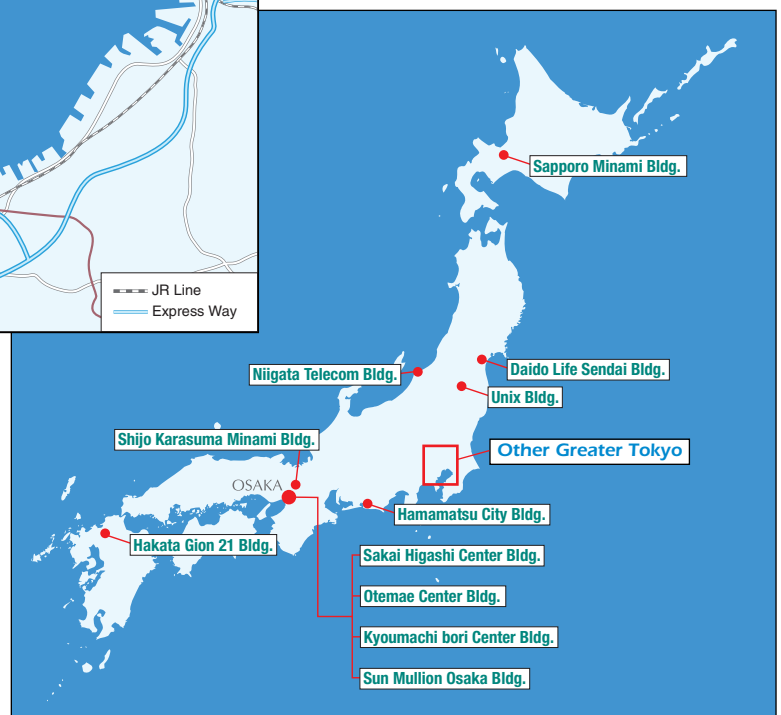
Tokyo CBDs



Other Greater Tokyo



Other Cities





NKK Headquarters' Bldg.

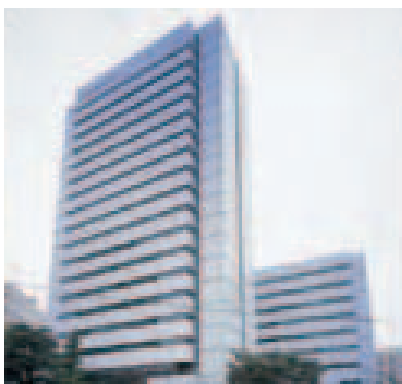
Location	: 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Site area	: 5,495.49m ²
Floor area of building	: 62,949.13m ²
Structure	: Above ground: 18 floors, below ground 4 floors
Completion	: June 1974



Shiba NBF Tower

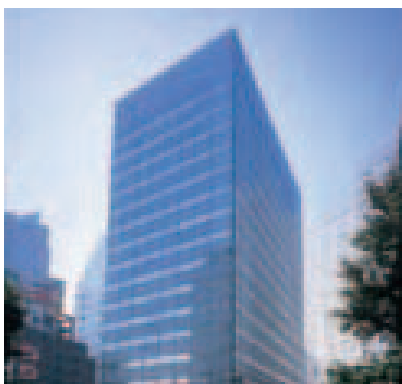
Location	: 1-30, Shiba Daimon 1-chome, Minato-ku, Tokyo
Site area	: 6,475.44m ² (*)
Floor area of building	: 44,437.17m ²
Structure	: Above ground: 18 floors, below ground 3 floors
Completion	: October 1986

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



GSK Bldg.

Location	: 6-15, Sendagaya 4-chome, Shibuya-ku, Tokyo
Site area	: 5,335.28m ²
Floor area of building	: 29,137.86m ²
Structure	: Above ground: 18 floors, below ground 4 floors
Completion	: November 1990



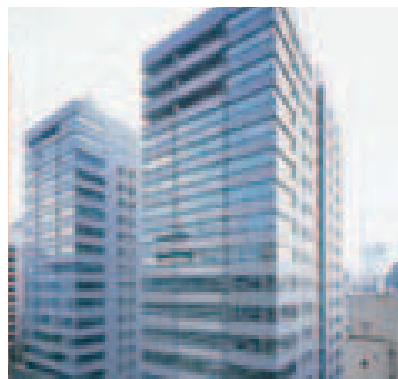
Shinjuku Mitsui Bldg. No.2

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

Kowa Nishi Shinbashi Bldg. B

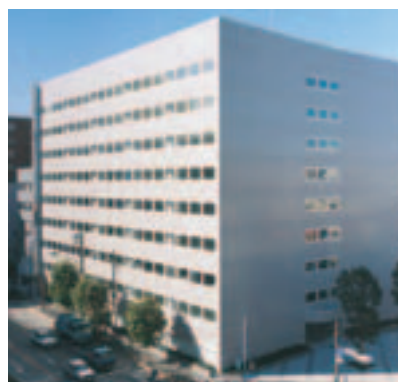
Location : 14-1, Nishi Shinbashi 2-chome, Minato-ku, Tokyo
 Site area : 2,449.40m² (*)
 Floor area of building : 20,180.42m² (*)
 Structure : Above ground: 16 floors,
 below ground 2 floors
 Completion : August 1994

(*)Note: Condominium ownership of the building (partly co-owned interest thereof). NBF owns approx.83% of the entire building.
 For further information, see page33, Note5 of Selected Data by Property



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



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.
 For further information, see page33, Note6 of Selected Data by Property



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





Shinjuku Yocho-machi Bldg.

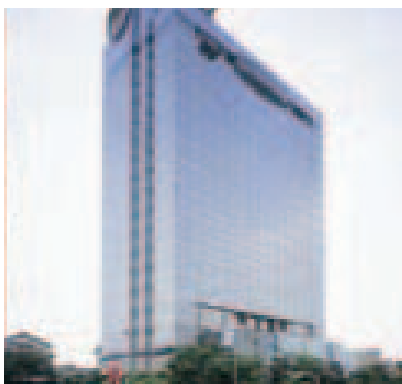
Location	: 10-10, Yocho-machi, Shinjuku-ku, Tokyo
Site area	: 1,984.82m ²
Floor area of building	: 7,185.38m ²
Structure	: Above ground: 7 floors, below ground 1 floor
Completion	: January 1989



Yokohama ST Bldg.

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

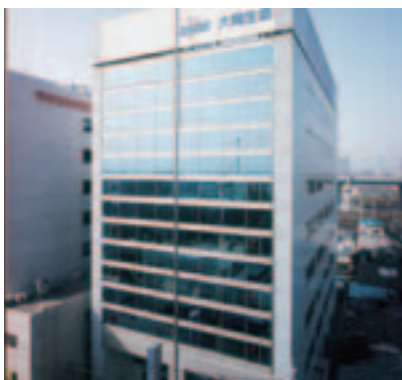
(*)Note: Co-ownership of 75% of the land and the building.



Tsukuba Mitsui Bldg.

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

(*)Note: Co-ownership of 75% of the land and the building.



Daido Life Omiya Bldg.

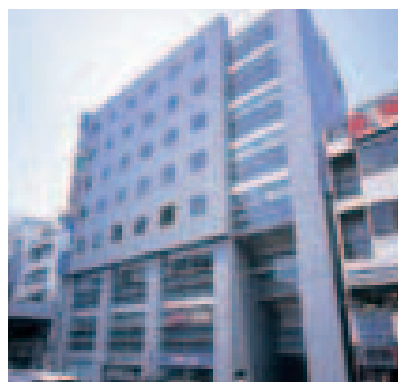
Location	: 23-1, Yoshijiki-cho 1-chome, Saitama, Saitama
Site area	: 1,290.21m ²
Floor area of building	: 6,155.16m ²
Structure	: Above ground: 8 floors
Completion	: October 1991

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

**Matsudo City Bldg.**

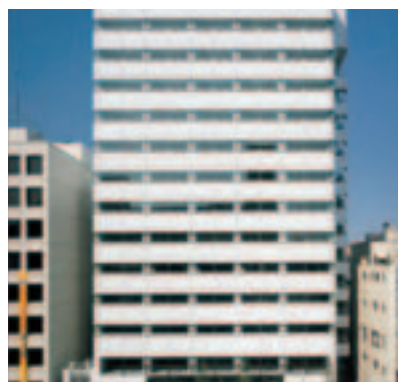
Location : 18-4, Hon-cho, Matsudo, Chiba
 Site area : 1,064.25m²
 Floor area of building : 6,386.17m²
 Structure : Above ground: 8 floors
 Completion : August 1992

**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

**Daido Life Sendai Bldg.**

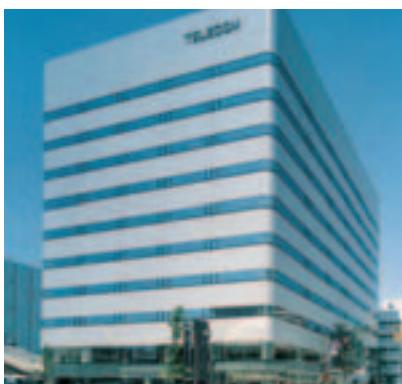
Location : 16-10, Honcho 2-chome, Aoba-ku,
Sendai, Miyagi
 Site area : 1,658.99m²
 Floor area of building : 10,585.42m²
 Structure : Above ground: 14 floors,
below ground 1 floor
 Completion : June 1987





Unix Bldg.

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



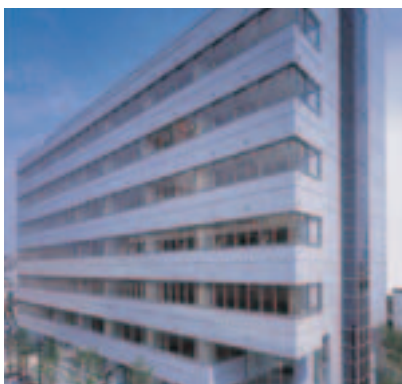
Niigata Telecom Bldg.

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



Hamamatsu City Bldg.

Location	: Denmacho 312-1, Hamamatsu, Shizuoka
Site area	: 1,144.81m ²
Floor area of building	: 6,931.30m ²
Structure	: Above ground: 9 floors
Completion	: December 1990



Sakai Higashi Center Bldg.

Location	: 3-11, Kita Kawara-machi 1+chome, Sakai, Osaka
Site area	: 1,978.53m ²
Floor area of building	: 7,294.35m ²
Structure	: Above ground: 8 floors
Completion	: June 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



Shijo Karasuma Minami Bldg.

Location : Dojishacho167, 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



Kyomachibori Center Bldg.

