



## NBF News Release

### NIPPON BUILDING FUND INC. ANNOUNCES 8th PERIOD (FIRST-HALF 2005) RESULTS

Tokyo, Japan August 19, 2005

Koichi Nishiyama,

Executive Director of NBF, President & CEO of NBFM

Nippon Building Fund Inc. (hereinafter "NBF", also referred to in Japan as "*Nihon Building Fund toshi-hojin*", TSE ticker code: 8951) today announced its financial results for the First-half 2005 (the 8th fiscal period, commencing January 1, 2005 and ending June 30, 2005).

NBF reported total revenues of ¥16,731 million, income before income taxes of ¥6,162 million, net income of ¥6,161 million, and total cash distribution per share and distribution of accumulated earnings per share of ¥16,893.

As of June 30, 2005, NBF's total asset balance was ¥449,556 million and total shareholder's equity was ¥216,840 million, or ¥594,571 per common share. The total book value (net of accumulated depreciation) of NBF's investment properties was ¥407,811 million, compared to ¥389,586 million at December 31, 2004.

#### First half 2005 Highlights

##### ***Additional Acquired Properties:***

NBF acquired 4 office properties during the 8th fiscal period:

**Akasaka Sanno Square** (location: Minato-ku, Tokyo; acquisition price: ¥6,250 million; investment type: beneficiary interest; type of ownership: fee simple (100%): total net rentable area of the building: 5,258 square meters.)

**NBF Utsunomiya Bldg.** (location: Utsunomiya, Tochigi; acquisition price: ¥2,435 million; investment type: real estate ; type of ownership: fee simple (100%): total net rentable area of the building: 6,095 square meters.)

**Sakaisuji-Honmachi Center Bldg.**(location: Osaka; acquisition price: ¥6,500 million; investment type: real estate; type of ownership: 55.39% of co-ownership of condominium interests in 2nd through 15th floors and condominium interests in a portion of 16th

floor : total net rentable area of the building owned by NBF: 11,438 square meters.)

**NBF Higashi - Ginza Square** (location: Chuo-ku, Tokyo; acquisition price: ¥5,200 million; investment type: beneficiary interest; type of ownership: fee simple (100%): total net rentable area of the building: 4,871 square meters.)

***NBF Portfolio Profile:***

As of June 30, 2005, NBF owned or had beneficiary interests in 47 office properties containing approximately 488,323 rentable square meters of office space. As of June 30, 2005, NBF leased office space to 763 tenants engaged in a variety of businesses, compared to 667 tenants at the close of the preceding fiscal period. The average occupancy rate for office properties, meaning the ratio of leased area to rentable area, was approximately 98.1%, compared to 97.5% at the close of the preceding fiscal period.

***Properties Expected to be Acquired:***

In accordance with appropriate principles of risk management, the following property is expected to be acquired after its completion, as it is rare, of high quality and newly constructed:

NBF decided in September 2003 to acquire "NBF Platinum Tower (Shirokane 1-chome East Area Redevelopment Project, office building)" (beneficiary interests in trust: ¥27,600 million(the price may change in accordance with the provisions of the contract)), the acquisition of which is scheduled to occur in March 2006 as expected, and A main tenant has been already decided and then tenant attraction activities are already under way.

***Cash Dividends:***

In accordance with the distribution policy prescribed in our Articles of Incorporation, NBF is scheduled to distribute almost 100% of retained earnings for the current period (¥16,893 per common share) to our shareholders. By distributing over 90% of taxable income for the period to our shareholders and complying with other organizational and operational requirements, NBF intends to be able to deduct its cash dividends of profit from its taxable income under Japanese tax regulations (Special Taxation Measures Law Article 67-15).

***Debt Financing and Public Offering***

NBF obtained funding through interest-bearing debt utilizing mainly unsecured and non-guaranteed bank loans. NBF refinanced short-term loans to long-term and fixed-rate debt in order to hedge against risks related to interest rate hikes and to fix interest rates at current low levels. At the end of the period the ratio of interest bearing debt to the total assets was 44.4% and the ratio of long-term debt to total interest-bearing debt was 73.6% .

