

NBF Report Jul.-Dec. 2002

3rd Period

From : July 1, 2002

To : December 31, 2002



Nippon Building Fund Inc.

7-2, Yaesu 2-chome, 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, 2003 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from July 1, 2002 to December 31, 2002, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

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

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

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



Introduction

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

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

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

History of NBF

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



Message from NBFM to the NBF Shareholders



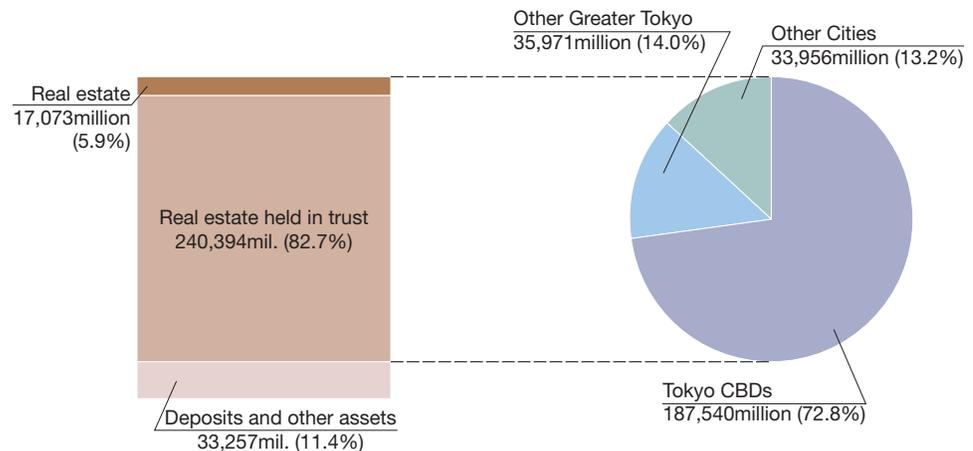
(right) *Toshihiko Fukase*, Executive Director of Nippon Building Fund Inc.

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

Accumulated Results (Looking back on 2002)

As all of you know, NBF was the first J-REIT to be listed on the Tokyo Stock Exchange. Commencing operations in May 2001 with total assets of ¥218,971 million, as of the end of 2002 the fund's assets amounted to ¥290,725 million and it continues to grow.

As of the end of 2002, six J-REIT companies had become listed with NBF taking the top spot in terms of market cap with the value of issued shares being ¥174,595 million based on market price. Among those companies, only NBF and one other company exclusively invest in office buildings in Japan. NBF mainly owns grade-A, large-scale buildings in accordance with its policy of aggressively investing in properties with emphasis on the Tokyo CBDs.

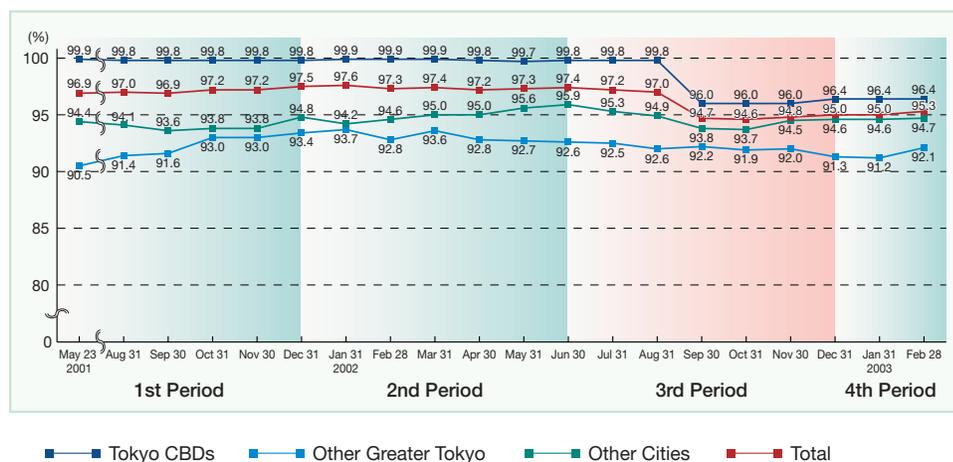


NBF's common share price rose approximately 27% during the course of 2002 compared to a 20% decline in the TOPIX index, meaning that NBF outperformed the TOPIX by 47 percentage points. Moreover, the total amount of pre-tax distributions per share applicable to the two dates of record for 2002 (September 2002 and March 2003) was ¥32,256, which is equivalent to a 5.2% income return based on the share price as of the end of 2002.



NBF's results at the close of the second period (January 1 through June 30, 2002) and the third period (July 1 through December 31, 2002) were, respectively, operating revenues of ¥11,259 million and ¥11,845 million, net income of ¥4,492 million and ¥4,562 million, distributions per share of ¥16,003 and ¥16,253, and total assets of ¥278,976 million and ¥290,725 million. Thus, income increased in tandem with the growth of assets.

The unrelenting recession in the office rental market in Japan during 2002 featured generally higher vacancy rates and lower rent levels regardless of geographic location. However, buildings in the NBF portfolio enjoyed high occupancy rates mainly due to efforts to improve tenant satisfaction, which led to tenant stability, while use of NBFM's original Office Management (herein"OM") systems promoted efficient property management and reduced operating costs.





In order to develop NBF's portfolio and derive the utmost economic efficacy therefrom as well as to establish a firm foundation for revenue growth, NBFM faced and met the challenge of expanding the portfolio throughout 2002. NBF acquired or executed contracts to purchase six buildings during 2002 with an approximate total value of ¥50,000 million. Three of those buildings are located in the Tokyo CBDs, one in the Other Greater Tokyo, and two in the Other Cities. These assets were acquired from a variety of sources through the use of differing acquisition methods, all of which involved the application of stringent selection criteria. As a result, they accordingly possess the characteristics of being newly competitive properties.

NBF acquired the following properties during the 3rd fiscal period. As for overviews of the properties as of the date of 3rd fiscal period end, please see page 37.

Nishi-Shinjuku Mitsui Building
Tokyo CBDs



Nippon Steel Building No.2
Tokyo CBDs



NBF acquired the following property on February 3, 2003. An overview of the property as of the date of the acquisition is as follows.

Naka-Meguro GT Tower Tokyo CBDs



Acquisition date:	February 3, 2003
Outline of Acquired Property:	Condominium interest
Acquisition price:	¥13,763 million
Acquisition structure:	Real Estate
Location:	1-1, Kami-Meguro 2-chome, Meguro-ku, Tokyo
Site area:	6,971.15m ² (including an office building, a residential building and a building for retail, residential and public use) in which NBF holds an interest of 47%.
Floor area of building:	
Gross floor area of the entire building: 56,171.33m ²	
Floor space of divided condominium interests of NBF:	
office:	condominium interest in the 14th to 25th floors of the office building totaling 11,485.20m ²
retail:	condominium interest in the B1 and B2 floors of the office building totaling 2,051.15m ²
Structure:	Steel-framed reinforced concrete building, Flat roof 25 above ground floors, 3 below ground floors
Completion:	March 25, 2002
Number of tenants:	1 (Note 3)
Rentable area:	13,569.15m ²
Leased area:	13,569.15m ²
Occupancy rate:	100%

Note 1 Site area, gross floor area, floor space of divided condominium interests of NBF 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.

Note 3 Mitsui Fudosan is the tenant of the property and a master lessor of 15 sub-tenants as of the date of acquisition.

NBF plans to acquire the following property on November 5, 2003. An overview of the property as of December 25, 2002 (date of the acquisition contract) is as follows.

Sapporo L-plaza Other Cities



Expected Acquisition date:	November 5, 2003
Outline of Acquired Property:	condominium interest
Acquisition price:	¥3,195 million
Acquisition structure:	Real Estate
Location:	Kita 8-jo, Nishi 3-chome, Kita-ku, Sapporo-city, Hokkaido
Site area:	4,759.69m ² in which NBF holds an interest of 23.2%.
Expected floor area of building:	
Gross floor area of the entire building: 34,643.75m ²	
Floor space of divided condominium interests of NBF: 8,461.09m ²	
Structure:	Steel-framed reinforced concrete building, Flat roof : 13 above ground floors, 1 tower floor, 2 below ground floors
Expected Completion:	March, 2003
Expected Number of tenants:	9
Rentable area:	8,461.09m ²
Expected Leased area:	7,702.13m ²
Expected Occupancy rate of NBF's interest:	91%

Note 1 Site area is as specified in the real estate register. Location and expected floor area of the property described in the outline above are as stated in the "Rights Conversion Plan of Class 1 Urban Redevelopment Project for the Western District of North No. 8 West No. 3 approved by Sapporo City".

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

Note 3 The relevant purchase and sale agreement is subject to certain conditions and the agreement can be terminated if such conditions have not been satisfied on or before delivery.



A Year of Differentiation (Outlook and Policies for 2003)

A recent popular topic in the real estate markets of Japan is the so-called “2003 Problem”. What people are talking about is the impact of approximately 1 million square meters of new space in mostly newly constructed, large-scale and high spec office buildings slated for completion during 2003. This space is equivalent to approximately 3% of the current stock of office space (total: approximately 29 million square meters in the 23 wards of Tokyo (source: Ikoma Data Service System). Some in the industry say that this problem may become more serious due to their perception that in light of current economic conditions in Japan, demand may be insufficient to absorb this new capacity.