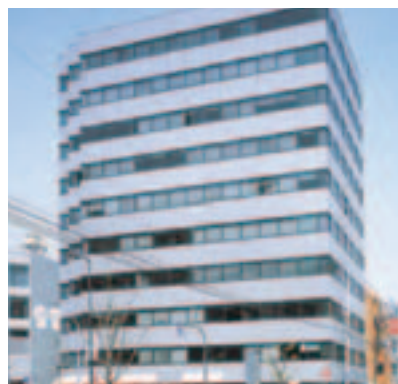
Location : 17-16, Kyomachibori 1-chome,
Nishi-ku, Osaka, Osaka

Site area : 530.21m²

Floor area of building : 3,919.95m²

Structure : Above ground: 10 floors,
below ground 1 floor

Completion : April 1987



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

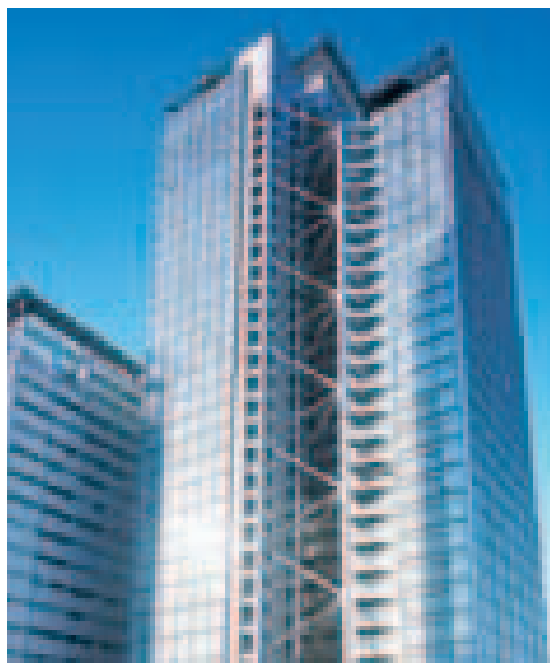
Completion : April 1993





We acquired the following two properties on February 1 and March 12, 2002, and February 25, 2002, respectively. An overview of each property as of its date of acquisition is as follows.

Nakano-Sakaue Sunbright Twin



Acquisition date:	February 1, 2002 and March 25, 2002
Outline of Acquired Property :	Condominium interest being 16th floor - 30th floor of the South Wing, 16th floor and co-ownership of 17th floor of the North Wing, respectively (*means figures for each interest hereinafter)
Acquisition prices:	¥8,433 million and ¥546 million respectively
Acquisition structure:	Acquisition of real estate held in trust (trustee: UFJ Trust Bank)
Location:	46-1, Honcho 2-chome, Nakano-ku, Tokyo
Site area:	Size of total site 10,331.90m ²
Floor area of building:	Floor space of divided condominium interests are 10,955.90m ² and 984.32m ² respectively , out of the gross floor area of the entire building: 63,396.95m ² (including common areas)
Structure:	Steel-framed reinforced concrete building, Flat roof Above ground: 30 floors, below ground: 2 floors
Completion:	September 1996
Number of tenants*:	1
Rentable area*:	11,073.06m ² and 1,001.18m ² respectively
Leased area*:	11,073.06m ² and 1,001.18m ² respectively
Occupancy rate*:	100%

Sun Mullion NBF Tower



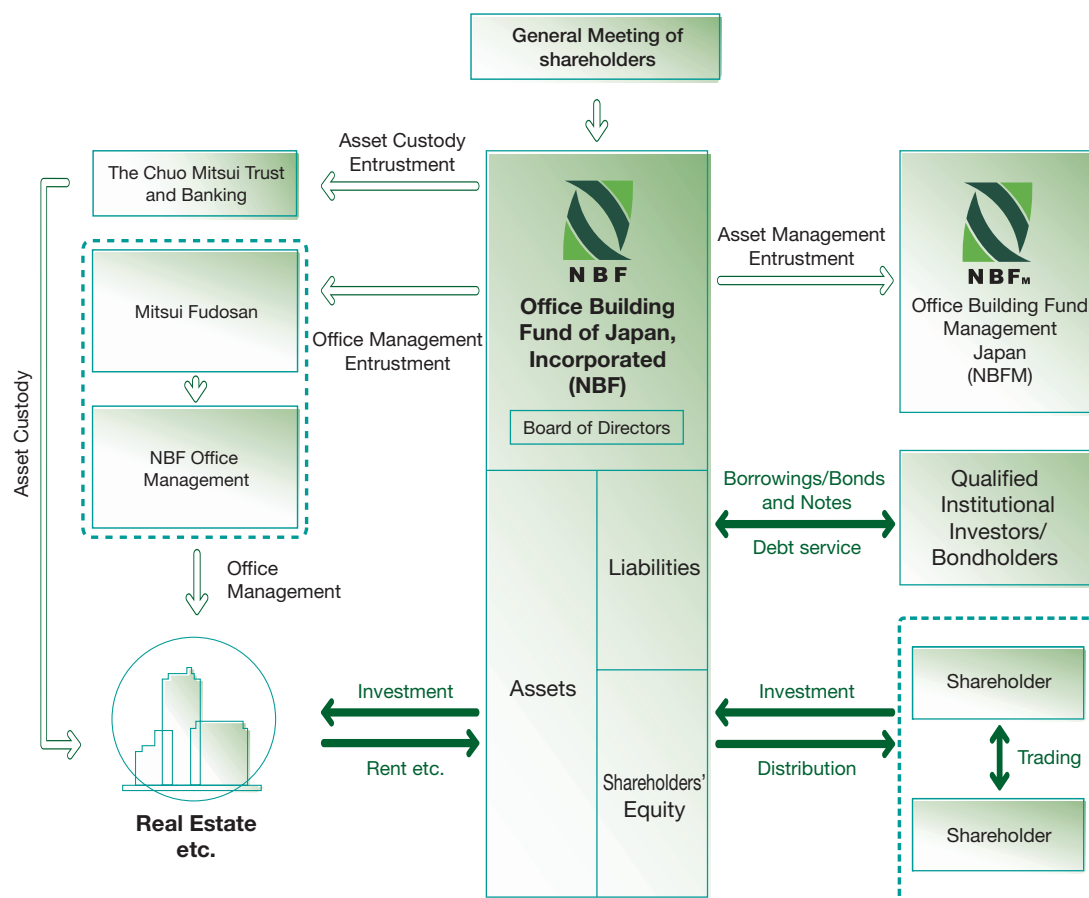
Acquisition date:	March 12, 2002
Outline of Acquired Property:	Fee simple
Acquisition price:	¥10,500 million
Acquisition structure:	Acquisition of real estate held in trust (trustee: Mitsubishi Trust & Banking)
Location:	6-12, Minami-Honmachi 2-chome, Chuo-ku, Osaka, Osaka
Site area:	2,150.36m ²
Floor area of building:	23,755.80m ²
Structure:	Steel-framed reinforced concrete Above ground: 22 floors, below ground: 2 floors
Completion:	January 1996
Number of tenants:	32
Rentable area:	14,252.01m ² (excluding 774.88m ² consisting of a rental hall on the 3rd floor)
Leased area:	13,247.26m ²
Occupancy rate:	92.95%

Note 1. Site area and construction date stated in the outlines are as specified in the real estate register.

Note 2. Acquisition price stated does not include national consumption tax, regional consumption tax and miscellaneous costs of acquisition.

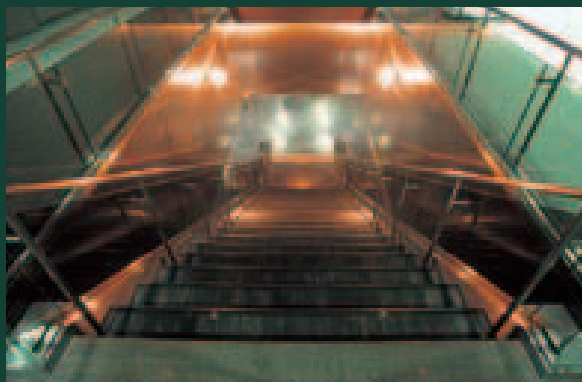
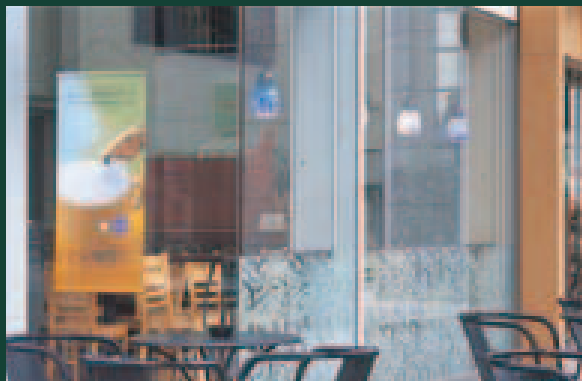
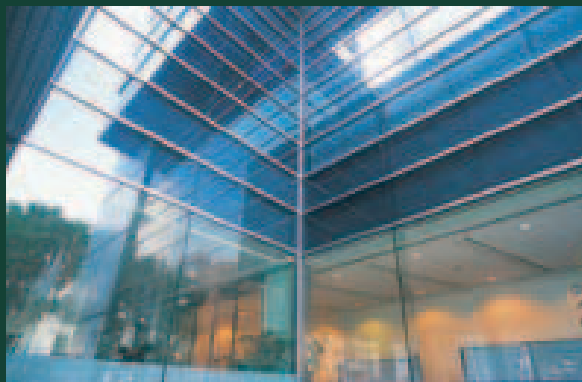
Related Entities of NBF

For more information, see “Overview of the Related Operating Entities”.



Major Related Operating Entities

Assignment	Name
Asset Management Company	Office Building Fund Management Japan, Ltd. (“NBFM”)
Asset Custodian	The Chuo Mitsui Trust and Banking Co., Ltd.
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd.
Accounting Agent	Makoto Sugai of Heiseikaikeisha Accounting Office
Administrative Agent	Office Building Fund Management Japan, Ltd. (“NBFM”)
Bond Trustee	The Norinchukin Bank



■ Investment Policies of NBF

1. Basic Investment Policies

A. Basic Policies

NBF's primary investment objective is to achieve sustainable growth in portfolio value and stable profits on a mid-term to long-term basis. NBF 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.") ("Investment Objects and Policies", Articles of Incorporation) . (Note: laws, documents and so forth used as the basis or sources hereof are set forth in parenthesis in this section.)

B. Investment Strategy

NBFM will, based on the investment strategy of NBF set forth below, invest and manage the assets of NBF. NBFM has established asset management guidelines based on the Articles of Incorporation of NBF and in accordance with the investment strategy of NBF.

(1) Special Characteristic of Investment Objects

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

(2) Strategy for Creation of the Portfolio

It is desired that the managed assets in the portfolio experience steady growth and generate stable profits on a mid-term to long-term basis. At the time of selection of investment assets, the composition of investment assets for the portfolio will be based on consideration of a quantitative proportion of the office stock located in the various regions of Japan.

Area Diversification

In the investment strategy of NBF, the investment area is divided into three areas consisting of Tokyo CBDs, Other Greater Tokyo and Other Cities in such manner that 70% or more of total investment assets (Real Estate etc.) is allocated to Tokyo CBDs and Other Greater Tokyo and 30% to Other Cities. The purpose of this area diversification is to mitigate cash flow risks such as risks of earthquakes, risk of vacancies and so forth.

The following table sets forth abovesaid area diversification strategy.