In addition, NBF established a maximum ¥30 billion commitment line for the purpose of ensuring a stable funding base with a view toward reduction of refinancing risks etc.

With the objective of diversification of funding methods, NBF undertook the following

public placements of investment trust bonds during the current period.

Name of Bond	No.6 Unsecured Investment Trust Bond
Issued Date	March 9, 2005
Issued Amount	¥10 billion
Issued to	Public investors
Period	5 years
Interest	0.80%
Security/Guarantee	Unsecured, non-guaranteed

***Credit Ratings:***

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

<b>Rating Agency</b>	<b>Rating Date</b>	<b>Rating Summary</b>
Standard & Poor's	May 1, 2002	Long-term: A, Short-term: A-1, Outlook: stable
Moody's	May 30, 2002	Issuer Rating: A2, Outlook: stable
R&I	Oct 21 2004	Issuer Rating: AA-

**Outline of Forecast for the 9th period**

As required by the timely-disclosure requirements of the Tokyo Stock Exchange, we announced a forecast for second-half 2005 (the 9<sup>th</sup> fiscal period, commencing July 1, 2005 and ending December 31, 2005) as a part of "Kessan-Tanshin". With regard to the conditions of the forecast, please refer to the original "Kessan-Tanshin" released on August 19, 2005. An outline of the forecast for second-half 2005 is as follows:

***Performance Forecast:***

For second-half 2005, based on operating activities of 50 office properties including **Yotsuya Medical Bldg., Ogawamachi Mitsui Bldg. and Urawa Mitsui Bldg.** which are expected to be acquired during the 9th period, NBF forecasts total revenues of ¥17,911 million, net income of ¥6,340 million, and cash distribution of ¥15,000 per share.

***Issues of New Shares***

On July 21, 2005 and August 3, 2005 the Executive Committee of NBF resolved to issue the following new shares for the purpose of repayment of loans etc. used to fund the acquisition of properties etc., which shares were duly issued on August 10, 2005. As the result, the total amount of capital became ¥262,170 million and the number of issued shares became 422,700 on August 19, 2005.

(1) Issues of Shares through Primary Offerings

Number of Newly Issued Shares: 58,000

Offering Price: 916,300 Yen per Share

Payment Date: August 10, 2005

Total Offering Price: ¥53,145 million

Dividend Calculation Date; July 1, 2005

Issue Price: 887,782 Yen per Share

Total Issue Price: ¥51,491 million

### ***New Acquisitions after the end of the 8th Fiscal Period***

On July 21, 2005, NBF announced that it would acquire **Yotsuya Medical Bldg.** for ¥8,800 million on August 31, 2005. This property is a 11-story high quality office building located in Shinjyuku - ku in the Tokyo Central Business District. Total net rentable area of this property is 7,077 square meters and its occupancy rate was 88.1% as of June 30, 2005. The acquisition is being undertaken with the intention of enhancing NBF's portfolio in the Tokyo central business districts (CBDs). As is obvious from the building's name, the primary tenants of the Property, excluding the residential area, are engaged in various medical businesses. The second floor is a medical mall containing a number of highly specialized clinics, and the 3rd through 6th floors contain corporations providing therapeutical trials (clinical testing of medicines in order to obtain governmental approvals), which are expected to develop their businesses in collaboration with neighboring large scale hospitals and a medical mall on the second floor.

NBF announced on July 21, 2005 that it would acquire a condominium interest of **Ogawamachi Mitsui Bldg.** for ¥4,940 million on September 30, 2005. This property is a 10-story high quality office building located in chiyoda-ku in the Tokyo Central Business District. Total net rentable area of this property owned by NBF is 5,083 square meters and its occupancy rate was 100.0% as of June 30, 2005.

On July 21, 2005, NBF also announced that it would acquire **Urawa Mitsui Bldg.** for ¥2,000 million on September 30, 2005. This property is a 8-story high quality office building located in Saitama, Saitama in the Other Greater Tokyo. Total net rentable area of this property is 3,455 square meters and its occupancy rate was 91.0% as of June 30, 2005.