If the question is “Will this take the wind out of NBF’s sails?”, the answer is “No.” Here are the reasons why:

- 1) NBFM had already anticipated this impact in 2001 and conducted asset management activities so as to minimize it. For example, we extended the terms of lease contracts for many properties thereby stabilizing future revenues.
- 2) NBF’s properties are hallmarked by competitiveness, high levels of trust and satisfaction from tenants etc. For example, the results of the 2nd tenant satisfaction survey conducted with each tenant in 2002 showed that more than 90% of them were very satisfied, and in consequence, the occupancy rates in 24 out of 28 rental markets where NBF owns properties are higher than average.
- 3) At present, NBF’s business standing is sufficiently sound to enable it to acquire new properties through the use of additional debt rather than the issuance of new shares (this is not, however, to say that new issues of shares will never occur). This strength may lead to the upward revision of forecasted financial results for NBF.
- 4) Further contributions to results are expected through reduction of rental costs, etc.

Contrary to the general perspective, 2003 is, in NBFM’s opinion, a year of differentiation for both external and internal growth based on the cumulative effect of the factors described immediately above. Our strategies are as follows:

In addition to the maintenance of high occupancy rates by means of improvement of satisfaction of tenants, one of the most important issues is leasing existing or future vacant space. More specifically: the issues of how to lease up the lower floors of the Shiba NBF Tower after termination of T&D Financial Life Insurance Company lease contract and the upper floors of the same Shiba NBF Tower as well as the Mita City Building, terminations which are expected during 2003. We consider this a good opportunity to show NBF’s real potentials by improving office specifications following termination thereby strengthening competitiveness vis-a-vis neighboring offices, and by supplying tenants of high standing with satisfactory office space based on long term commitment.

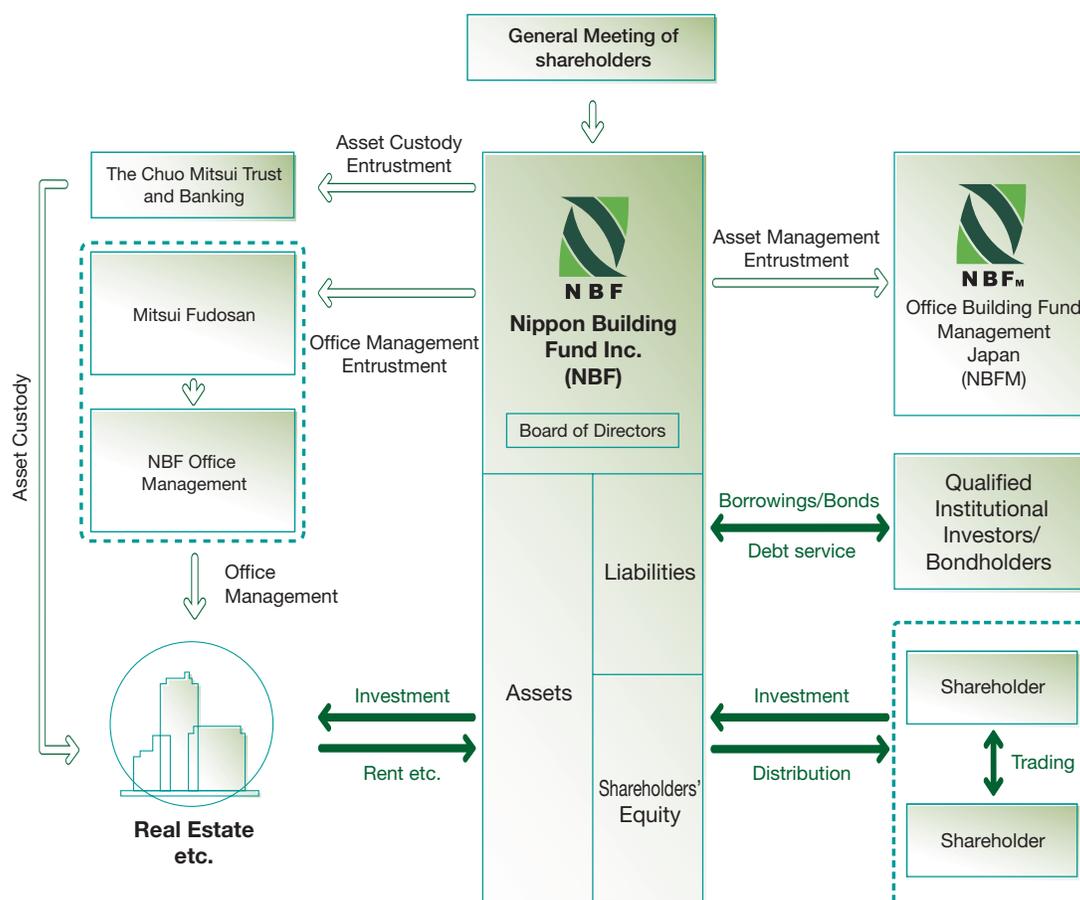
Next, based on NBFM’s forecasts regarding the impact of the 2003 Problem and the recovery of the market thereafter, we believe that (1) internal growth may be achieved by retaining stable tenants and reducing operating costs, and that (2) as the differences between NBF and other real estate funds become apparent during weak markets, there will be exciting opportunities for well-managed and highly-motivated companies like NBF to expand externally through the acquisition of new properties. As a result, the aggressive acquisition of new properties on behalf of NBF based on stringent selection criteria will continue to be both a priority and a welcome challenge for NBFM.

As for operational costs, we continue to reduce fees paid for building maintenance. As for other costs, in light of the fact that as of date of March 2003 total assets reached approximately ¥300,000 million and NBFM and Mitsui Fudosan, the latter being responsible for OM, have begun to enjoy the benefits of scale in their operations, it has been decided to reduce the percentages of asset management fees and OM fees related to the operating revenues of NBF. This decision is not only intended to cut costs, but also reflects the fact that as the scale of assets increases, the growth of net income becomes more important than the expansion of revenues in determining the compensation of NBFM and Mitsui Fudosan. NBFM believes that the effect of such changes in the incentives of NBFM and Mitsui Fudosan with respect to management activity will be in the best interests of NBF’s shareholders. Moreover, the decrease of operational costs etc. and increase of cash flows from operations may contribute to further competitiveness of properties by permitting the allocation of revenues to new investment or repairs and maintenance in relation to large-scale and strategic renovations of existing buildings. Also, this serves as a driving force for NBF to reach the level of a ¥500,000 million company.

Faced with these conditions, every J-REIT and private real estate fund investing in Japan, including but not limited to NBF, will find it a challenge to achieve a higher level of performance in 2003 than in 2002. At the same time NBFM’s continuous management efforts toward the targets of steady growth of managed assets and of securing stable revenues from a mid and long-term perspective will achieve a difference in results.

NBFM's Management Policy

With respect to asset management activities, shareholders should take note that NBFM and NBF utilize the various abilities of Mitsui Fudosan with respect to real estate. For example, Mitsui Fudosan makes very important contributions in areas such as advising and assisting in the review of potential investments in new properties as well as in leasing. In addition, Mitsui Fudosan and NBF collaborated in a direct manner in connection with NBF's acquisition of the Naka Meguro GT Tower property. In this case, Mitsui Fudosan undertook management tasks during the stages from initial development to immediate post-completion. After revenues stabilized, NBF acquired Mitsui Fudosan's interest in the property. This model may become one of the keys to NBF's strategy of differentiation. Mitsui Fudosan and its subsidiaries are "interested parties" of NBF. With respect to any transaction which may engender a conflict of interest, we consider it essential that such transaction occur in an appropriate manner and that proper disclosures be made.



With two years having elapsed since its formation, NBFM's vigorous activities as an asset management company are starting to pay off. We are continuously improving our organization, including existing personnel, and implementing efforts to adapt for expansions of scale by specializing internal functions and streamlining office management systems.



NBFM's Stance Regarding External Growth

NBFM's basic policy concerning expansion is to continue an aggressive investment program on behalf of NBF. Sales of quality properties are expected to increase due to financial and asset restructuring, the reorganization of Japanese enterprises, as well as the disposition of bad debts by financial institutions.

Specifically, NBFM has the goal of facilitating the growth of NBF's assets to ¥500,000 million by the end of March 2006. The acquisition goal with respect to the end of March 2004 is ¥70,000 million. As was the case in 2002, investment targets will be selected mainly from the Tokyo CBDs.

Financial Management

The availability of favorable funding options together with healthy financial management makes it possible to conduct active asset management. It is very important for NBF to maintain access to financial markets as well as bargaining power in real estate markets based on the size of its portfolio and as the result of such financial management practices.

In preparation for anticipated future increases in interest rates, the replacement of existing interest-bearing obligations with long-term loans or fixed-interest loans continues. NBF also enjoys 'A' long-term and 'A-1' short-term corporate credit ratings by S&P and an issuer rating of A3 by Moody's, which were awarded after the close of its first period. Terms and conditions for funding through loans or the issuance of bonds are decided taking these ratings into consideration.