Area and Allocation Ratio	Area Analysis
Tokyo CBDs 9 central wards in Tokyo : Chiyoda, Minato, Chuo, Shinjuku, Shinagawa, Shibuya, Toshima, Bunkyo and Meguro	<ul style="list-style-type: none"> ■ Relatively high rent levels and low vacancy rates compared to Other Cities; also, relatively large market scale (both leasing and purchase/sale) with high growth rates. ■ Relatively low yearly NOI yields. Relatively high liquidity at the time of sales.
Other Greater Tokyo Other 14 wards in Tokyo and Neighboring Cities (see Note1 below) such as Musashino, Tachikawa, Yokohama, Kawasaki, Chiba, Kashiwa, Saitama etc.	<ul style="list-style-type: none"> ■ Basic special characteristics are between those of Tokyo CBDs and Other Cities.
Total of above two areas :70% or more	
Other Cities Principal regional cities such as Sapporo, Sendai, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Takamatsu, Fukuoka, Kumamoto etc.	<ul style="list-style-type: none"> ■ Rent levels relatively low and vacancy rates relatively high compared to Tokyo CBDs. ■ Also, scale of market is relatively small and growth rates relatively low. ■ Relatively high yearly NOI yields. Relatively low liquidity at the time of sales.
Total of above area: 30% or less	
Note1 "Neighboring Cities" refers to the Metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaragi, Gunma and Tochigi.	
Note2 Due to reasons such as unforeseeable, extreme fluctuations in macro-economic trends, financial trends, real estate market trends and so forth, it may not always be possible to operate in accordance with each of the above criteria ("Investment Objects and Policies", Articles of Incorporation).	

(3) Acquisition Strategy

Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to both the "Designated Real Estate Ratio" and the "Real Estate etc. Ratio"(both defined in the Note below). As of December 31 2001, NBF satisfied both of the above criteria.

Note:

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

Note Designated Real Estate means real estate, real estate leasehold rights, superficies and beneficiary certificates backed by real estate, land leasehold rights and superficies (as designated under Article 83.7.2.1 of the Special Taxation Measures Law of Japan).

- The ratio of the amount of Real Estate etc. (real estate, real estate leasehold rights, superficies and beneficiary certificates (but limited to real estate held in trust, land leasehold rights and superficies) and *tokumei kumiai* ownership interests (but limited to operating real estate, real estate leasehold rights and superficies) to the total amount of all assets (herein “Real Estate etc. Ratio”) will, in accordance with Article 3 of the Finance Ministry Ordinance (Finance Ministry Ordinance No. 44 of June 6, 2001) be 75% or more.

Due Diligence

When investing in office properties, selections will be made through comprehensive research and analysis based on the forecast investment yields resulting from their acquisition costs and their anticipated profits, future prospects and stability of the area of location, availability of measures responding to risks of deterioration and obsolescence, insurability and so forth. The details of the relevant criteria are set forth in the following table (“Investment Objects and Policies”, Articles of Incorporation).

Though such consideration will involve study of the criteria included in the following table, it is possible that when NBF acquires or intends to acquire operating assets, not all of the following criteria will be satisfied.

Item	Points to be reviewed
Scale of building	■ Net rentable area, including net rentable area of entire building and standard net rentable area per floor. Desired total net rentable area is 1,650m ² (approximately 500 <i>tsubo</i>) or more. Standard net rentable area per floor is 330m ² (approximately 100 <i>tsubo</i>) or more
Construction type and specifications of facilities	■ Building design and floor plan suitable for leasing, with divisibility, adequate ceiling height, electrical service, HVAC equipment etc.
Earthquake resistance	■ Ensure that construction quality exceeds earthquake standards (meaning those required pursuant to the Building Standards Law as amended in 1981) or standards equivalent thereto.
Measures regarding status of legal title	■ In cases such as co-ownership, divided condominium ownership, a building erected on leased land etc. where NBF will not obtain complete ownership of a building: measures to protect security deposits, policies and measures regarding cash reserves for long-term renovation plans; appropriate measures regarding demands for division of co-owned interests or the sale of a co-owner’s interest etc; condition of secured interests established prior to acquisition etc.
Tenancy characteristics	■ Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents etc.
Current building management etc.	■ Condition of compliance with applicable laws and regulations etc
Environmental; condition of land etc.	■ Absence of harmful substances such as asbestos, non-existence of soil pollution etc.

Uncompleted or Unleasable Properties

Acquired operating properties will, in principle, already be leased or be ready for leasing activity at the time of acquisition (which includes cases where leasing activity is possible but not commenced). With respect to uncompleted and unleasable operating properties, a comprehensive decision will be made based on the investment amount, anticipated date of occupancy and anticipated income etc., and upon consideration of the impact on the management of the operating assets of NBF, uncompleted and unleasable assets with an investment amount of up to 10% of the total amount of assets may be acquired. Further and totally separate from the foregoing cases, it is possible that due to factors such as deterioration of the condition of buildings or redevelopment circumstances etc. the reconstruction or large-scale renovation of acquired assets may result in periods during which they are unleasable (“Investment Objects and Policies”, Articles of Incorporation). However, consideration of the acquisition of uncompleted and unleasable assets above will occur only after the total amount of assets reaches approximately ¥300,000 million.

Direct Acquisition of Real Estate

One objective is for the ratio of the amount of real estate directly acquired by NBF to the total amount of Designated Assets acquired by NBF during each year to be 50% or more of Designated Real Estate. This objective will be applicable during the period from April 1, 2002 until the end of the period of application of the measures to abate the real estate acquisition tax (“Investment Objects and Goals”, Articles of Incorporation).

(4) Management and Disposition Policies

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

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

Reserves for Long-Term Renovations

NBF is entitled to establish reserves for long-term renovations required to maintain and enhance the value of operating properties, reserves for payables, reserves for cash distributions and any other similar reserves etc. (Articles of Incorporation). From among the reserves set forth above, a portion corresponding to renovations, repairs and tenant improvements will be determined based on renovation plans for each building. Reserves foreseen as of December 31, 2001 are as follows:

Item	Reason
Reserves for long-term renovations	■ Average annual amount over an approximately 10-year period based on engineering reports

Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)

■ Expenses of providing “free access floor”(or raised floor); expenses for other move-in construction costs (partitions etc.)

Total Foreseen Amount: (annual basis) ¥1,810 million

Measures to Avoid Reductions and Fluctuations in Operating Income

In order to avoid large-scale reductions and fluctuations in operating income due to fire damage, withdrawal of tenants and so forth, efforts, beginning with area diversification, will be exerted to obtain adequate fire and casualty insurance, such as fire insurance, insurance for loss of rental income caused by earthquakes, owner’s liability insurance etc.

Disposition

In disposing of individual operating properties, selections will be made through comprehensive research and analysis based on the forecasted income, actual and predicted fluctuations in asset value, future prospects and stability of the area of location, risks of deterioration and obsolescence of real estate and predicted costs thereof as well as the composition of the portfolio etc. Study as to whether to sell or hold will be periodically undertaken with respect to all operating properties (“Investment Objects and Policies”, Articles of Incorporation).

Appraisal Value etc.

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

(5) Financial Policies

Issuance of Shares

NBF may issue shares in order to undertake acquisition and renovation and so forth of assets and to provide allowance for funds required for working capital as well as for the repayment of debt (including security deposits, borrowings and repayment of obligations regarding NBF bonds and notes etc.)

Debt Financing

NBF may borrow capital (including use of the call loan market) and issue bonds and notes in order to undertake acquisition and renovation and so forth of assets and to provide allowance for funds required for working capital as well as for the repayment of debt (including security deposits, borrowings and repayment of obligations regarding NBF bonds and notes etc.) (“Investment Objects and Policies”, Articles of Incorporation).

NBF will in principle, when undertaking borrowings or issues of NBF bonds and notes, undertake short-term borrowings as a flexible method of obtaining capital required for the acquisition of new properties,

and undertake mid-term to long-term borrowings at fixed interest rates, or issue NBF bonds and notes, as a stable method of obtaining capital.

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

Loan to Value Ratio

The ratio of the total amount of borrowings and issues of NBF bonds and notes to the total amount of assets of NBF (Loan-to-Value ratio) is envisioned to be limited to 60%, but may temporarily exceed 60% when acquiring certain assets etc.

Derivatives

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

■ Distribution Policies of NBF

A. Distributions of Profits

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

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

Earnings Available for Distributions

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

The earnings available for distributions accruing from investment business (hereinafter "Distributable Earnings") are amounts accruing from managed properties such as rents, common area charges, parking charges, and other rental revenues, interest and dividend income and any other revenue similar thereto, plus profit or loss upon sale of said managed assets and profit or loss upon redemption, less expenses (including depreciation expense), interest paid, fees relating to asset management, etc. If there is an amount of loss carried forward, the Distributable Earnings will be such amount after making up such loss. In the event of a loss after the above, such loss will be carried forward to the next fiscal term.

Cash Distribution of Profits

The amount of cash distributions will be determined by NBF, such amount being in excess of 90% of taxable income available for dividends of NBF set forth in Article 67.15 of the Special Taxation Measures Law of Japan (hereinafter "Taxable Income Available for Dividends"); provided, however, that the maximum amount of distributions will be the Distributable Amount. NBF has the right to allow for long-term reserve for repair, reserve for outstanding claims, reserve for distributions and other reserves and allowances similar thereto which are deemed necessary for maintenance or appreciation of the assets of NBF.

B. Distribution in Excess of Earnings

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

- Amount determined by NBF as being eligible for the requirements of the Special Taxation Treatment for Investment Corporations, in case of the Distributable Earnings being less than the

Taxable Income Available for Dividends

- Amount determined by NBF not in excess of the amount of depreciation for the current term less the amount of appropriate reserves for the current term, if NBF determines it appropriate considering trends in macro-economic environments, real estate markets and leasing markets

NBF's Current Policy on Distributions in Excess of Profits

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions etc.

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

■ Investment Restrictions

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

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Note: Except as specifically stated to the contrary herein, numerical figures for each item appearing in the tables contained in this section have been rounded downward to the specified decimal place. As a result, the sum of said figures for any item may not equal the “subtotal” or “total” indicated for such item. Nevertheless, the figures provided as the “total” of such item correspond to the equivalent figures set forth in Section “II Financial Statements”.

■ Investment Performance Overview

1. Financial Highlights

(Yen in millions, except per share data or where otherwise indicated)

1st Period from March 16, 2001 to December 31, 2001		
Operating revenues		12,561
Revenues from property leasing		12,561
Operating expenses		6,395
Rental expenses		5,737
Income before income taxes		5,342
Net income	(a)	5,341
Total assets	(b)	256,847
Total shareholder's equity ('Net assets')	(c)	154,240
Capital contribution		148,899
Total number of common shares issued (shares)	(d)	280,700
Net assets per share (Yen)	(c) / (d)	549,482
Total amount of cash distribution	(e)	5,340
Distribution per share (Yen)	(e) / (d)	19,026
Distribution of net income per share (Yen)		19,026
Distribution in excess of net income per share (Yen)		—
Return on total assets	Note 2	2.25% (3.68%)
ROE	Note 2	4.22% (6.91%)
Capital ratio	(c) / (b)	60.1%
Payout ratio	(e) / (a)	99.9%
Number of days	Note 2	223
Other supplement data :		
Number of investment properties	Note 3	24
Number of tenants	Note 3	411
Total rentable square meters		277,054
Occupancy rate	Note 3	97.5%
Depreciation and amortization		2,170
Capital expenditure		494
NOI from property leasing activities	Note 2	8,993

Note1 Operating revenues do not include consumption taxes.

Note2 All valuations are calculated through the following formula. The figures in parenthesis are converted to an annual basis as actual investing activities began on May 23, 2001.

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

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

Net Operating Income (NOI) from property leasing activities:

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

Note 3 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 period

2. Performance Review for the Current Period

About NBF

Office Building Fund of Japan, Inc. ("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 Office Building Fund Management Japan Limited ("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 a fully integrated, self-administered and externally managed real estate investment company. NBFM, an asset management company of NBF, is engaged in acquiring, owning, managing, leasing, and renovating office properties. NBFM is currently 43% owned by Mitsui Fudosan Co., Ltd., 35% owned by Sumitomo Life Insurance Company and 22% owned by others.