### **About NBF**

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

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

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

Stock Exchange.

Nippon Building Fund Management Ltd. (hereinafter "NBFM"), NBF's asset management company, is engaged in acquiring, owning, managing, leasing, and renovating office properties on behalf of NBF. Mitsui Fudosan Co., Ltd. currently owns 43% of NBFM, Sumitomo Life Insurance Company holds a 35% stake and 22% is owned by others. As of June 30, 2005, NBFM was solely engaged in asset management for NBF.

### Investor Relations

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This news release contains translations of selected information described in the Financial Release (“*Kessan-Tanshin*”) prepared under the timely-disclosure requirements of the Tokyo Stock Exchange, and portions of the Financial Statements and the Performance Information Report for the period from January 1, 2005 and ending June 30, 2005, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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

Many provisions of this document contain forward-looking statements and information. We base these statements on our beliefs as well as our assumptions based solely on certain limited information currently available to us. Because these statements reflect our current views concerning future events, these statements involve known and unknown risks, uncertainties and assumptions. These forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and there are certain important factors that could cause actual results to differ, possibly materially, from expectations or estimates reflected in such forward-looking statements, including without limitation: the general economy, market conditions, financial markets including the performance of the office space market, interest rate fluctuations, competition with our office properties, and the impact of changing regulations or taxation. NBF does not intend, and is under no obligation to, update any particular forward-looking statement included in this document. The forward-looking statements contained in this press release speak only as of the date of release, **August 19, 2005** and NBF does not undertake to revise those forward-looking statements to reflect events occurring after the date of this release.