(Conclusion)

Since NBF became a listed company in September 2001, NBF's shareholders are now evenly distributed into the categories of financial institutions, corporations, individuals and foreign investors. While great efforts have exerted to advance the level of disclosure when conducting investor relations to date, we are of the opinion that we have yet more work ahead of us in order to bring about a higher level of understanding of NBF and NBFM, both domestically and abroad. We intend to further strive toward this goal now that NBF is a public company.

Trust is one of the most important factors in business. Our objective is to earn further trust through the results of our performance. We hope to increase the level of such trust, suitable for a leading J-REIT company, by enhancing brand equity based on evaluations by tenants as well as by the financial markets

Koichi Nishiyama

KOICHI NISHIYAMA
Nippon Building Fund Management Ltd.
President & CEO





Location of Office Properties

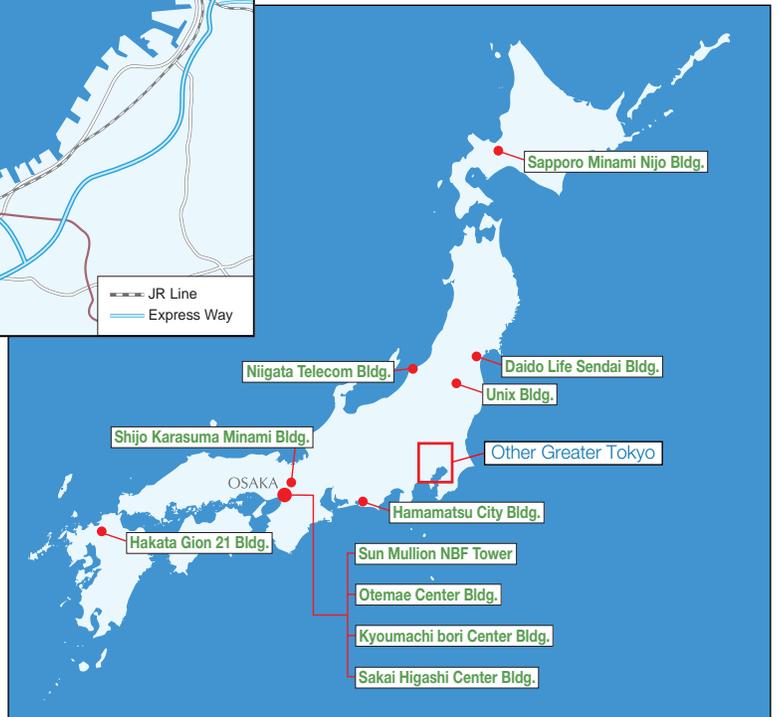
Tokyo CBDs



Other Greater Tokyo



Other Cities





Portfolio Snapshot



NKK Headquarters' Bldg.

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



GSK Bldg.

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



Shiba NBF Tower

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

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



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



Shinjuku Mitsui Bldg. No.2

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



Nippon Steel Bldg. No.2

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

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



Nihonbashi Muro-machi Center Bldg.

Location	: 2-15, Nihonbashi Muro-machi 3-chome, Chuo-ku, Tokyo
Site area	: 3,097.74m ² (*)
Floor area of building	: 23,019.01m ² (*)
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



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



Takanawa 1-chome Bldg.

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



Nishi-shinjuku Mitsui Bldg.

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

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



Mita City Bldg.

Location	: 12-15, Mita 3-chome, Minato-ku, Tokyo
Site area	: 1,458.95m ²
Floor area of building	: 9,185.13m ²
Structure	: Above ground: 12 floors, below ground 1 floor
Completion	: June 1991



Nakano-Sakaue Sunbright Twin

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



Yokohama ST Bldg.

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

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



Matsudo City Bldg.

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



Tsukuba Mitsui Bldg.

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

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



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



Daido Life Omiya Bldg.

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



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



Hamamatsu City Bldg.

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



Unix Bldg.

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



Sun Mullion NBF Tower

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



Niigata Telecom Bldg.

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



Sakai Higashi Center Bldg.

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



Otemae Center Bldg.

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



Hakata Gion 21 Bldg.

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



Kyoumachibori Center Bldg.

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



Shijo Karasuma Minami Bldg.

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

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

Total of above area: 30% or less

Note 1 "Neighboring Cities" refers to the Metropolis of Tokyo excluding its 23 wards, and the 6 prefectures of Kanagawa, Chiba, Saitama, Ibaragi, Gunma and Tochigi.

Note 2 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 2002, 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 the relevant Article of the Finance Ministry Ordinance (Finance Ministry Ordinance) be 75% or more.

Due Diligence

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

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

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

Environmental; condition of land etc.

Absence of harmful substances such as asbestos, (or countermeasures can be implemented for any such substances), non-existence of soil pollution etc.

Uncompleted or Unleasable Properties

In principle, NBF acquires Real Estate etc. which are leased/leasable assets at the time of closing. NBF may acquire a property which is not yet leasable at the time of closing based on consideration of the impact on NBF's asset management activities after taking into account the investment amount, the date of completion or of becoming leasable, estimated revenues and so forth; provided, however, that the contract amount of any such unleasable asset combined with the total contract amount of previously acquired unleasable assets (but excluding unleasable assets which thereafter become operational) will not exceed 10% of the total assets indicated on the most recent balance sheet of NBF. For this purpose, "leased/leasable assets" shall mean property with respect to which the construction of the building has been completed and such building is leased or leasable. Properties which are owned by NBF and have become operational at some point shall be deemed "leasable" thereafter (including such cases as reconstruction or large-scale renovation of a building). "unleasable assets" shall mean properties etc. other than leased/leasable assets. However, consideration of the acquisition of uncompleted or 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 existence 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. As of March

20, 2002, foreseen reserves provided from January to December 2003 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) ¥2,797 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 distributable amount which results from operation of managed assets of NBF (hereinafter, "Distributable Amount") shall be the amount of profit (the amount of net assets on the balance sheet less the amount of total expenses, capital surplus reserves and estimated variances) calculated on each closing date in accordance with the Investment Trust Law of Japan and corporate accounting principles generally deemed to be fair and appropriate.

Cash Distribution of Profits

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

B. Distribution in Excess of Earnings

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

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

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

NBF's Current Policy on Distributions in Excess of Profits

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

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

C. Method of Distributions

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

D. Prescription for Cash Distributions etc.

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

Investment Restrictions

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

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Investment Performance Overview

1. Financial Highlights

		3rd Period from July 1, 2002 to December 31, 2002	2nd Period from January 1, 2002 to June 30, 2002	1st Period from March 16, 2001 (date of Inception) to December 31, 2001
(Yen in millions, except per share data or where otherwise indicated)				
Operating revenues		¥11,846	¥ 11,259	¥ 12,561
Revenues from property leasing		11,846	11,259	12,561
Operating expenses		6,656	6,252	6,395
Rental expenses		6,031	5,623	5,737
Income before income taxes		4,563	4,493	5,342
Net income	(a)	4,562	4,492	5,341
Total assets	(b)	290,725	278,976	256,847
Total shareholder's equity ('Net assets')	(c)	153,461	153,391	154,240
Contribution capital		148,899	148,899	148,899
Total amount of cash distribution	(e)	4,562	4,492	5,340
Total number of common shares issued (shares)	(d)	280,700	280,700	280,700
Net assets per share (Yen)	(c) / (d)	546,710	546,460	549,482
Distribution per share (Yen)	(e) / (d)	16,253	16,003	19,026
Distribution of net income per share (Yen)		16,253	16,003	19,026
Distribution in excess of net income per share (Yen)		-	-	-
Return on total assets	Note 2	1.60% (3.20%)	1.68% (3.35%)	2.25% (3.68%)
ROE	Note 2	2.97% (5.95%)	2.92% (5.84%)	4.22% (6.91%)
Capital ratio	(c) / (b)	52.8%	55.0%	60.1%
Payout ratio	(e) / (a)	99.9%	100.0%	99.9%
Number of days	Note 2	184	181	223
Other supplement data :				
Number of investment properties	Note 4	28	26	24
Number of tenants	Note 4	441	448	411
Total rentable square meters		322,344	303,485	277,054
Occupancy rate	Note 4	95.0%	97.4%	97.5%
Depreciation and amortization		2,072	1,947	2,170
Capital expenditure		368	454	494
NOI from property leasing activities	Note 2	7,886	7,583	8,993

Note 1 Operating revenues do not include consumption taxes.

Note 2 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 for the first period and as 6 months figures adjusted for the second and the third period. The adjective "Initial" used in the following formula means figures as of May 23, 2001.

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

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

Net Operating Income (NOI) from property leasing activities:

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

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

Note 4 Number of investment properties means units generally perceived to be one office building. Number of tenants means gross number of tenants by building. Occupancy rate is ratio of gross leased area to total rentable area at the end of period.

2. Performance Review for the Current Period

About NBF and NBFM

Nippon Building Fund Inc. formerly “Office Building Fund of Japan, Ltd.” and hereinafter “NBF”) is a real estate fund structured in the form of an investment corporation as prescribed in the Investment Trust Law of Japan. It was formed on March 16, 2001 with Mitsui Fudosan Co. Ltd., The Chuo Mitsui Trust and Banking Co. Ltd. and NBFM (at the time known as “MF Asset Management Co.,Ltd”) acting as founders. Registration with Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001. NBF is an externally managed real estate investment corporation. NBFM, acting as NBF’s asset management company, is engaged in acquiring, managing, leasing, and renovating office properties. Mitsui Fudosan Co., Ltd. and Sumitomo Life Insurance Company own 43% and 35% respectively of NBFM with the remaining 22% mainly owned by financial institutions.