As of September 10, 2001 NBF had raised approximately ¥50 billion through an initial public offering of common shares. Those common shares are listed on the J-REIT section of the Tokyo Stock Exchange under ticker code 8951.

Investment Climate and Operating Performance

From many perspectives, 2001 was a challenging period for real estate investment. The Japanese economy continued to suffer from deflationary pressures that contributed to further decline in the business confidence level. Also, demand for office space was weak as requests from foreign and IT-related companies relatively declined and many other Japanese companies sought to reduce their workforce to improve profitability. Terrorist attacks in the U.S. further contributed to the weakening of business confidence.

Despite such adverse environment, NBF generated solid returns as NBF sought to maintain stable portfolio performance through investment in high quality office buildings that are competitive in their markets. NBF thinks the competitiveness of such properties comes from attractiveness of the market (location), building quality (specifications) and tenant quality. In light of the market size and liquidity, most of NBF's investment lies in the Tokyo CBDs and Other Greater Tokyo areas. NBF's portfolio comprises 24 properties (approximately ¥226.5billion, based on trading prices) with total rentable area of all properties being approximately 277,000 square meters (83,000 tsubo).

In order to improve profitability and portfolio value, NBF believes it is critically important to secure close relationships with tenants, so that NBF may maintain tenant satisfaction. The following summarizes NBF's activities to secure customer satisfaction.

- 1 Tenant (or office workers') surveys to execute timely and effective renovation of common areas and facilities;
- 2 Leveraging Mitsui Fudosan's strong leasing network to maintain high occupancy rates; and
- 3 Education of property managers to improve management quality and hence better relationships with tenants.

As a result of above activities, the portfolio of NBF demonstrated an occupancy rate of 97.5% for

the period.

Activities discussed above contributed to the achievement of operating revenues of ¥12,561 million, total operating income from leasing business of ¥6,824 million, operating income after expenses including asset management fees/custody fees/general administrative costs of ¥6,166 million, and pre-tax income of ¥5,342 million after offering and listing costs (¥245 million).

Pursuant to the distribution policies set forth in the Articles of Incorporation, NBF distributed almost 100% of unappropriated profits for the current term (¥19,026 per share). This enabled NBF to include distributed profits in expenses and made NBF eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) resulting in net income of ¥5,341 million.

Funding was accomplished through interest-bearing debt, mainly unsecured and non-guaranteed bank loans. NBF has refinanced short-term loans to long-term loans to hedge against risks related to interest rate hikes and to fix interest rates at current low levels. The interest-bearing debt level at the end of the period was 34.6% (Note), and the ratio of long-term debt to interest-bearing debt was 73.5%.

Note Interest-bearing debt/(Interest-bearing debt + total contributed capital):

¥78,900million / (¥78,900million + ¥148,899million)

3. Management Discussion on Investment Policy and Outlook

The metropolitan office market is expected to continue to decline due to weak demand for office space and to an oversupply of new large buildings in 2003 which will temporarily increase vacancies and reduce market rent levels. Although NBF can foresee relatively solid performance in some major cities in Japan, NBF believes the general weak trend in local businesses and the concentration of businesses in Tokyo will contribute to weak performance in the overall market.

In light of this challenging market environment, NBF expects little improvement in rental income over the short-term although NBF expects rental growth in some properties. To secure growth over the mid-term to long-term, NBF has adopted the following investment strategies.

First, NBF will seek to maintain the high portfolio occupancy rates that were achieved in the first period, to enhance the competitive power of the properties through strategic capital improvements, and to reduce operating costs. To be more specific, NBF aims to maintain occupancy rates for each property in excess of the average occupancy rates in the market, and NBF plans to reduce building maintenance costs by 5% in 2002 and 10% by 2003.

Second, NBF aims to secure stable returns on investment over the medium-term and to increase portfolio efficiency through economies of scale from fund growth, while always focusing on overall risk and return profile. NBF will actively and selectively invest in quality properties that qualify for medium-term holding with the following investment strategies.

- 1 Investment will focus on Tokyo CBDs as NBF expects the concentration of business in Tokyo to continue. NBF, however, will also consider investment opportunities in areas other than the main

three wards in Tokyo (Chiyoda, Chuo and Minato) to avoid over-concentration of investment and to enhance investment diversification.

- 2 NBF will selectively choose geographical areas in investing in properties in Other Greater Tokyo and Other Cities.
- 3 Careful consideration will be given to the following factors in making investment decisions
 - Medium to large size buildings that are relatively new and are capable of meeting the needs of a wide range of tenants'
 - Location with good access or of strategic importance to blue-chip corporations
 - Expected profits in 2003 should be stable after considering tenant mix, lease contract type, and earnings growth outlook

NBF intends to strengthen its information sources for the acquisition pipeline so that NBF may engage in private transactions with companies that have needs to improve their asset quality or that are currently undergoing financial restructuring. NBF believes that the strength of its sourcing network will often mean more reasonable pricing than what NBF typically see in the case of portfolio auctions.

Third, as part of NBF's financial strategy, NBF prefers to secure long-term and fixed-rate borrowings to prepare for expected interest hikes in the future. In addition to indirect financing from financial institutions, NBF also intends to issue bonds and notes.

NBF believes that transparency of investment management is essential to gain investor confidence. In addition to timely disclosures as required under the rules of the Tokyo Stock Exchange, NBF regularly discloses such information as descriptive summaries of the properties, monthly portfolio performance (occupancy rate, etc.), new acquisitions, distributions, Q&A, etc. that 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 ¥19,026. 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.

(Yen in thousands, except for per share amount)

For the period from March 16, 2001 to December 31, 2001

Net income	5,340,714
Retained earnings	116
Total cash distribution	5,340,598
(Total cash distribution per share: ¥19,026)	
Cash Dividends	5,340,598
(Cash distribution per share: ¥19,026)	
Cash Distributions in excess of accumulated earnings . . .	—
(per share: —)	

2. Capitalization

Balance of Paid-in Capital

The following table sets forth the capital balance for the current period. NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of December 31, 2001 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 (shares)		Paid-in capital (Yen in millions)		Notes
		Increase	Balance	Increase	Balance	
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 period from September 10, 2001 to December 31, 2001 (in Yen)

High	¥616,000
Low	¥480,000

Borrowings

Borrowings by financial institution as of December 31, 2001 are shown below.

Category	Lender	Borrowed on	Balance (Yen in millions)	Average interest rate	Due on	Repayment Method	Use of Funds	Note
Short-term debt	The Chuo Mitsui Trust and Banking Co., Ltd.	May 23, 2001	7,000	0.5%	May 23, 2002	Bullet Payment	Note 2	Unsecured /unguaranteed /pari passu, See Note3 Floating rate
	The Sumitomo Mitsui Banking Corp.	May 23, 2001	5,100	0.5%	May 23, 2002	Bullet Payment		
	Daiwa Bank	May 23, 2001	5,000	0.3%	May 23, 2002	Bullet Payment		
	Fuji Bank	May 23, 2001	2,200	0.5%	May 23, 2002	Bullet Payment		
	Bank of Tokyo Mitsubishi	December 21, 2001	1,600	0.5%	January 21, 2002	Bullet Payment		
	Sub Total		20,900					
Long-term debt	Sumitomo Life Insurance Company	May 23, 2001	12,000	1.7%	May 23, 2008	Bullet Payment	Note 2	Unsecured /unguaranteed /pari passu, See Note3 Fixed rate
		July 16, 2001	5,000	1.7%	July 16, 2009	Bullet Payment		
		July 16, 2001	5,000	2.1%	July 16, 2011	Bullet Payment		
	The Chuo Mitsui Trust and Banking Co., Ltd..	May 23, 2001	10,000	1.3%	May 23, 2006	Bullet Payment		
		July 16, 2001	9,000	1.3%	July 16, 2007	Bullet Payment		
	Sumitomo Trust and Banking Corp.	July 16, 2001	6,000	1.3%	July 16, 2007	Bullet Payment		
	Yasuda Life Insurance	December 21, 2001	3,000	2.1%	December 21, 2011	Bullet Payment		
	Sub Total		50,000					
Total			70,900					

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

Note 3. 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 4. On April 1, 2002 Fuji Bank merged into Mizuho Financial Group and the successor lender became Mizuho Corporate Bank, Ltd.

NBF Bonds

Issue	Issue Date	Balance as of December 31, 2001 (Yen in million)	Coupon	Maturity	Redemption	Use of Proceeds	Note
No.1 Unsecured Bond	May 23, 2001	8,000	0.68%	May 21, 2004	Bullet Payment	Note 1	Note 2
Total		8,000					

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.

Others

NBF has security deposits totaling ¥20,666 million as of December 31, 2001.

3. Major Shareholders

The following table sets forth our major shareholders' information as of December 31, 2001.

Name	Address	Number of Common Shares Owned	Ownership
Mitsui Fudosan Co., Ltd.	2-1-1 Nihonbashi Muro-machi, Chuo-ku, Tokyo	16,200	5.7%
The Nomura Securities Co., Ltd.	1-9-1 Nihonbashi, Chuo-ku, Tokyo	14,523	5.1%
Obic Business Consultants Co., Ltd.	Shinjuku Mitsui Bldg., 2-1-1 Nishi Shinjuku, Shinjuku-ku, Tokyo	10,406	3.7%
Kajima Corp.	1-2-7 Moto Akasaka, Minato-ku, Tokyo	10,000	3.5%
Sumitomo Life Insurance Company	7-18-24 Tsukiji, Chuo-ku, Tokyo	10,000	3.5%
Aozora Bank, Ltd.	1-13-10 Kudan-Kita, Chiyoda-ku, Tokyo	10,000	3.5%
Goldman Sachs (Japan) Ltd.	ARK Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo	8,040	2.8%
Daiwa Bank, Ltd.	2-2-1 Bingo-machi, Chuo-ku, Osaka, Osaka	7,459	2.6%
The Chase Manhattan Bank NA London	Woolgate House, Coleman Street, London	7,046	2.5%
(Standing Proxy: Kabuto-cho Custody Operation Room, Fuji Bank, Limited)	EC2P 2HD, England (6-7 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)		
Yasuda Mutual Life Insurance Company	1-9-1 Nishi Shinjuku, Shinjuku-ku, Tokyo	6,712	2.3%
Total		100,386	35.7%

4. Categories of Shareholders

	(as of December 31, 2001)		
	Number of shareholders	Number of shares owned	Percent of number of shares owned (%)
Financial institutions	99	98,957	35.2
Other legal entities	515	73,715	26.2
Foreigners	104	50,349	17.9
Foreign retailers	(2 of above)	(8 of above)	(0.0)
Retailers and others	10,231	41,772	14.8
Securities companies	5	15,907	5.6
Japanese government and regional authorities	0	0	0.0
Total	10,954	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	Investments (Yen in millions)	Investments / total assets
Real estate	Other Greater Tokyo	2,597	1.0%
Real estate held in trust	Tokyo CBDs	175,008	68.1%
	Other Greater Tokyo	24,391	9.5%
	Other Cities	23,669	9.2%
Subtotal of Real estate and Real estate held in trust		225,666	87.9%
Deposits and other assets		31,180	12.1%
Total assets		256,847	100.0%

Note Investments above are based on the book value as of December 31, 2001.