## 8th Period (First-half 2005) Financial Highlights

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

<b>NIPPON BUILDING FUND INC.</b>					
<b>SELECTED FINANCIAL HIGHLIGHTS(Note1)</b>					
<b>(Yen in millions, except for per share data)</b>					
	8th Period	7th Period	6th Period	5th Period	4th Period
	2005	2004	2004	2003	2003
	1st-Half	2nd-Half	1st-Half	2nd-Half	1st-Half
<b>Operating Data:</b>					
<b>Revenues:</b>					
Rental	¥ 15,114	¥ 13,610	¥ 11,265	¥ 10,476	¥ 11,111
Others	1,617	1,568	1,193	1,977	1,128
Gain on sales of investment properties	-	938	96	-	-
	<u>16,731</u>	<u>16,116</u>	<u>12,554</u>	<u>12,453</u>	<u>12,239</u>
<b>Operating Expenses:</b>					
Property operating, taxes and others	5,274	4,940	4,148	4,489	4,182
Depreciation and amortization	3,280	2,891	2,628	2,403	2,366
Asset management fees and other expenses	790	756	616	572	647
Total operating expenses	<u>9,344</u>	<u>8,587</u>	<u>7,392</u>	<u>7,464</u>	<u>7,195</u>
Interest income and others	11	17	14	1	0
Interest expense	(1,210)	(1,050)	(892)	(809)	(706)
Other expenses	(26)	(189)	(21)	(87)	(24)
Income before income taxes	<u>6,162</u>	<u>6,307</u>	<u>4,263</u>	<u>4,094</u>	<u>4,314</u>
Current and deferred income taxes	(1)	(1)	0	(1)	(1)
Net income	<u>¥ 6,161</u>	<u>¥ 6,306</u>	<u>¥ 4,263</u>	<u>¥ 4,093</u>	<u>¥ 4,313</u>
Distribution of accumulated earnings per share (Yen)(Note2):					
	¥ 16,893	¥ 17,291	¥ 15,185	¥ 14,582	¥ 15,367
Weighted average number of common shares outstanding					
	364,700	358,157	280,700	280,700	280,700
Total cash distribution per share(Yen)					
	¥ 16,893	¥ 17,291	¥ 15,185	¥ 14,582	¥ 15,367
<b>Balance Sheets Data:</b>					
<b>Assets</b>					
Current assets	¥ 40,339	¥ 39,440	¥ 33,102	¥ 30,753	¥ 33,890
Investment properties, net of accumulated depreciation	407,764	389,545	331,815	282,333	272,541
Other assets	1,453	1,393	1,283	1,276	1,257
Total assets	<u>¥ 449,556</u>	<u>¥ 430,378</u>	<u>¥ 366,200</u>	<u>¥ 314,362</u>	<u>¥ 307,688</u>
<b>Liabilities</b>					
Short-term loans	52,700	30,500	64,050	41,150	34,950
Other current liabilities	5,922	7,667	5,074	6,458	4,127
Long-term debts	147,000	149,000	122,000	95,000	94,000
Tenant security deposits	27,049	26,185	21,878	18,730	21,369
Other liabilities	45	41	36	32	29
Total liabilities	<u>232,716</u>	<u>213,393</u>	<u>213,038</u>	<u>161,370</u>	<u>154,475</u>
<b>Shareholders' Equity</b>					
Common shares	210,679	210,679	148,899	148,899	148,899
Retained earnings	6,161	6,306	4,263	4,093	4,314
Total Shareholders' Equity	<u>216,840</u>	<u>216,985</u>	<u>153,162</u>	<u>152,992</u>	<u>153,213</u>
Total Liabilities and Shareholders' Equity	<u>449,556</u>	<u>430,378</u>	<u>366,200</u>	<u>314,362</u>	<u>307,688</u>
<b>Cash Flow Data:</b>					
Cash flow provided by operating activities	¥ 10,656	¥ 15,336	¥ 5,182	¥ 9,018	¥ 6,766
Cash flow used for investing activities	(23,130)	(59,875)	(49,250)	(14,936)	(18,986)
Cash flow provided by financial activities	13,842	50,868	45,811	2,888	13,814
Cash and cash equivalents	<u>39,857</u>	<u>38,489</u>	<u>32,160</u>	<u>30,418</u>	<u>33,448</u>
<b>Other Supplement Data:</b>					
Number of investment properties	47	43	43	33	29
Number of tenants	763	667	629	511	446
Total rentable square meters of office properties	488,323	460,901	419,657	358,940	340,497
Occupancy rate of office properties	98.1 %	97.5 %	97.7 %	92.3 %	94.8 %
NOI from property leasing activities (Note3)	¥ 11,457	¥ 10,238	¥ 8,311	¥ 7,964	¥ 8,057
FFO per share (Note3)	<u>¥ 25,887</u>	<u>¥ 23,061</u>	<u>¥ 24,203</u>	<u>¥ 23,141</u>	<u>¥ 23,794</u>

- The selected financial data has been derived from the historical financial statements of Nippon Building Fund Inc. based on generally accepted accounting principles in Japan (Japanese GAAP) and audited by Azsa & Co., independent auditors.
- "Share" is based on the number of common shares issued and outstanding at the end of the period.
- NOI (Net Operating Income) from property leasing activities:  
(Revenue from property leasing—Rental expenses)+Depreciation and Amortization, excluding Gain on sales of investment properties  
FFO (Funds From Operation) per share : (Net income + Depreciation and Amortization), excluding Gain on sales of investment properties /Weighted average number of common shares issued and outstanding during the period.

### Office Properties Selected Data

The following table sets forth selected information as of June 30, 2005 relating to the office properties in which we have invested.