Investment Climate and Operating Performance

The Japanese economy continued to suffer from deflationary trends during the current period, capital expenditures by companies continued to slump and personal consumption remained weak, partly due to the slowdown of the U.S. economy. As a result, the Japanese economy as a whole was stagnant.

While the general office building rental market was depressed, demand for new office space in the Tokyo CBDs had been relatively stable. However, both the beginnings of a gradual decline in demand in the Tokyo CBDs during 2002 and the impact of the so called “2003 problem” attributable to the oversupply of newly constructed large-scale buildings led to higher vacancy rates and lower rent levels. In addition, occupancy rates continued to fall in most areas of Other Greater Tokyo and Other Cities due to weak demand. Conversely, announced asset purchase and sale transactions in the office property market indicated a certain amount of activity in anticipation of financial restructuring and/or the adoption of accounting of impairment of properties under Japanese GAAP. Unfortunately, in several instances transactions did not close due to disagreements over pricing.

In response to this environment, NBF has managed its assets based on the policy of investing in very desirable office properties which are competitive in terms of location, size and equipment specifications and which have prime tenants resulting in relatively stable cash flows and decreased risk of sudden drops in the value of assets.

NBF added two office properties to its portfolio during the current period. In September 2002, NBF acquired a condominium interest in the “Nishi-Shinjuku Mitsui Building” (the acquisition price of approximately ¥1,600 million being based on the sales and purchase agreement, hereinafter the same to apply) and in December 2002, NBF acquired the “Nippon Steel Building No. 2” (approximately ¥12,610 million). These decisions were made in accordance with strict investment criteria, the abovesaid policies and the enormous amount of information concerning properties available to us. As a result, NBF’s office portfolio now consists of 28 office properties representing a total investment of approximately ¥260,200 million and comprising total rentable area of approximately 322,000 square meters (approximately 97,000 tsubo).

Moreover, in August 2002 NBF decided to acquire a condominium interest in the “Naka-Meguro GT Tower”. The acquisition occurred on February 3, 2003 for a price of approximately ¥13,760 million. In addition, in December 2002 NBF contracted to acquire a condominium interest in the “Sapporo L-Plaza” for approximately ¥3,190 million (estimated). Closing of this transaction is scheduled for November 2003.

While one large tenant did terminate its lease (for 6,551 square meters, or approximately 1,980 tsubo, in the Shiba NBF Tower) during the current period, the occupancy rate for NBF’s portfolio as a whole was 95.0% as of the close of the current period. Properties owned by NBF continue to enjoy this very high level of occupancy due to diligence in obtaining new tenants for acquired assets as well as uninterrupted efforts to increase the level of satisfaction of existing tenants. With regard to the Shiba NBF Tower, NBF commenced a large-scale renovation of the recently vacated portion thereof with the objective of achieving an even higher degree of competitiveness.

Further, while assuring proper building maintenance standards, NBF cut leasing operational costs even more than the original target by reviewing and in some cases changing building maintenance companies through competitive bidding as well as by revising the provisions of the contracts with such companies.

(b) Outline of Funding

Regarding funding through interest-bearing obligations such as loans etc., NBF intends to exercise financial prudence by focusing on highly flexible unsecured non-guaranteed bank loans (such interest-bearing obligations comprised 38.0% of total assets as of the close of the current period). Also, as the result of an aggressive program of replacing short-term loans with long-term fixed interest loans with the objective of minimizing risks of future increases in interest rates, the portion of interest-bearing obligations represented by long-term loans at the close of the current term was 65.2%. Moreover, NBF obtained the following issuer ratings with the objective of diversifying future funding methods.

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

(c) Outline of Business Results and Distributions

NBF's business results for operations during the current period consisted of operating revenues of ¥11,845 million (an increase of ¥586 million, or 5.2%, compared to the previous period), operating income from leasing activities of ¥5,814 million (an increase of ¥177 million, or 3.2%, compared to the previous period) and income before income taxes of ¥4,563 million (an increase of ¥70 million, or 1.6%, compared to the previous period). Such increases in both revenue and profit for the current period compared to the previous period are mainly attributable to the fact that the Nakano-Sakaue Sunbright Twin and the Sun Mullion NBF Tower both commenced operations during this period (resulting in a ¥261 million increase in operating revenues), the fact that other revenues (including

cancellation fees from a major tenant of the Shiba NBF Tower, etc.) from leasing activities increased by ¥647 million as well as the fact that NBF's effort to decrease out-sourcing costs resulted in a decrease of rental expenses. These factors more than off-set a decrease in rental revenues from several properties.

In addition, NBF distributed almost 100% of unappropriated profit (¥16,253 per share) in accordance with the distribution policies of its Articles of Incorporation and assumes that the regulations concerning the deduction of such distribution from taxable income (Article 67-15 of the Special Taxation Measures Law) will apply resulting in net income of ¥4,562 million for the current period (up 1.6% compared to the previous period).

3 . Management Discussion on Investment Policy and Outlook

(a) Operating Policies

While many view the domestic economy with pessimism, certain trends tending to enhance demand in the office building rental market are apparent. Examples include the relocation of offices due to mergers or consolidations as well as the concentration of diversified business functions into head offices etc. in industries including manufacturing, finance and financial services in preparation for the era of global competition. Tenants who are considering relocation seem to focus on, and be highly selective with respect to, very desirable properties that can provide lower costs as well as enhancements in office equipment and amenities. With respect to the supply of rental space, numerous new large-scale buildings were completed in the Tokyo CBDs during the second half of 2002. Some are operating, or are expected to operate, at full occupancy from day one but others entered the market largely vacant and it is commonly understood in the business that aggressive tactics will be required in order to attract tenants to such buildings.

For the time being higher vacancy rates and lower rent levels are to be expected in the Tokyo CBDs and the Other Greater Tokyo due to the current imbalance in supply and demand. It is also expected that rental markets in Other Cities as a whole will be slow, as vacancy rates continue to rise due to the concentration of business activities in Tokyo.

However, adjustment of inventory resulting from a decrease of supply in the Tokyo CBDs is expected to commence from 2004 with a simultaneous moderate recovery of the market. For example, there are companies which choose to benefit from current market not by demanding cuts in their leasing costs but by receiving upgrades of their existing office space.

As for the market for the purchase and sale of office properties, decisions to sell may become even more frequent as owners are more likely to sell in light of decreasing rental revenues as well as the fact that financial institutions are under pressure to reduce non-performing loans, which may lead to an increase in the number of foreclosures and distress sales. In other words, sales of assets are expected to increase in the same manner seen last year due to business bankruptcies, liquidations or reorganizations all of which may provide new opportunities to acquire desirable properties. For the time being higher vacancy rates and lower rent levels are to be expected in the Tokyo CBDs and the Other Greater Tokyo due to the current imbalance in supply and demand. It is also expected that rental markets in Other Cities as a whole will be slow, as vacancy rates continue to rise due to the

concentration of business activities in Tokyo.

(b) Management Strategies

(1) Operating Strategies for Existing Properties

As for properties experiencing significant vacancies due to actual or imminent cancellation of lease contracts, NBF will exert its efforts toward attracting new tenants by exercising flexibility in pricing of rents based on our assessment of market trends.

As for existing tenants, NBF will strive to stabilize turnover by enhancing the level of tenant satisfaction through service upgrades etc. based on the results of tenant surveys. Further, we are considering the adoption of longer-term lease contracts or adding provisions prohibiting early cancellation etc. at the time the terms and conditions of leases come up for review.

During through the second and third periods, NBF attained reductions in building maintenance costs of 17% on an annualized basis for 23 properties. Cost reductions were already higher than original targets. NBF will continue to pursue cost reductions through competitive bidding by building maintenance companies and so forth.

(2) Strategies for New Investment

NBF will, after taking in account market risk due to the existing oversupply of newly constructed, large-scale buildings, continue to select and acquire desirable properties in the Tokyo CBDs that will satisfy the needs of tenants (convenient location, recent-construction, generous size floor plate for each building, useful layout of floors, high-spec electric capacity and HVAC equipment, availability of IT facilities, ample parking spaces etc.) In addition, in order to avoid the risk of vacancy due to tenant relocation, NBF will give priority to the acquisition of properties in which it can expect tenants to prefer long-term lease contracts as well as the acquisition of multi-tenant buildings. At the same time, NBF will rigorously examine market trends and plan investments in relatively stable districts avoiding areas that are prone to excessive competition.

While the Other Greater Tokyo and Other Cities markets are comparatively small and demand is static or declining, the impact of new supply on such markets is greater than in the Tokyo CBDs. NBF will accordingly continue to review its investments with a critical eye, considering not only whether or not there are already desirable properties but also the issue of scarcity in specific locations and the benefits of creating new supply in such locations.

In order to acquire competitive, attractive properties at reasonable prices, NBF will, while exercising sufficient risk management skills, study the potential benefits of making commitments on properties prior to completion as it did in the case of the Sapporo L-Plaza.