2. Selected Data by Property

The outline of NBF's properties as of December 31, 2001, is as follows.

Name of Building	Investment Type (Note 1)	Type of Ownership of the Buildings	Percentage of Ownership of the Buildings (%)	Year Built	Book Value (Yen in millions)	Appraisal Value (Note2) (Yen in millions)	Probable Maximum Loss (PML) (Note 3)
NKK Headquarters' Bldg.	Trust	fee simple	100	1974	73,728	73,826	10.0
Shiba NBF Tower (Note 4)	Trust	fee simple	100	1986	32,366	31,500	6.8
Shinjuku Mitsui Bldg. No.2	Trust	fee simple	100	1983	16,186	16,700	10.0
GSK Bldg.	Trust	fee simple	100	1990	15,454	17,100	2.2
Kowa Nishi Shinbashi Bldg. B	Trust	condominium	83(Note5)	1994	13,113	13,880	6.0
Nihonbashi Muro-machi Center Bldg.	Trust	condominium	100(Note6)	1986	9,920	10,300	12.6
Takanawa 1-chome Bldg.	Trust	fee simple	100	1987	6,614	6,980	15.0
Mita City Bldg.	Trust	fee simple	100	1991	5,292	5,280	12.9
Shinjuku Yocho-machi Bldg.	Trust	fee simple	100	1989	2,332	2,480	14.0
Subtotal	—	—	—	—	175,005	178,046	—
Yokohama ST Bldg.	Trust	co-ownership	75	1987	13,398	14,195	6.4
Tsukuba Mitsui Bldg.	Trust	co-ownership	75	1990	6,728	6,742	11.0
Daido Life Omiya Bldg.	Trust	fee simple	100	1991	2,346	2,630	14.8
Matsudo City Bldg.	Ownership	fee simple	100	1992	2,597	2,700	10.8
Inage Kaigan Bldg.	Trust	fee simple	100	1992	1,918	1,810	13.0
Subtotal	—	—	—	—	26,987	28,077	—
Sapporo Minami Nijo Bldg.	Trust	fee simple	100	1990	1,852	2,030	6.8
Daido Life Sendai Bldg.	Trust	fee simple	100	1987	3,533	3,640	3.9
Unix Bldg.	Trust	fee simple	100	1994	3,954	4,260	1.6
Niigata Telecom Bldg.	Trust	fee simple	100	1989	3,940	4,310	12.0
Hamamatsu City Bldg.	Trust	fee simple	100	1990	1,365	1,299	6.1
Sakai Higashi Center Bldg.	Trust	fee simple	100	1991	2,210	2,450	10.2
Otemae Center Bldg.	Trust	fee simple	100	1992	1,817	2,090	5.4
Shijo Karasuma Minami Bldg.	Trust	fee simple	100	1991	1,612	1,760	17.0
KyomachiboriCenter Bldg.	Trust	fee simple	100	1987	761	710	8.6
Hakata Gion 21 Bldg.	Trust	fee simple	100	1993	2,618	2,472	13.0
Subtotal	—	—	—	—	23,662	25,021	—
Total	—	—	—	—	225,666	231,144	4.8

- Note1 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 December 31, 2001, 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 NKK Headquarters' Bldg.) were obtained from the report of Engineering & Risk Services Corporation (ERS). As for the NKK Headquarters' 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.

- Note4 Most of the land underlying the Shiba NBF Tower (6,075.38 m² out of 6475.44 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.
- Note5 A condominium interest is owned in the Kowa Nishi-Shinbashi Building B, and the Trustee holds 100% (floor area of 2,237.25 m²) of the residential portion, 799,574/1,000,000 (floor area of 12,435.64 m²) of the office and storage portions, 830,050/1,000,000 (floor area of 1,101.77 m²) of the parking portions and , 830,050/1,000,000 (floor area of 234.10 m²) of the common area . The foregoing numerical values represent NBF's weighted average ownership ratio.
- Note6 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.

3. Selected Office Leasing Data by Property

The following table sets forth selected information relating to office leasing as of December 31, 2001, and for the period of March 16, 2001, to December 31, 2001.

Current period (March 16, 2001-December 31, 2001)	Rentable Square Meters (Note1)	Leased Square Meters at the End of Period (Note1)	Occupancy Rate at the End of Period (Note2)	Total Number of Tenants at the End of Period
NKK Headquarters' Bldg.	65,280	65,280	100.0%	1
Shiba NBF Tower	24,560	24,560	100.0%	2
Shinjuku Mitsui Bldg. No.2	14,945	14,945	100.0%	27
GSK Bldg.	20,406	20,406	100.0%	1
Kowa Nishi Shinbashi Bldg. B	10,088	10,088	100.0%	2
Nihonbashi Muro-machi Center Bldg.	8,040	7,645	95.1%	7
Takanawa 1-chome Bldg.	10,472	10,472	100.0%	4
Mita City Bldg.	6,001	6,001	100.0%	1
Shinjuku Yocho-machi Bldg.	5,176	5,167	99.8%	4
Subtotal	164,972	164,568	99.8%	49
Yokohama ST Bldg.	20,064	19,564	97.5%	72
Tsukuba Mitsui Bldg.	12,629	11,550	91.5%	57
Daido Life Omiya Bldg.	3,604	3,446	95.6%	7
Matsudo City Bldg.	4,770	4,585	96.1%	25
Inage Kaigan Bldg.	5,882	4,700	79.9%	12
Subtotal	46,951	43,847	93.4%	173
Sapporo Minami Nijo Bldg.	5,376	5,265	97.9%	7
Daido Life Sendai Bldg.	7,510	7,498	99.8%	7
Unix Bldg.	13,495	13,143	97.4%	63
Niigata Telecom Bldg.	10,257	9,711	94.7%	34
Hamamatsu City Bldg.	5,152	4,005	77.7%	21
Sakai Higashi Center Bldg.	5,366	5,245	97.7%	15
Otemae Center Bldg.	5,532	5,532	100.0%	7
Shijo Karasuma Minami Bldg.	3,917	3,659	93.4%	16
Kyomachibori Center Bldg.	3,104	2,385	76.8%	12
Hakata Gion 21 Bldg.	5,416	5,287	97.6%	7
Subtotal	65,129	61,733	94.8%	189
Total	277,054	270,150	97.5%	411

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

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

4. Selected Financial Data by Property

The following table sets forth selected information relating to office leasing as of December 31, 2001, and for the period of March 16, 2001, to December 31, 2001.

Current period (March 16, 2001-December 31, 2001)	Revenue (Yen in millions)	Percent of total revenue (Note 3)	Operating Expenses	Net Operating Income	Capital Expendi- tures	Operating Days in the current period
NKK Headquarters' Bldg. (Note5)	2,644	21.1%	576	2,471	0	223
Shiba NBF Tower	1,618	12.9%	734	1,172	87	180
Shinjuku Mitsui Bldg. No.2	937	7.5%	489	595	21	223
GSK Bldg.	(Note2)	(Note2)	(Note2)	662	46	223
Kowa Nishi Shinbashi Bldg. B	(Note2)	(Note2)	(Note2)	519	4	223
Nihonbashi Muro-machi Center Bldg.	545	4.3%	236	352	17	223
Takanawa 1-chome Bldg.	430	3.4%	214	280	10	223
Mita City Bldg.	(Note2)	(Note2)	(Note2)	234	9	223
Shinjuku Yocho-machi Bldg.	150	1.2%	98	82	14	223
Subtotal	8,421	67.0%	3,403	6,370	212	—
Yokohama ST Bldg.	928	7.4%	466	643	45	223
Tsukuba Mitsui Bldg.	529	4.2%	399	280	12	223
Daido Life Omiya Bldg.	177	1.4%	81	124	13	223
Matsudo City Bldg.	165	1.3%	86	118	11	215
Inage Kaigan Bldg.	177	1.5%	120	86	6	223
Subtotal	1,978	15.8%	1,153	1,254	89	—
Sapporo Minami Nijo Bldg.	173	1.4%	82	119	11	223
Daido Life Sendai Bldg.	309	2.5%	132	220	10	223
Unix Bldg.	402	3.2%	233	256	12	223
Niigata Telecom Bldg.	355	2.8%	195	214	36	223
Hamamatsu City Bldg.	125	1.0%	84	73	21	223
Sakai Higashi Center Bldg.	193	1.5%	87	137	15	223
Otemae Center Bldg.	197	1.6%	105	124	24	223
Shijo Karasuma Minami Bldg.	139	1.1%	92	82	19	223
KyoumachiboriCenter Bldg.	68	0.5%	33	41	18	223
Hakata Gion 21 Bldg.	196	1.6%	133	97	23	223
Subtotal	2,161	17.2%	1,180	1,369	193	—
Total	12,561	100.0%	5,737	8,993	494	—

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

Note 2 The consent for disclosure was not obtained from tenants from whom rent revenue accounts for more than 80% of total rent revenues for the property.

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 NKK Corporation, who is the only tenant of NKK Headquarters' Bldg, is responsible for capital expenditures.

Breakdown of Operating Expenses

Current period (March 16, 2001-December 31, 2001)	Operating Expenses (Yen in millions)	Real Estate Taxes	Utility Charges	Property Maintena nce Fee	Office Manage- ment Fee	Repairs and Main- tenance	Land and House Rent	Casualty Insurance & Trust Charges	Other Expenses	Depre- ciation
NKK Headquarters' Bldg. (Note 2)	576	0	0	0	158	0	0	14	0	403
Shiba NBF Tower	734	0	59	162	86	23	106	7	1	287
Shinjuku Mitsui Bldg. No.2	489	88	63	97	47	30	0	13	1	146
GSK Bldg.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Kowa Nishi Shinbashi Bldg. B	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Nihonbashi Muro-machi Center Bldg.	236	62	33	57	27	1	0	5	5	43
Takanawa 1-chome Bldg.	214	34	30	31	21	24	0	5	1	64
Mita City Bldg.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)
Shinjuku Yocho-machi Bldg.	98	15	14	17	7	10	0	1	0	30
Subtotal	3,403	369	336	553	457	149	106	65	11	1,351
Yokohama ST Bldg.	466	0	75	94	57	43	0	7	6	180
Tsukuba Mitsui Bldg.	399	30	77	89	25	17	0	6	2	150
Daido Life Omiya Bldg.	81	0	9	15	9	16	0	1	0	28
Matsudo City Bldg.	86	0	13	16	8	5	0	0	1	39
Inage Kaigan Bldg.	120	19	26	24	8	9	0	2	0	30
Subtotal	1,153	49	202	239	108	92	0	19	11	429
Sapporo Minami Nijo Bldg.	82	0	13	17	9	9	0	1	1	29
Daido Life Sendai Bldg.	132	0	27	26	16	15	0	2	1	43
Unix Bldg.	233	0	47	59	20	13	0	3	1	87
Niigata Telecom Bldg.	195	32	30	41	17	12	0	3	2	54
Hamamatsu City Bldg.	84	0	12	18	6	11	0	1	0	33
Sakai Higashi Center Bldg.	87	0	14	19	10	8	0	1	0	32
Otemae Center Bldg.	105	0	18	24	9	17	0	1	0	32
Shijo Karasuma Minami Bldg.	92	10	8	15	6	13	0	1	1	35
KyoumachiboriCenter Bldg.	33	0	6	8	3	6	0	1	0	6
Hakata Gion 21 Bldg.	133	22	20	24	9	19	0	2	0	34
Subtotal	1,180	65	200	255	109	126	0	22	11	387
Total	5,737	485	739	1,049	675	369	106	107	35	2,169

Note 1 The consent for disclosure was not obtained from tenants from whom rent revenue accounts for more than 80% of total rent revenue of the property.