Name of Building	Location	Book value			
		(Yen in millions)	Net rentable square meters	Number of tenants	Occupancy rate
JFE Bldg.	Tokyo	71,946	65,280	1	100.0
Shiba NBF Tower	Tokyo	32,770	24,728	28	100.0
Nihonbashi Muromachi Center Bldg.	Tokyo	24,225	16,306	15	100.0
Shinjuku Mitsui Bldg. No.2	Tokyo	15,883	14,946	35	98.9
GSK Bldg.	Tokyo	14,563	22,702	1	100.0
Nakameguro GT Tower	Tokyo	13,580	13,924	1	100.0
NBF Toranomom Bldg.	Tokyo	13,764	10,354	11	98.8
Kowa Nishi- Shinbashi Bldg. B	Tokyo	12,567	10,088	2	100.0
Nippon Steel Bldg. No2	Tokyo	12,394	17,338	2	100.0
NBF Alliance (Note2)	Tokyo	9,445	4,043	9	100.0
Shibuya Garden Front	Tokyo	8,670	8,258	1	100.0
NBF Shibakouen Bldg. (Note2)	Tokyo	6,816	7,087	3	100.0
NBF Takanawa Bldg.	Tokyo	6,313	10,473	5	100.0
Akasaka Sanno Square	Tokyo	6,338	5,258	6	100.0
Toranomon Kotohira Tower	Tokyo	6,207	4,926	1	100.0
Sumitomo Densetsu Bldg.	Tokyo	5,111	5,978	1	100.0
NBF Higashi-Ginza Square	Tokyo	5,251	4,871	9	100.0
NBF Ikebukuro Tower (Note2)	Tokyo	4,733	5,757	11	100.0
NBF Ikebukuro City Bldg. (Note2)	Tokyo	4,475	5,127	11	100.0
NBF Sudacho Verde Bldg.	Tokyo	2,479	2,971	4	100.0
Nishi-Shinjuku Mitsui Bldg.	Tokyo	1,633	1,576	1	100.0
NBF Ebisu-Minami Bldg. (Note2)	Tokyo	1,045	1,595	3	100.0
Nakanosakaue Sunbright Twin	Tokyo	8,737	12,074	1	100.0
Yokohama ST Bldg.	Kanagawa	12,859	20,071	83	99.6
NBF Atsugi Bldg.	Kanagawa	2,291	5,230	19	94.4
Tsukuba Mitsui Bldg.	Ibaraki	8,097	16,851	60	91.2
NBF Utsunomiya Bldg.	Tochigi	2,537	6,095	29	87.6
S-ino Omiya North Wing	Saitama	16,800	20,699	32	95.8
Daido Life Omiya Bldg.	Saitama	2,263	3,574	14	94.5
NBF Matsudo Bldg.	Chiba	2,447	4,772	23	83.2
Sapporo L · Plaza	Hokkaido	3,460	9,058	12	100.0
NBF Sapporo Minami Nijo Bldg.	Hokkaido	1,770	5,352	10	100.0
NBF Sendai Honcho Bldg	Miyagi	3,427	7,567	10	99.7
NBF Unix Bldg.	Fukushima	3,588	13,479	54	96.9
NBF Niigata Telecom Bldg.	Niigata	3,752	10,220	36	100.0
NBF Nagoya Hirokoji Bldg. (Note1)	Aichi	5,515	6,873	11	100.0
Aqua Dojima NBF Tower (Note3)	Osaka	18,171	21,935	38	94.2
Sun Mullion NBF Tower	Osaka	9,799	14,120	26	95.6
Sakaisuji-Honmachi Center Bldg.	Osaka	6,576	11,438	37	93.2



Name of Building	Location	Book value			
		(Yen in millions)	Net rentable square meters	Number of tenants	Occupancy rate
NBF Sakai- Higashi Bldg.	Osaka	2,112	5,327	16	88.9
NBF Tanimachi Bldg. (Note2)	Osaka	1,983	4,953	2	95.4
Aqua Dojima East	Osaka	1,954	3,243	17	83.9
Otemae Center Bldg.	Osaka	1,706	5,532	6	97.0
NBF Shijo Karasuma Minami Bldg.	Kyoto	1,458	3,929	16	100.0
NBF Hiroshima Tatemachi Bldg.	Hiroshima	3,017	5,619	27	100.0
Hiroshima Fukuromachi Bldg.	Hiroshima	817	1,310	16	99.0
NBF Hakata Gion Bldg.	Fukuoka	2,467	5,416	7	100.0
<b>Total</b>		<b>407,811</b>	<b>488,323</b>	<b>763</b>	<b>98.1</b>

(Note1) Effective April 1, 2005, this name of the building changed.

(Note2) Effective May 1, 2005, these names of these buildings changed.

(Note3) Effective July 1, 2005, this name of the building changed.