In order to avoid excessive price competition through bidding wars, NBF will, insofar as possible, continue to strive to obtain advance information regarding potential sales and to develop information routes to locate desirable properties.

(3) Financial Strategies Etc.

As for financing, and in particular the provision of operating funds through borrowings, NBF is preparing for future increases in interest rates by continuing to base its funding needs on long-term fixed interest borrowings. Further, from the viewpoint of expanding a stable funding base, measures

such as the issuance of bonds are being considered.

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

Overview of NBF

1. Distribution for the Current Period

Distribution per share for the current period was ¥16,253. NBF expects to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the period from July 1 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001 to December 31,2001
(Yen in thousands, except per share amount)			
Net income	¥ 4,562,325	¥ 4,492,139	¥ 5,340,714
Retained earnings	108	96	116
Total cash distribution	4,562,217	4,492,042	5,340,598
(Total cash distribution per share)	16,253	16,003	19,026
Cash Dividends	4,562,217	4,492,042	5,340,598
(Cash distribution per share)	16,253	16,003	19,026
Cash Distributions in excess of accumulated earnings (per share)			

Note Above cash dividends were paid after the period end.

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 June 30, 2002 NBF had issued 280,700 common shares out of 2,000,000 total authorized shares. NBF's common shares were listed on the J-REIT section of the Tokyo Stock Exchange in September 2001 upon the completion of a public offering. As the Investment Trust Law of Japan does not contain any provision for the issue of more than one class of shares, said common shares comprise the sole class of shares authorized and issued by NBF.

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

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

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

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

Market Price of shares

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

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from September 10, 2001 to December 31, 2001
	(in Yen)		
High	¥ 624,000	¥ 581,000	¥ 616,000
Low	537,000	474,000	480,000

Borrowings

Borrowings by financial institution as of December 31, 2002 are shown below.

Short-term debts

Lender	Balance	Average interest rate(%) (Note 1)	Due on	Repayment Method	Use of Funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., Ltd.	¥ 16,600	0.5%	May 23, 2003			
Bank of Tokyo Mitsubishi	8,200	0.5%	January 10, 2003			Unsecured
The Norinchukin Bank	5,000	0.5%	May 23, 2003			/unguaranteed
The Sumitomo Mitsui Banking Corp.	4,850	0.5%	January 16, 2003	Bullet payment	(Note 3)	/pari passu,
The Hachijuni bank	1,300	0.5%	February 7, 2003			See (Note 4)
Shinkin Central Bank	1,000	0.5%	January 24, 2003			
The Chugoku Bank, Ltd.	1,000	0.5%	January 24, 2003			Floating rate
Yamanashi Chuo Bank	500	0.5%	January 17, 2003			
Short-term debt Total	¥ 38,450					

Long-term debts

Sumitomo Life Insurance Company	¥ 12,000	1.7%	May 23, 2008			
	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 16, 2011			
The Chuo Mitsui Trust and Banking Co., Ltd.	10,000	1.3%	May 23, 2006			
	9,000	1.3%	July 16, 2007			Unsecured
Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011	Bullet payment	(Note 3)	/unguaranteed
	4,000	2.2%	April 27, 2012			/pari passu,
	1,000	2.2%	May 23, 2012			See (Note 4)
Sumitomo Trust and Banking Corp.	6,000	1.3%	July 16, 2007			
Nippon Life Insurance Company	3,000	0.7%	August 9, 2005			Fixed rate
	2,000	0.7%	September 30, 2005			
The Sumitomo Mitsui Banking Corp.	2,000	1.2%	March 12, 2007			
The Joyo Bank, Ltd.	1,000	0.9%	May 23, 2006			
	1,000	1.4%	May 23, 2008			
Long-term debts Total	¥ 64,000					
Borrowings Total	¥102,450					

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

Note 2. With respect to the date of drawdown and date of repayment in case of more than one short-term loan from the same lender, the earliest date of repayment for all such loans coming due is given.

Note 3. Use of funds for the above includes acquisition of real estate or beneficiary interests, repayment of borrowings and working capital.

Note 4. A special agreement attached to “Loan Agreement” entered into between the NBF and each financial institution provides that the above borrowings from all financial institutions rank pari passu to each other.

NBF Bonds

Issue	Issue Date	Balance as of December 31, 2002 (Yen in millions)	Coupon	Maturity Date	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.

Note 3. On February 10,2003 NBF issued No.2 Unsecured Bond in the amount of ¥10,000 million with coupon of 0.75% payable in full on February 9, 2007.

Others

NBF has security deposits totaling ¥22,851 million as of December 31,2002.

3. Major Shareholders

The following table sets forth our major shareholders' information as of December 31,2002.

Name	Address	Number of Common Shares Owned	Ownership
Mitsui Fudosan Co., Ltd.	1-1 Nihonbashi Muro-machi, 2-chome, Chuo-ku, Tokyo	16,200	5.8%
The Nomura Securities Co., Ltd.	9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	11,478	4.1
Goldman Sachs International (Standing Proxy: Goldman Sachs (Japan) Ltd.)	133 Fleet Street London EC4A 2BB, U.K. (ARK Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo)	11,391	4.0
Obic Business Consultants Co., Ltd.	1-1 Nishi Shinjuku 2-chome, Shinjuku-ku, Tokyo	10,524	3.7
Kajima Corp.	2-7 Moto Akasaka 1-chome, Minato-ku, Tokyo	10,000	3.6
Sumitomo Life Insurance Company	18-24 Tsukiji 7-chome, Chuo-ku, Tokyo	10,000	3.6
Aozora Bank, Ltd.	13-10 Kudan-Kita 1-chome, Chiyoda-ku, Tokyo	10,000	3.6
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	9,330	3.3
The Chase Manhattan Bank NA London (Standing Proxy: Kabuto-cho Custody Operation Room, Mizuho Corporate Bank, Limited)	Woolgate House, Coleman Street, London EC2P 2HD, England (6-7 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)	7,179	2.5
Yasuda Mutual Life Insurance Company	9-1 Nishi Shinjuku 1-chome, Shinjuku-ku, Tokyo	6,712	2.4
Total		102,814	36.6%

4. Categories of Shareholders

(as of December 31,2002)

	Number of shareholders	Number of shares owned	Percent of number of shares owned
Financial institutions	105	109,894	39.1%
Other legal entities	464	60,347	21.5
Overseas investors	112	55,772	19.9
Individuals and others	12,416	41,865	14.9
Securities companies	9	12,822	4.6
Japanese government and regional authorities	0	0	0.0
Total	13,106	280,700	100.0%

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

Outline of Investment Portfolio

1. Portfolio Summary

Asset type	Region	As of December 31, 2002		As of June 30, 2002	
		Investments	Investments / total assets	Investments	Investments / total assets
		(Yen in millions)	(%)	(Yen in millions)	(%)
Real estate	Tokyo CBDs	¥ 14,535	5.0%	¥	
	Other Greater Tokyo. . . .	2,538	0.9	2,567	0.9%
Real estate held in trust. . . .	Tokyo CBDs	173,005	59.5	174,006	62.4
	Other Greater Tokyo. . . .	33,433	11.5	33,781	12.1
	Other Cities.	33,957	11.7	34,223	12.3
Subtotal of Real estate and Real estate held in trust		257,468	88.6	244,577	87.7
Deposits and other assets		33,257	11.4	34,399	12.3
Total assets		¥ 290,725	100.0%	¥ 278,976	100.0%