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

Note 3 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 December 31, 2001 are listed in the table set forth below.

	Name of Tenants	Name of Building	Leased square meter	Expiration Date (Note1)	Percent of total rentable area
1	NKK Corporation	NKK Headquarters' Bldg.	65,280	March 23, 2011 (Note 2)	23.6
2	GlaxoSmithKline. KK.	GSK Bldg.	20,406	September 30, 2010 (Note 3)	7.4
3	Matsushita Investment and Development Incorporation	Shiba NBF Tower	17,854	September 30, 2002	6.4
4	NTT Communications Corporation	Kowa Nishi Shinbashi Bldg. B	8,493	December 21, 2002	3.1
5	T&D Financial Life Insurance Company (formerly "Tokyo Life Insurance Company")	Shiba NBF Tower	6,705	July 4, 2002 (Note 4)	2.4
6	Canon Sales Co., Ltd.	Mita City Bldg./Tsukuba Mitsui Bldg. /Unix Bldg.	6,682	July 31, 2003	2.4
7	Sumitomo Life Insurance Company	Yokohama ST Bldg. and other 6 buildings	6,272	March 31, 2002	2.3
8	Fuji Xerox Co., Ltd.	Shinjuku Mitsui Bldg. No.2 /Tsukuba Mitsui Bldg. / Hamamatsu City Bldg.	5,684	March 31, 2002	2.1
9	Toden Kogyo Co., Ltd.	Takanawa 1-chome Bldg.	5,411	July 31, 2002	2.0
10	Dai Nippon Printing Co., Ltd.	Shinjuku Yocho-machi Bldg.	3,966	May 31, 2002	1.4

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

Note 2 The lease contract with NKK 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 NKK 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, NKK 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 above-stated “*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 The term of the lease contract with T & D Financial Life Insurance Company (formerly "Tokyo Life Insurance Company") is one year, and the contract provides for automatic annual renewal with termination possible upon three months prior notice from the lessee.
- Note 5 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 December 31, 2001.

■ 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.

Property (Location)	Objective	Estimated Duration	Estimated Amounts (Yen in millions)		
			Total Amounts	Planned Payment at 1 st half of 2002	Cumulative Amount Paid
Shiba NBF Tower (Minato-ku, Tokyo)	Renewal of central surveillance board	From October 2002 To December 2002	350	—	—
Yokohama ST Bldg. (Yokohama, Kanagawa)	Renewal of heat storage tank, plumbing	From January 2002 To June 2002	280	—	—

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. We posted ¥494 million in capital expenditures together with ¥369 million for repairs and maintenance expenses.

Name of Property	Objective	Period	Expenditure (Yen in millions)
Major investment properties	Renovation work (Note)	From May 2001 To December 2001	240
Other installations and renovations	n.a.	n.a.	254
Total			494

Note Details on capital expenditures related to renovation work and their amounts are as follows

(Yen in millions)	
Painting the walls of corridors, entrances etc; renewal of floor tiles and carpets of standard floors	94
Renovation of toilets (change from Japanese style to Western style, installation of bidets and warm seats)	105
Installation of various signboards that are more visible and have friendlier look (signboard of building name, floor plate of common area, renewal or installation of new direction signs for service centers, etc.)	17
Build-out IT access flooring (double floor) to increase competitiveness	13
Improvement of lights, walls, floors of elevators	9

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 that will be conducted in accordance with NBF's business plan for each property.

As of December 31, 2001 (Yen in millions):

Reserve balance at the beginning of the period.	¥ —
Amount accumulated in current period	1,317
Withdrawal from reserves in the current period	(386)
Amount carried forward	¥ 931

Note Upon the acquisitions of the Real Estate etc., NBF also assumed accumulated reserves for capital expenditures from previous owners, which were included in the amount accumulated in the current period.

■ Expenses regarding Entrustment etc.

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

Item	(Yen in millions) Amount
Asset management fees.	¥ 542
Asset custody fees.	12
Agent fees (stock transfer, accounting and administrative)	50
Director's remuneration.	12
Auditor's fees.	10
Other expenses.	32
Total.	¥ 658

Note In addition to the amounts stated above, there are asset management fees of ¥103 million 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			
	Date	Acquisition Price	Date	Transfer Price	Book Value	Capital Gain/Loss
NKK Headquarters' Bldg.	May 23, 2001	¥ 74,131	—	—	—	—
Shiba NBF Tower	July 5, 2001	32,000	—	—	—	—
Shinjuku Mitsui Bldg No.2	May 23, 2001	16,285	—	—	—	—
GSK Bldg.	May 23, 2001	15,616	—	—	—	—
Kowa Nishi Shinbashi Bldg. B	May 23, 2001	13,217	—	—	—	—
Nihonbashi Muro-machi Center Bldg.	May 23, 2001	9,945	—	—	—	—
Takanawa 1-chome Bldg.	May 23, 2001	6,667	—	—	—	—
Mita City Bldg.	May 23, 2001	5,365	—	—	—	—
Shinjuku Yocho-machi Bldg.	May 23, 2001	2,347	—	—	—	—
Yokohama ST Bldg.	May 23, 2001	13,529	—	—	—	—
Tsukuba Mitsui Bldg.	May 23, 2001	6,865	—	—	—	—
Daido Life Omiya Bldg.	May 23, 2001	2,361	—	—	—	—
Matsudo City Bldg.	May 31, 2001	2,455	—	—	—	—
Inage Kaigan Bldg.	May 23, 2001	1,941	—	—	—	—
Sapporo Minami Nijo Bldg.	May 23, 2001	1,870	—	—	—	—
Daido Life Sendai Bldg.	May 23, 2001	3,566	—	—	—	—
Unix Bldg.	May 23, 2001	4,028	—	—	—	—
Niigata Telecom Bldg.	May 23, 2001	3,957	—	—	—	—
Hamamatsu City Bldg.	May 23, 2001	1,377	—	—	—	—
Sakai Higashi Center Bldg.	May 23, 2001	2,227	—	—	—	—
Otemae Center Bldg.	May 23, 2001	1,825	—	—	—	—
Shijo Karasuma Minami Bldg.	May 23, 2001	1,627	—	—	—	—
Kyomahibori Center Bldg.	May 23, 2001	749	—	—	—	—
Hakata Gion 21 Bldg.	May 23, 2001	2,629	—	—	—	—
Total		¥226,583	—	—	—	—

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

Note2. Among 24 buildings acquired during the current term, the Matsudo City Building is directly held real estate, while the other 23 buildings are real estate held in trust.

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

None.

2. Fees Paid

Description of Transactions with Related Party (Note 1)				
Category	Total Fees Paid (A) (Yen in thousands)	Paid to	Amount of Payment (B) (Yen in thousands)	B/A
Property transaction commissions	370,000	Mitsui Fudosan Co., Ltd.	370,000	100.0%
Office management fees	675,561	Mitsui Fudosan Co., Ltd.	675,561	100.0%
Property maintenance fees	1,049,154	Mitsui Fudosan Co., Ltd.	202,517	19.3%
		Mitsui Fudosan Housing Lease Co., Ltd.	449	0.04%
		MF Building Management Co., Ltd.	15,552	1.5%
Leasing related service fees	19,452	Mitsui Fudosan Co., Ltd.	9,791	50.3%
		Mitsui Real Estate Sales Co., Ltd.	829	4.3%
		NBF Office Management	2,707	13.9%
Underwriting fees of common shares (Note 2)	1,813,487	The Nomura Securities Co., Ltd.	1,269,456	70.0%
Fiscal agent fees of NBF Notes	33,914	Norinchukin Bank	33,914	100.0%

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. A public offering of new common shares in September 2001 was conducted through the "spread method" and the above table contains the underwriting fees that have been calculated as the difference between offering price (what investors pay) and underwriting price (offering price minus underwriting fees, or the amount received by the issuer).

Note 3. In addition to the above fees paid, the following have been paid to related parties for repair and maintenance work.

(Yen in thousands)	
Mitsui Fudosan Co., Ltd.	¥ 175,303
Mitsui Harbor and Urban Construction Co., Ltd.	42,232
MF Building Management Co., Ltd.	17,456
Mitsui Designtec Co., Ltd.	4,086



II Financial Statements

Report of Independent Public Accountants
Balance Sheet
Statement of Income
Statement of Shareholders' Equity
Statement of Cash Flows
Notes to Financial Statements

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of Office Building Fund of Japan, Inc.:

We have audited the accompanying balance sheet of Office Building Fund of Japan, Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2001, and the related statements of income, shareholders' equity and cash flows for the period from March 16, 2001 (date of inception) to December 31, 2001, expressed in Japanese yen. Our audit was made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Office Building Fund of Japan, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the period from March 16, 2001 (date of inception) to December 31, 2001 in conformity with accounting principles generally accepted in Japan.

Asahi & Co.

Tokyo, Japan
March 22, 2002

Statement on Accounting Principles and Auditing Standards

This Statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

OFFICE BUILDING FUND OF JAPAN, INC.

BALANCE SHEET

(Yen in millions)

As of December 31, 2001

Assets	
Current Assets:	
Cash and cash equivalents	¥ 27,667
Tenant receivables	109
Consumption tax refund receivables and other assets	3,030
Total current assets	30,806
Investment properties:	
Land including trust accounts	143,951
Building and improvements including trust accounts	66,237
Other tangible assets	804
Less: accumulated depreciation	(2,164)
Leasehold rights in trust accounts and other intangible assets	16,822
Total investment properties-net	225,650
Other assets	391
Total Assets	¥ 256,847
Liabilities	
Current Liabilities:	
Short-term loans	20,900
Accounts payable	1,131
Rents received in advance	1,523
Accrued expenses and other liabilities	372
Total current liabilities	23,926
Long-term debt	58,000
Tenants security deposits	20,666
Other liabilities	15
Total Liabilities	102,607
Shareholders' Equity	
Common shares, non-par value	148,899
Shares authorized: 2,000,000 shares	
Shares issued and outstanding: 280,700 shares	
Retained Earnings	5,341
Total Shareholders' Equity	154,240
Total Liabilities and Shareholders' Equity	¥ 256,847

The accompanying notes to financial statements are an integral part of this balance sheet.

OFFICE BUILDING FUND OF JAPAN, INC.

STATEMENT OF INCOME

(Yen in millions, except for per share amounts)

For the period from March 16, 2001 (date of inception) to December 31, 2001

Revenues:	
Rental	¥11,555
Others	1,006
Total Revenues	12,561
Operating Expenses:	
Property management fees	1,780
Real estate taxes	486
Insurance	52
Repairs and maintenance	369
Other rental expenses	880
Depreciation and amortization	2,170
Asset management fees	542
Other expenses	116
Total Operating Expenses	6,395
Interest income	2
Interest expense	(570)
Initial public offering costs	(187)
Issuance costs of common shares	(58)
Amortization of deferred bond issue costs	(11)
Income Before Income Taxes	5,342
Current and deferred income taxes	(1)
Net Income	¥5,341
Earnings per Share of Common Shares (yen):	
Net income:	¥22,271
Weighted average number of common shares outstanding:	239,807

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

OFFICE BUILDING FUND OF JAPAN, INC.