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

2. Selected Data by Property

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

Name of Building	Invest-ment Type (Note 1)	Type of Ownership of the Buildings	Percentage of Ownership of the Buildings	Year Built	Book Value		Appraisal Value (Note 2)		Probable Maximum Loss (PML) (Note 3)
					As of December 31, 2002	As of June 30, 2002	As of December 31, 2002	As of June 30, 2002	
			(%)		(Yen in millions)		(Yen in millions)		(%)
Tokyo CBDs									
NKK Headquarters' Bldg.	Trust	fee simple	100	1974	¥73,122	¥73,425	¥ 72,983	¥73,018	10.0%
Shiba NBF Tower (Note 4)	Trust	fee simple	100	1986	31,815	32,094	26,900	30,400	6.8%
Shinjuku Mitsui Bldg.	Trust	fee simple	100	1983	16,036	16,117	16,300	16,800	10.0%
GSK Bldg.	Trust	fee simple	100	1990	15,196	15,332	18,000	18,000	2.2%
Kowa Nishi Shinbashi Bldg. B	Trust	condominium	83	1994	12,951	13,034	13,000	13,670	6.0%
Nippon Steel Building No.2	Ownership	fee simple	100	1989	12,862		12,750		7.4%
Nihonbashi Muro-machi Center Bldg.	Trust	condominium	100 (Note 5)	1986	9,888	9,897	10,500	10,600	12.6%
Takanawa 1-chome Bldg.	Trust	fee simple	100	1987	6,531	6,567	6,900	6,930	15.0%
Mita City Bldg.	Trust	fee simple	100	1991	5,167	5,230	5,290	5,320	12.9%
Shinjuku Yocho-machi	Trust	fee simple	100	1989	2,299	2,310	2,430	2,450	14.0%
Nishi-Shinjuku Mitsui Building	Ownership	condominium	4	2001	1,673		1,670		4.8%
Other Greater Tokyo									
Nakano-Sakaue Sunbright Twin	Trust	condominium	32	1996	9,319	9,404	9,310	9,330	2.8%
Yokohama ST Bldg.	Trust	co-ownership	75	1987	13,396	13,519	13,942	14,261	6.4%
Tsukuba Mitsui Bldg.	Trust	co-ownership	75	1990	6,519	6,626	6,832	6,720	11.0%
Daido Life Omiya Bldg.	Trust	fee simple	100	1991	2,313	2,325	2,660	2,660	14.8%
Matsudo City Bldg.	Ownership	fee simple	100	1992	2,538	2,567	2,530	2,580	10.8%
Inage Kaigan Bldg.	Trust	fee simple	100	1992	1,886	1,907	1,850	1,830	13.0%
Other Cities									
Sapporo Minami Nijo Bldg.	Trust	fee simple	100	1990	1,816	1,832	2,020	2,030	6.8%
Daido Life Sendai Bldg.	Trust	fee simple	100	1987	3,479	3,509	3,640	3,640	3.9%
Unix Bldg.	Trust	fee simple	100	1994	3,830	3,892	4,200	4,230	1.6%
Niigata Telecom Bldg.	Trust	fee simple	100	1989	3,879	3,903	4,270	4,330	12.0%
Hamamatsu City Bldg.	Trust	fee simple	100	1990	1,333	1,349	1,173	1,258	6.1%
Sun Mullion NBF Tower	Trust	fee simple	100	1996	10,620	10,781	9,560	10,060	2.3%
Sakai Higashi Center	Trust	fee simple	100	1991	2,187	2,206	2,423	2,461	10.2%
Otemae Center Bldg.	Trust	fee simple	100	1992	1,807	1,801	2,176	2,180	5.4%
KyomachiboriCenter Bldg.	Trust	fee simple	100	1987	868	765	663	660	8.6%
Shijo Karasuma Minami	Trust	fee simple	100	1991	1,567	1,590	1,614	1,708	17.0%
Hakata Gion 21 Bldg.	Trust	fee simple	100	1993	2,571	2,595	2,473	2,506	13.0%
Total	-	-	-	-	¥257,468	¥244,577	¥258,059	¥249,632	4.5%

- Note 1 All financial activities in the properties are accounted for in the appropriate financial statements of each property, even in case of trust beneficiary interests or in case where a trust contains more than one building.
- Note 2 Appraisal values as of December 31, 2002 and June 30, 2002 are based on the appraisal methods prescribed in the Articles of Incorporation and in the guidelines set forth by the Investment Trusts Association of Japan. The above values have been prepared by Tanizawa Real Estate Appraisal.
- Note 3 The figures for “probable maximum loss” of real estate (excluding the 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.
- Note 4 Most of the land underlying the Shiba NBF Tower (6,075.38 m² out of 6,475.44 m²) is owned by the Japanese Red Cross Society. It simultaneously entrusted the leasehold with respect to the leased land, along with its own building and land, to the Trustee. The leasehold was entrusted with the consent of the owner of said land.
- Note 5 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, 2002.

Current period (July 1, 2002-December 31, 2002)	Rentable Square Meters (Note 1)	Leased Square Meters at the End of Period (Note 1)	Occupancy Rates at the End of Period (Note 2)	Total Number of Tenants at the End of Period
Tokyo CBDs				
NKK Headquarters' Bldg.	65,280	65,280	100.0%	1
Shiba NBF Tower	24,560	17,855	72.7%	1
Shinjuku Mitsui Bldg. No.2	14,946	14,946	100.0%	29
GSK Bldg.	20,407	20,407	100.0%	1
Kowa Nishi Shinbashi Bldg. B	10,088	10,088	100.0%	2
Nippon Steel Building No.2	17,314	17,314	100.0%	1
Nihonbashi Muro-machi Center Bldg.	8,041	8,041	100.0%	7
Takanawa 1-chome Bldg.	10,473	10,473	100.0%	4
Mita City Bldg.	6,002	6,002	100.0%	1
Shinjuku Yocho-machi Bldg.	5,177	5,177	100.0%	4
Nishi-Shinjuku Mitsui Building	1,576	1,576	100.0%	1
Other Greater Tokyo				
Nakano-Sakaue Sunbright Twin	12,220	12,220	100.0%	1
Yokohama ST Bldg.	20,089	19,547	97.3%	75
Tsukuba Mitsui Bldg.	12,636	10,322	81.7%	59
Daido Life Omiya Bldg.	3,604	3,443	95.5%	8
Matsudo City Bldg.	4,771	4,067	85.3%	23
Inage Kaigan Bldg.	5,881	4,444	75.6%	12
Other Cities				
Sapporo Minami Nijo Bldg.	5,376	5,266	97.9%	7
Daido Life Sendai Bldg.	7,498	7,498	100.0%	7
Unix Bldg.	13,478	12,941	96.0%	57
Niigata Telecom Bldg.	10,226	9,793	95.8%	33
Hamamatsu City Bldg.	5,152	3,987	77.4%	22
Sun Mullion NBF Tower	14,210	12,741	89.7%	27
Sakai Higashi Center Bldg.	5,360	5,303	98.9%	15
Otemae Center Bldg.	5,532	5,532	100.0%	7
Kyomachibori Center Bldg.	3,112	2,874	92.4%	14
Shijo Karasuma Minami Bldg.	3,918	3,651	93.2%	15
Hakata Gion 21 Bldg.	5,417	5,417	100.0%	7
Total	322,344	306,205	95.0%	441

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

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

4. Selected Financial Data by Property

The following table sets forth selected information relating to office leasing for the period from July 1, 2002 to December 31, 2002.

Current period (July 1, 2002- December 31, 2002)	Revenues	Percent of total revenues (Note 1)	Operating Expenses	Net Operating Income (Note 3)	Capital Expendi- tures	Operating Days in the current period
	(Yen in millions)	(%)	(Yen in millions)	(Yen in millions)		
Tokyo CBDs						
NKK Headquarters' Bldg. (Note 5)	¥ 2,175	18.4%	¥ 720	¥ 1,758	¥ -	184
Shiba NBF Tower	1,958	16.5	914	1,335	13	184
Shinjuku Mitsui Bldg. No.2	739	6.2	389	463	32	184
GSK Bldg.	(Note2)	(Note2)	(Note2)	566	5	184
Kowa Nishi Shinbashi Bldg. B	(Note2)	(Note2)	(Note2)	402	0	184
Nippon Steel Building No.2	17	0.1	24	16	-	7
Nihonbashi Muro-machi Center Bldg.	484	4.1	176	343	25	184
Takanawa 1-chome Bldg.	356	3.0	211	193	13	184
Mita City Bldg.	(Note2)	(Note2)	(Note2)	180	-	184
Shinjuku Yocho-machi Bldg.	126	1.1	74	76	13	184
Nishi-Shinjuku Mitsui Building	35	0.3	16	29	-	93
Other Greater Tokyo						
Nakano-Sakaue Sunbright Twin	(Note2)	(Note2)	(Note2)	342	9	184
Yokohama ST Bldg.	778	6.6	457	466	23	184
Tsukuba Mitsui Bldg.	376	3.2	279	212	9	184
Daido Life Omiya Bldg.	138	1.2	63	97	9	184
Matsudo City Bldg.	137	1.2	72	95	1	184
Inage Kaigan Bldg.	145	1.2	100	68	2	184
Other Cities						
Sapporo Minami Nijo Bldg.	143	1.2	80	86	7	184
Daido Life Sendai Bldg.	249	2.1	134	148	4	184
Unix Bldg.	323	2.7	231	159	5	184
Niigata Telecom Bldg.	284	2.4	152	175	18	184
Hamamatsu City Bldg.	96	0.8	76	46	10	184
Sun Mullion NBF Tower	500	4.2	333	344	17	184
Sakai Higashi Center Bldg.	158	1.3	81	102	6	184
Otemae Center Bldg.	166	1.4	162	30	31	184
KyoumachiboriCenter Bldg.	50	0.4	34	23	109	184
Shijo Karasuma Minami Bldg.	114	1.0	68	73	4	184
Hakata Gion 21 Bldg.	162	1.4	130	59	3	184
Total	¥ 11,846	100.0%	¥ 6,031	¥ 7,887	¥ 368	

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. However, relevant figures are included in the total.

Note 3 Net Operating Income of an individual property is calculated through the following formula:
(Revenue from property leasing - Rental expenses) + Depreciation and Amortization

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

Note 5 NKK Corporation, who is the only tenant of NKK Headquarters' Bldg, is responsible for capital expenditures.