STATEMENT OF SHAREHOLDERS' EQUITY

For the period from March 16, 2001 (date of inspection) to December 31, 2001	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Initial capital contribution.	200	¥ 100	—	¥ 100
Issuance of common shares under private offering as of May 23, 2001	197,600	98,800	—	98,800
Issuance of common shares under initial public offering as of September 10, 2001.	82,900	49,999	—	49,999
Net income	—	—	5,341	5,341
Balance as of December 31, 2001	280,700	¥148,899	¥5,341	¥154,240

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

OFFICE BUILDING FUND OF JAPAN, INC.

STATEMENT OF CASH FLOWS

(Yen in millions)

For the period from March 16, 2001 (date of inception) to December 31, 2001

Cash Flows from Operating Activities:	
Income before income taxes	¥ 5,342
Depreciation and amortization	2,170
Amortization of deferred bond issue costs	11
Interest expense	570
Tenant receivables	(109)
Accounts payable	1,131
Rents received in advance	1,523
Cash payments of interest expense	(317)
Other-net	(2,914)
Net Cash Provided from Operating Activities	7,407
Cash Flows from Investing Activities:	
Payments for purchases of investment properties	(227,820)
Proceeds from tenant security deposits	21,286
Payments for tenant security deposits	(620)
Refunds from security deposits paid to lessors	12
Payments for security deposits paid to lessors	(363)
Net Cash Used in Investing Activities	(207,505)
Cash Flows from Financing Activities:	
Proceeds from short-term loans	201,000
Repayment of short-term loans	(180,100)
Proceeds from long-term debts	58,000
Payments for deferred bond issue costs	(34)
Proceeds from issuance of common shares	148,899
Net Cash Provided from Financing Activities	227,765
Net Change in Cash and Cash Equivalents	27,667
Cash and cash equivalents at beginning of period	—
Cash and Cash Equivalents as of December 31, 2001	¥ 27,667

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

NOTES TO FINANCIAL STATEMENTS

Office Building Fund of Japan, Inc.

December 31, 2001

Note 1 –Organization and Basis of Presentation

Organization

Office Building Fund of Japan, Inc. (“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 Office Building Fund Management Japan Limited (“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 a fully integrated, self-administered, and externally managed real estate investment company. NBFM, as NBF’s asset management company, is engaged in acquiring, owning, managing, leasing, and renovating office properties. NBFM is currently 43% owned by Mitsui Fudosan Co., Ltd., 35% owned by Sumitomo Life Insurance Company and 22% owned by others.

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

As of December 31, 2001, NBF owned or had beneficiary interests in 24 office properties (“Office Properties”) containing approximately 277,000 rentable square meters of office space. As of December 31, 2001, NBF had leased office space to 411 tenants engaged in a variety of businesses. The occupancy rate for the Office Properties was approximately 97.5%.

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, which are different from the accounting and disclosure requirements of International Accounting Standards or those used in other countries. 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 the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. NBF has not prepared 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 or cash equivalents.

Investment Properties

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

Deferred Bond Issue Costs

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

Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred 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 ¥88 million for the period ended December 31, 2001.

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.

Per Share Amounts

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

Note 3 – Schedule of Other Tangible Assets

Other tangible assets as of December 31, 2001 consisted of the following:

				(Yen in millions)
Item	Acquisition Costs	Accumulated Depreciation	Book Value at the End of the Period	
Structures in trust	¥ 283	¥ (26)	¥ 257	
Machinery and equipment in trust	358	(31)	327	
Tools, furniture and fixtures in trust	161	(24)	137	
Other	2	(1)	1	

Total	¥	804	¥	(82)	¥	722
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Note 4 – Shareholders' Equity

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

Note 5 – Short-Term Loans and Long-Term Debt

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding at December 31, 2001 principally ranging from 0.30% to 0.50%

Long-term debt as of December 31, 2001 consisted of the following:

	(Yen in millions)
Unsecured loans due 2006 to 2011 principally from banks and insurance companies with interest rates mainly ranging from 1.3% to 2.1%	¥ 50,000
0.68% unsecured bonds due 2004.	8,000
	¥ 58,000

The annual maturities of long-term debt at December 31, 2001 were as follows:

Year ending December 31	(Yen in millions)
2002	¥ -
2003	-
2004	8,000
2005	-
2006	10,000
Thereafter	40,000

Note 6 – Rental Revenues and Expenses

Rental revenues and expenses for the period ended December 31, 2001 consist of the following:
(Yen in millions)

Revenues from Property Leasing :

Rental:	
Rental revenues	¥ 9,922
Common area charges.	1,590
Others	43
Subtotal	11,555
Others:	
Parking lots	307
Facility charge	50
Incidental income	624
Cancellation fees.	5
Miscellaneous income	20
Subtotal	1,006
Total revenues from property leasing	12,561

Rental Expenses:

Property management fee.	1,780
Real estate taxes	486

Repairs and maintenance	369
Insurance	52
Other rental expenses	880
Depreciation and amortization	2,170
Total rental expenses.	<u>5,737</u>
Operating Income from Property Leasing Activities. . .	<u>¥ 6,824</u>

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 approximately 0.03% in 2001. The following table summarizes the significant differences between the statutory tax rate and NBF's effective tax rate for financial statement purposes for the period from March 16, 2001 (date of inception) to December 31, 2001.

	Rate
Statutory effective tax rate	39.39 %
Deductible dividends paid	(39.38)
Others	0.02
Effective tax rate	<u>0.03 %</u>

NBF has elected to be treated as an investment corporation under the Investment Trust Law of Japan. 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–Leases

NBF leases its real estate properties to outside parties under non-cancelable operating leases. As of December 31, 2001, the future lease revenue under the non-cancelable operating leases is as follows:

	(Yen in millions)
Due within one year	¥ 4,671
Due after one year	18,606
Total	<u>¥ 23,277</u>

Note 9– Significant Subsequent Events

As of March 7, 2002, the Board of Directors of NBF resolved to effect payment of a cash distribution of ¥19,026 per share aggregating ¥5,340 million to shareholders of record on December 31, 2001.

III Overview of Related Operating Entities

Summary of the Business Relationship

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

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

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

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

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

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

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

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

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

(a) Office Building Fund of Japan ("NBF", an Investment Corporation)

Organization of NBF

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

As of December 31, 2001 the organs of NBF consisted of, in addition to the general meeting of the shareholders, two executive directors and four supervisory directors as well as a Board of Directors comprised of the executive directors and supervisory directors.

As of December 31, 2001, members of the Board of Directors of NBF were as set forth in the table below.

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

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

General Meeting of Shareholders

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

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

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

Agreement, it must, in principle, be determined by resolution of the general meeting of shareholders.

Executive Directors, Supervisory Directors and Board of Directors

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

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

Change of Directors

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

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

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

Appointment of Third Parties

Under the Investment Trust Law of Japan, due to the legal requirement of external asset management, the Board of Directors of NBF has limited functions which include approving the commencement of any bond offering and the appointment of a Bond Trustee for any of NBF bonds, issuance of new shares, convocation of the general meeting of shareholders, termination of the Asset Management Entrustment Agreement (subject to approval by the general meeting of

shareholders), financial documents, appointment of NBF administrative service provider, any agreements pertaining to asset management and asset custody, and any payment of fees, charges or other expenses pertaining to asset management and asset custody.

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

(b) Office Building Fund Management Japan, Ltd. (Asset Management Company and Administrative Agent regarding the Management of Institutions)

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31 2001, NBFM has been entrusted as an asset management company only by NBF.

As of the same date, NBFM has paid-in capital of ¥495,000,000. There is no capital relationship with NBF. Koichi Nishiyama, Representative Director of NBFM, is concurrently an executive director of NBF.

Operation

- Undertakes asset management of NBF pursuant to an Asset Management Entrustment Agreement ((1) in below diagram) based on an entrustment from NBF in accordance with the Articles of Incorporation of NBF and the Investment Objects and Policies set forth therein.
- Undertakes management of the general affairs of the general meeting of shareholders and the Board of Directors as Administrative Agent regarding the Management of Institutions based on an entrustment from NBF and pursuant to an Agreement for General Administration Regarding the Management of Institutions ((2) in below diagram).

Fees for the Asset Management Operation

Management Fees 1

The amount equivalent to 3% of the amount of the revenue arising from Real Estate etc. as calculated on each closing date (provided, however, that revenues from the sale of Real Estate etc. and other Managed Assets will be excluded) will be payable.

Management Fees 2

The amount equivalent to 3% of Distributable Earnings prior to deduction of Management Fees 2 as calculated on each closing date will be payable.

Management Fees 3

In the event that Real Estate etc. is newly-acquired, compensation equivalent to the total amount of the acquisition price of said Real Estate etc. (meaning the acquisition price of both land and buildings, and in the event of the simultaneous acquisition of multiple units of Real Estate etc., the acquisition price of each item; provided, however, that national consumption tax, regional consumption tax and miscellaneous costs of acquisition are excluded) multiplied by the following percentage rates will, in principle, be payable; provided, however, that with the approval of the directors of NBF, compensation will be calculated within the scope decided up to the following

maximum rates.

• The portion up to and including ¥10,000million	0.5%
• The portion exceeding ¥10,000 million up to and including ¥30,000 million	0.2%
• The portion exceeding ¥30,000 million up to and including ¥50,000 million	0.05%
• The portion exceeding ¥ 50,000 million	nothing

History of NBFM

NBFM is an Asset Management Company which is a limited company duly established under the laws of Japan. Major events in the history of NBFM are as follows.

September 19, 2000	Established
November 17, 2000	Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law
January 29, 2001	Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law
February 15, 2001	Registered as a general real estate investment advisor under the Real Estate Investment Advisor Registration Regulations
March 7, 2001	Obtained approval as an Asset Management Company under the Investment Trust Law of Japan
March 22, 2001	Increased capital from ¥100,000,000 to ¥198,000,000
May 23, 2001	Changed name (from “MF Asset Management Co., Ltd.” to the current name)
June 16, 2001	Increased capital from ¥198,000,000 to ¥495,000,000

List of Shareholders (as of December 31 2001)

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

Directors and Staff

As of December 31, 2001 the directors and auditors of NBFM are as follows. The staff of NBFM is comprised of 13 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO(standing)
Kenji Iino	Director, Head of Investment & Finance Group (standing)
Satoru Yamanaka	Director, Head of Administration Group (standing)
Ken Tanaka	Director
Hiroyuki Takimoto	Director
Hiroshi Takasu	Auditor

Masahiko Suemitsu

Auditor

Outline of Financial Condition

An outline of the financial condition of NBFM is as follows.

Outline of Principal Assets and Liabilities for the Most Recent Fiscal Year

Current as of March 31, 2002	In thousand Yen
Total Assets	1,257,655
Total Liabilities	447,948
Shareholders' Equity	809,706

Profit & Loss for the Most Recent Fiscal Year

First Fiscal Year	
From: April 1, 2001	
To: March 31, 2002	In thousand Yen
Operating Income	1,039,395
Ordinary Profit	539,853
Net Income	308,627

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

The Chuo Mitsui Trust and Banking Co., Ltd. performs commercial banking and trust business pursuant to the Bank Act and the Trust Law in Japan. As of March 31, 2001 the Bank had paid-in capital of ¥322,875,980,000. As of December 31, 2001, the Bank owned 4,000 shares of NBF. There are no concurrent directorships with NBF.