Breakdown of Operating Expenses

Current period (July 1, 2002 - December 31, 2002)	Operating Expenses	Real Estate Taxes	Utility Charges	Building Mainte- nance Costs	Office Manage- ment Fee etc.	Repairs and Main- tenance	Land and House Rent	Casualty Insurance & Trust Charges	Other Expenses	Depre- ciation
(Yen in millions)										
Tokyo CBDs										
NKK Headquarters' Bldg. (Note 2)	¥ 720	¥ 281	¥ -	¥ -	¥ 122	¥ -	¥ -	¥ 14	¥ 0	¥ 303
Shiba NBF Tower	914	83	62	120	105	135	104	8	6	292
Shinjuku Mitsui Bldg. No.2	389	73	50	72	38	25	-	11	8	113
GSK Bldg.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	142
Kowa Nishi Shinbashi Bldg. B	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	82
Nippon Steel Building No.2	24	-	-	-	1	-	-	0	-	23
Nihonbashi Muro-machi Center Bldg.	176	46	25	40	26	0	-	5	0	34
Takanawa 1-chome Bldg.	211	27	28	19	19	63	-	5	1	49
Mita City Bldg.	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	63
Shinjuku Yocho-machi Bldg.	74	12	12	12	6	4	-	1	1	24
Nishi-Shinjuku Mitsui Building	16	-	-	5	1	-	-	0	0	10
Other Greater Tokyo										
Nakano-Sakaue Sunbright Twin	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	(Note1)	124
Yokohama ST Bldg.	457	66	66	68	46	53	-	7	6	146
Tsukuba Mitsui Bldg.	279	25	63	44	18	7	-	5	2	115
Daido Life Omiya Bldg.	63	8	8	12	7	3	-	1	1	22
Matsudo City Bldg.	72	10	11	11	7	2	0	1	0	30
Inage Kaigan Bldg.	100	15	24	19	7	8	-	2	2	23
Other Cities										
Sapporo Minami Nijo Bldg.	80	14	13	13	7	6	0	1	2	23
Daido Life Sendai Bldg.	134	22	21	19	13	22	-	1	1	33
Unix Bldg.	231	45	42	47	15	9	-	2	3	67
Niigata Telecom Bldg.	152	25	27	29	15	9	-	3	2	43
Hamamatsu City Bldg.	76	10	11	16	5	5	-	1	2	26
Sun Mullion NBF Tower	333	0	46	52	27	20	-	5	6	178
Sakai Higashi Center Bldg.	81	10	13	14	8	8	-	1	1	25
Otemae Center Bldg.	162	14	19	19	9	74	-	1	1	25
KyomachiboriCenter Bldg.	34	6	7	6	2	3	-	1	3	6
Shijo Karasuma Minami Bldg.	68	8	8	12	6	3	-	1	2	27
Hakata Gion 21 Bldg.	130	17	17	17	8	40	-	2	2	27
Total	¥ 6,031	¥974	¥715	¥856	¥633	¥521	¥105	¥99	¥56	¥2,072

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. However, relevant figures are included in the total.

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, 2002 are listed in the table set forth below.

	Name of Tenants	Name of Building	Leased square meters	Expiration Date (Note 1)	Percent of total rentable area
1	NKK Corporation	NKK Headquarters' Bldg.	65,280	March 31, 2011 (Note 2)	20.3%
2	GlaxoSmithKline. KK.	GSK Bldg.	20,407	September 30, 2010 (Note 3)	6.3%
3	Fuji Xerox Co., Ltd.	Shinjuku Mitsui Bldg. No.2 /Nakano-Sakaue Sunbright Twin /Tsukuba Mitsui Bldg. /Hamamatsu City Bldg.	17,905	June 30, 2003	5.6%
4	Matsushita Investment and Development Incorporation	Shiba NBF Tower	17,855	September 30, 2004 (Note 4)	5.5%
5	Nippon Steel City Produce, Inc.	Nippon Steel Bldg. No2	17,314	November 30, 2003 (Note 5)	5.4%
6	NTT Communications Corporation	Kowa Nishi Shinbashi Bldg. B	8,493	March 31, 2003 (Note 6)	2.6%
7	Canon Sales Co., Ltd.	Mita City Bldg./Tsukuba Mitsui Bldg. /Unix Bldg.	6,682	June 30, 2003 (Note 7)	2.1%
8	Sumitomo Life Insurance Company	Yokohama ST Bldg. and other 6 buildings	6,050	March 31, 2003	1.9%
9	Toden Kogyo Co., Ltd.	Takanawa 1-chome Bldg.	5,411	July 31, 2004	1.7%
10	Dai Nippon Printing Co., Ltd.	Shinjuku Yocho-machi Bldg.	3,966	May 31, 2004	1.2%

Note 1 The expiration date in cases where the tenant has several lease contracts with respect to 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 abovestated “*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 abovestated “*teiki tatemono chintaishaku*” type of contract. Glaxo Smith Kline

- K.K. may exercise its priority right to offer to purchase and negotiate during the applicable period (being the two-month period commencing October 1 and ending November 30, during each year of the period commencing October 1, 2002 and ending September 30, 2007). In the event that the lessee offers to purchase the GSK Building, it has the priority right to negotiate with NBF. Terms and conditions such as the price determination method etc. are separately set forth, but NBF is under no obligation to sell the building.
- Note 4 Matsushita Investment and Development Incorporation is considering vacation of its entire space within the Shiba NBF Tower around August 2003 in line with the decision of the Matsushita (Panasonic) Group (including Matsushita Electric Industrial Co., Ltd. etc.) to concentrate operations in the redeveloped Higashi Shinagawa Seaside Forest building. NBF is currently conducting negotiations toward an agreement to cancel the lease contract as of the date of Matsushita Investment and Development Incorporation's departure.
- Note 5 The indicated expiration date of December 31, 2002 for the lease contract with Nippon Steel City Produce, Inc. affects 94 m² of office space. As for other office space in the amount of 15,215 m² and residential space in the amount of 2,005.20 m², the expiration date was scheduled to be November 30, 2009. As of February 28, 2003 the abovesaid lease contract with Nippon Steel City Produce, Inc. was terminated and as for the office space of 15,333.29 m², a new lease contract with limited right of termination (“*teiki tatemono chintaishaku*”) has been concluded with Nippon Steel Corporation for the term commencing March 1, 2003 and ending November 30, 2009, and as for the residential space in the amount of 2,005.200 m², a new lease contract has been executed with Mitsui Fudosan Housing Lease Co., Ltd. with the expiration date being February 28, 2009. Nippon Steel Corporation and Mitsui Fudosan Housing Lease Co., Ltd. respectively sub-lease the entire leased area to sub-lessees. The leased square meter figure given for the Nippon Steel Building No. 2 indicates the total area consisting of the East Building, Maison New River and the West Building.
- Note 6 The lease contract with NTT Communications Corporation was renewed prior to its expiration date of December 31, 2002, which fact was disclosed in NBF's 2nd Period Report, for a term of 2 years with an expiration date of March 31, 2003.
- Note 7 It is expected that the lease contract concerning Canon Sales Co., Ltd.'s space in the Mita City Building will terminate on June 30, 2003. Negotiations with Canon Sales Co., Ltd. are currently under way concerning the agreed cancellation of that contract.
- Note 8 On September 25, 2002, T & D Financial Life Insurance Company, which was a tenant within the Shiba NBF Tower for the office space of 6,551 m² at the beginning of the 3rd period, terminated the lease contract.
- Note 9 On February 3, 2003 NBF acquired a condominium interest in land and buildings comprising the Naka-Meguro GT Tower which is not listed above. Since that date, 13,569.15 m² of office space has been leased to Mitsui Fudosan Co., Ltd. As of March 31, 2003, Mitsui Fudosan was sub-leasing the entire area.
- Note 10 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, 2002 and June 30, 2002.

Capital Expenditures

1. Planning

NBF is planning the following capital expenditures for the renovation of the properties. The amounts below include repairs and maintenance costs that will be expensed as incurred. Moreover, in addition to a steady program of expenditures for construction, repair and renovation of facilities, a program of renewal construction is being implemented in order to increase competitive power in the market as well as to increase the level of tenant satisfaction based on the results of tenant satisfaction surveys and neighboring competitive building specification surveys etc.

Property (Location)	Objective	Estimated Duration	Estimated Amounts		
			Total Amounts	Payment for the Current Period (from July 1, 2002 to December 31, 2002)	Cumulative Amount Paid
(Yen in millions)					
Shiba NBF Tower	Renovation work of lower floors	From September 2002 To January 2003	¥ 663	¥ 24	¥ 24
	Renovation work of upper floors	From August 2003 To December 2003	1,511	-	-
Mita City Bldg.	Leasehold improvements	From May 2003 To June 2003	100	-	-
Tsukuba Mitsui Bldg.	Renewal of central surveillance board	From August 2003 To December 2003	101	-	-
	Renewal of automated security system	From August 2003 To December 2003	200	-	-

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. We posted ¥ 369 million in capital expenditures together with ¥ 521 million for repairs and maintenance expenses.

Name of Property	Objective	Period	Expenditure (Yen in millions)
Almost all of properties	Renovations intended to improve the level of tenant satisfaction	From July 2002 To December 2002	¥ 252
Other installations and renovations (Parking, signboards, etc.)	n.a.	n.a.	117
Total			¥ 369

3. Cash Reserve for Capital Improvements

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

	As of December 31, 2002	As of June 30, 2002
	(Yen in millions)	
Reserve balance at the beginning of the period.	¥ 1,409	¥ 877
Amount accumulated in current period	934	1,129
Withdrawal from reserves in the current period	359	597
Amount carried forward	¥ 1,984	¥ 1,409

Note 1 Upon the acquisitions of the Real Estate etc., NBF also assumed accumulated reserves of ¥ 716 million as of December 31, 2002 for capital expenditures from previous owners, which were not included in the above amount accumulated.