Operation

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

(d) Makoto Sugai of Heiseikaikeisha Accounting Office (General Agent Concerning Accounting Business Etc.)

Makoto Sugai of Heiseikaikeisha Accounting Office is a Certified Public Accountant and a Certified Tax Consultant. There is neither a capital relationship nor any concurrent directorships with NBF.

Operation

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

(e) NBF Office Management Co., Ltd. (Office Management Business Sub-Agent, Property Transfer Sub-Agent, Existing Tenant Intermediary Agent and Property Acquisition Advisor)

NBF Office Management Co., Ltd. engages solely in businesses concerning office management of NBF and is a 100% owned subsidiary of Mitsui Fudosan Co., Ltd. as of December 31, 2001. As of December 31, 2001, NBF Office Management Co., Ltd. had paid-in capital of ¥10,000,000. There is neither a capital relationship nor any concurrent directorships with NBF.

Operation

- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to an Office Management Business Sub-Agent Agreement ((7) in below diagram), performs Subcontracted Office Management Business (as defined below)
- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to a Property Transfer Sub-Agent Agreement ((9) in below diagram), performs subcontracted Property Transfer Agency Business (as defined below)
- based on an Existing Tenant Intermediary Business Agreement ((12) in below diagram), acts as an intermediary concerning the execution of leasing agreements, including delivery of information regarding Real Estate etc. acquired by NBF to existing tenants and regarding possible relocations of, or expansions of leased space occupied by, existing tenants to NBF (Existing Tenant Intermediary Business).
- based on a Property Acquisition Advisory Agreement ((10) in below diagram), when NBFM is to acquire Real Estate etc., advises NBFM concerning study and determination of the acquisition of such Real Estate etc.

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

Mitsui Fudosan Co., Ltd. performs comprehensive real estate business, such as real estate development, leasing, sales of housing, office building and land, brokerage and so forth. As of March 31, 2001, Mitsui Fudosan had paid-in capital of ¥134,433,200,000 and owned 16,200 shares of NBF. There are no concurrent directorships with NBF.

Operation

- based on Office Management Agreements ((6) in below diagram) concluded with respect to office property(ies), performs Office Management Business concerning Real Estate Real Estate etc. acquired by NBF.
Excluding a portion of such business, entrusts all business (herein "Subcontracted Office Management Business ") to NBF Office Management Co., Ltd. ((7) in below diagram)

(Note) **Office Management**

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

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

Fees for the Office Management Operation

Entrustment Business Fees

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

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

Construction Supervision Fees

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

- No Fees for construction cost less than ¥500,000
- Fees of 5% of construction cost from ¥500,000 to ¥10,000,000
- Fees of ¥500,000 plus 3% of construction cost from ¥10,000,000 to ¥100,000,000

Note: Construction supervision fees will be determined on a case-by-case basis pursuant to separate discussions regarding execution of extraordinarily large-scale renovation with respect to supervision of planning and construction, negotiations with tenants, neighborhood and administration agency concerning the execution of construction projects which are considered to be very large compared to ordinary construction projects, including construction cost exceeding ¥100,000,000.

Transfer Supervision Fees

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

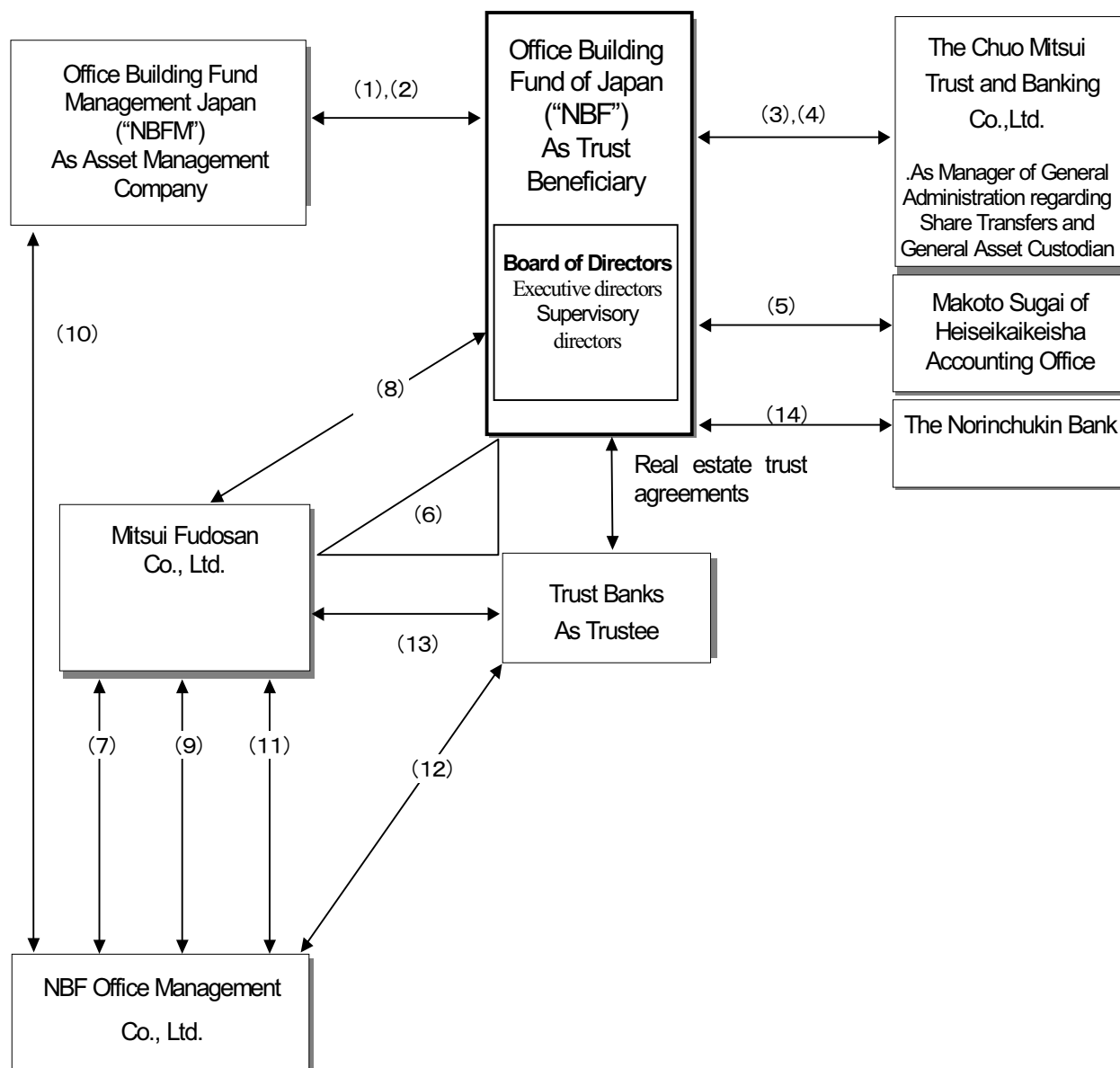
(g) The Norinchukin Bank (Bond Trustee for the First NBF Bonds specially issued to Qualified Institutional Investors)

The legal basis for the Norinchukin Bank's operation is the Norinchukin Bank Law of Japan. The Bank is the central bank for Japanese agricultural, forestry, and fishery cooperative systems, and most of the Bank's clients have been traditionally engaged in primary-sector businesses. As of March 31, 2001 the Bank had paid-in capital of ¥1,124,999,000,000. As of December 31, 2001 there was neither a capital relationship nor any concurrent directorships with NBF.

Operation

- Concerning First NBF Unsecured Bonds issued as of May 23, 2001 (specially issued to Qualified Institutional Investors and with a special clause providing for pari passu status with other NBF bonds only) pursuant to the Bond Trustee Agreement ((14) in below diagram), undertakes interest payment, repayment upon redemption and other administrative services for the creditors of NBF.

Diagram of Related Operating Entities



Note:

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

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

IV Appendix

■ Investment Objects

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

A. Principal Investment Objects among Designated Assets

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

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

B. Other Investment Objects among Designated Assets

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

- (1) Bank deposits.
- (2) Call loans.
- (3) Japanese Government Bonds, Notes and Bills
- (4) Regional Treasury Bonds, Notes and Bills
- (5) Commercial Paper
- (6) Designated Bonds of Special Purpose Companies (meaning those specified in Article 2.3.1.2 of the Securities and Exchange Law of Japan; provided, however, that this is limited to asset-backed securities principally referred to in paragraphs (1) and (2) of section (a) above).
- (7) Beneficiary Certificates of Money Trust invested and managed for the purpose of any of the foregoing items.
- (8) Monetary Claims (excluding those subject to the provisions of Paragraphs 1, 12 and 14 of Article 3 of the government ordinance regarding the Investment Trust Law of Japan).

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

C. Assets other than Designated Assets

NBF may, for the purpose of efficiently managing surplus funds, invest in Certificates of Deposit issued by Japanese legal entities.

D. Investment in Ordinary Securities

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

■ Investment Restrictions

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

Investment Location and Currencies

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

Subscription and Margin Trading of Securities

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

Borrowing

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

Concentration of investment

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

Investment in Other Funds

See "2. Investment Objects A. Principal Investment Objects amongst Designated Assets".

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

Investment in Assets Lacking Liquidity

There is no limitation on investment in assets lacking liquidity.

Compliance with Laws and Regulations

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

B. Compliance with the Investment Trust Law of Japan

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

Reciprocal Transactions with Investment Corporations (§ 34.3.1.5)

Transactions between investment corporations, the assets of which are managed by an asset

management company are prohibited except for certain cases specified in the provisions of the government ordinance regarding the Investment Trust Law of Japan that are considered unlikely to result in failure to protect the interests of shareholders.

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

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

Transactions for the benefit of Third Parties (§ 34.3.1.6)

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

Transactions Harmful to the Interests of NBF (§ 34.3.1.7)

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

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

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

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

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

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

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

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

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

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

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

Restrictions of Transactions with Interested Parties

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

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

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

foreseen to reach that expected by said trustee, acquiring a beneficiary certificate pursuant to said trust with assets of NBF at the request of said trustee.

(2) Restriction on an investment corporation

Restrictions on Asset Management (§ 195)

A registered investment corporation must not, in principle, acquire or sell securities, lend or borrow securities, acquire or sell real estate, lease real estate or entrust the supervision of real estate (provided, however, that, it is acceptable to cause NBFM to act as an agent or broker concerning the purchase or leasing of residential building lots or buildings) or otherwise engage in transactions concerning Designated Assets other than the preparation of residential building lots and design of buildings, with its executive directors or supervisory directors, asset management companies who perform asset management, close relatives of executive directors or supervisory directors, or persons or employees who perform duties similar to directors or auditors of an asset management company who perform asset management.

Corporate Data

Corporate Office:

2-7-2, Yaesu, Chuo-ku, Tokyo, 104-0028, Japan

+81-3-3281-8810

www.nbf-m.com/nbf/

Date of Inception:

March 16, 2001

Capital:

Common shares issued and outstanding as of December 31, 2001:

¥148,899 million

280,700 shares

Shareholders:

10,954 (As of December 31, 2001)

Transfer Agent

The Chuo Mitsui Trust and Banking Co., Ltd.

3-33-1, Shiba, Minato-ku, Tokyo, 168-0023, Japan

+81-3-3323-7111

Independent Public Accountants

Asahi & Co.

Asahi Center Building

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Investor Relations

For further information, please contact our asset management company:

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Office Building Fund of Japan, Inc.