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

Expenses regarding Entrustment etc.

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

Item	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001(date of inception) to December 31, 2001
	(Yen in millions)		
Asset management fees.	¥ 497	¥ 477	¥ 542
Asset custody fees.	12	11	12
Agent fees (stock transfer, accounting, and administrative)	38	39	50
Director's remuneration.	11	11	12
Auditor's fees.	12	9	10
Other expenses.	55	82	32
Total.	¥ 625	¥ 629	¥ 658

Note In addition to the amounts stated above, there are asset management fees of ¥ 63 million for the period from July 1, 2002 to December 31, 2002, ¥ 96 million for the period from January 1, 2002 to June 30, 2002 and ¥ 103 million for the period from March 16, 2001 (date of inception) to December 31, 2001 related to investment in properties, which were booked on each property.

Trading Activities during the period from July 1, 2002 to December 31,2002

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

(Yen in millions)

Name of Building	Acquired		Transferred			Capital Gain/ Loss
	Date	Acquisition Price	Date	Transfer Price	Book Value	
Nishi Shinjuku Mitsui Bldg.	September 30, 2002	¥ 1,603	-	-	-	-
Nippon Steel Bldg No.2	December 25, 2002	12,614	-	-	-	-
Total		¥14,217	-	-	-	-

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

Note 2 All buildings acquired during the period from July 1, 2002 to December 31,2002 are real estate.

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 for the period from July 1, 2002 to December 31,2002

Category	Total Fees Paid (A) (Yen in millions)	Description of Transactions with Related Party (Note 1)		B/A
		Paid to	Amount of Payment (B) (Yen in millions)	
Brokerage commissions	¥ 218	Mitsui Fudosan Co., Ltd.	¥ 48	22.1%
Office management fees etc.	648	Mitsui Fudosan Co., Ltd.	647	99.8%
		NBF Office Management	1	0.2%
Property transfer fees	5	Mitsui Fudosan Co., Ltd.	5	100.0%
Property maintenance fees	856	Daiichi Seibi Co., Ltd.	134	15.7%
		Mitsui Fudosan Co., Ltd.	82	9.6%
		MF Building Management Co., Ltd	11	1.3%
		NBF Office Management	1	0.1%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.1%
Leasing related service fees	17	NBF Office Management	4	24.2%
		Mitsui Fudosan Co., Ltd.	1	6.8%
		Mitsui Real Estate Sales Co., Ltd.	1	4.9%

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

	(Yen in millions)
Mitsui Fudosan Co., Ltd.	¥ 83
Daiichi Seibi Co., Ltd	38
MF Building Management Co., Ltd.	17
Mitsui Designtech Co., Ltd.	3
Mitsui Fudosan Housing Lease Co., Ltd.	0.07

Financial Statements

Report of Independent Public Accountants
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Statements of Shareholders' Equity
Statements of Cash Flows
Notes to Financial Statements

Report of Independent Public Accountants

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

We have audited the accompanying balance sheets of Nippon Building Fund Inc. (a Japanese Real Estate Investment Trust) as of December 31, 2002 and June 30, 2002, and the related statements of income, shareholders' equity and cash flows for the six months ended December 31, 2002 and June 30, 2002 and for the period from March 16, 2001 (date of inception) to December 31, 2001, expressed in Japanese yen. Our audits were 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 Nippon Building Fund Inc. as of December 31, 2002 and June 30, 2002, and the results of its operations and its cash flows for the six months ended December 31, 2002 and June 30, 2002 and for the period from March 16, 2001 (date of inception) to December 31, 2001, in conformity with accounting principles generally accepted in Japan (Note 1) applied on a consistent basis.

Asahi & Co.

Tokyo, Japan
March 20, 2003

NIPPON BUILDING FUND INC. BALANCE SHEETS

As of December 31, 2002 and June 30, 2002

	As of December 31, 2002	As of June 30, 2002
(Yen in millions)		
Assets		
Current Assets:		
Cash and cash equivalents	¥ 31,854	¥ 32,883
Tenant receivables	105	183
Consumption tax refund receivables and other assets	205	303
Total current assets	32,164	33,369
Investment properties:		
Land including trust accounts	159,446	152,178
Building and improvements including trust accounts	86,051	78,520
Other tangible assets	1,292	1,101
Less: accumulated depreciation	(6,176)	(4,108)
Leasehold rights in trust accounts and other intangible assets	16,815	16,818
Total investment properties-net	257,428	244,509
Other assets	1,133	1,098
Total Assets	¥ 290,725	¥ 278,976
Liabilities		
Current Liabilities:		
Short-term loans	¥ 38,450	¥ 33,450
Accounts payable	1,722	1,388
Rents received in advance	1,747	1,669
Accrued expenses and other liabilities	468	403
Total current liabilities	42,387	36,910
Long-term debt	72,000	67,000
Tenant security deposits	22,852	21,654
Other liabilities	25	21
Total Liabilities	137,264	125,585
Shareholders' Equity		
Common shares, non-par value	148,899	148,899
Shares Authorized: 2,000,000 shares		
Shares Issued and Outstanding: 280,700 shares		
Retained Earnings	4,562	4,492
Total Shareholders' Equity	153,461	153,391
Total Liabilities and Shareholders' Equity	¥ 290,725	¥ 278,976

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

NIPPON BUILDING FUND INC. STATEMENTS OF INCOME

For the six months ended December 31, 2002 and June 30, 2002 and for the period from March 16, 2001 (date of inception) to December 31, 2001

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001 (date of inception) to December 31, 2001
(Yen in millions)			
Revenues:			
Rental	¥ 10,366	¥ 10,427	¥ 11,555
Others	1,480	832	1,006
Total Revenues	11,846	11,259	12,561
Operating Expenses:			
Property management fees	1,542	1,545	1,780
Real estate taxes	974	977	486
Insurance	47	52	52
Repairs and maintenance	521	315	369
Other rental expenses	875	787	880
Depreciation and amortization	2,072	1,947	2,170
Asset management fees	496	477	542
Other expenses	129	152	116
Total Operating Expenses	6,656	6,252	6,395
Interest income	1	3	2
Other income	1	10	
Interest expense	(585)	(521)	(570)
Initial public offering costs			(187)
Issuance costs of common shares			(58)
Amortization of deferred bond issue costs	(6)	(6)	(11)
Other expenses	(38)		
Income Before Income Taxes	4,563	4,493	5,342
Current and deferred income taxes	(1)	(1)	(1)
Net Income	¥ 4,562	¥ 4,492	¥ 5,341

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

NIPPON BUILDING FUND INC. STATEMENTS OF SHAREHOLDERS' EQUITY

For the six months ended December 31, 2002 and June 30, 2002 and for the period from March 16, 2001 (date of inception) 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 on May 23, 2001	197,600	98,800		98,800
Issuance of common shares under initial public offering on 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
Cash Dividends declared			(5,341)	(5,341)
Net income			4,492	4,492
Balance as of June 30, 2002	280,700	148,899	4,492	153,391
Cash Dividends declared			(4,492)	(4,492)
Net income			4,562	4,562
Balance as of December 31, 2002	280,700	¥148,899	¥4,562	¥153,461

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

NIPPON BUILDING FUND INC. STATEMENTS OF CASH FLOWS

For the six months ended December 31, 2002 and June 30, 2002 and for the period from March 16, 2001 (date of inception) to December 31, 2001

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001 (date of inception) to December 31, 2001
(Yen in millions)			
Cash Flows from Operating Activities:			
Income before income taxes	¥ 4,563	¥ 4,493	¥ 5,342
Depreciation and amortization	2,072	1,947	2,170
Amortization of deferred bond issue costs	6	6	11
Interest expense	585	521	570
Tenant receivables	78	(74)	(109)
Accounts payable	334	257	1,131
Rents received in advance	79	146	1,523
Cash payments of interest expense	(557)	(496)	(317)
Other-net	137	2,667	(2,914)
Net Cash Provided by Operating Activities	7,297	9,467	7,407
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(14,991)	(20,806)	(227,820)
Proceeds from tenant security deposits	2,979	1,501	21,286
Payments for tenant security deposits	(1,781)	(512)	(620)
Refunds from security deposits paid to lessors	6	14	12
Payments for security deposits paid to lessors	(9)	(1)	(363)
Payments for purchases of other assets	(42)	(675)	
Net Cash Used in Investing Activities	(13,838)	(20,479)	(207,505)
Cash Flows by Financing Activities:			
Proceeds from short-term loans	117,100	96,750	201,000
Repayment of short-term loans	(112,100)	(84,200)	(180,100)
Proceeds from long-term debts	5,000	9,000	58,000
Payments for deferred bond issue costs			(34)
Proceeds from issuance of common shares			148,899
Payment of dividends	(4,488)	(5,322)	
Net Cash Provided by Financing Activities	5,512	16,228	227,765
Net Change in Cash and Cash Equivalents	(1,029)	5,216	27,667
Cash and cash equivalents at beginning of period	32,883	27,667	
Cash and Cash Equivalents at end of period	¥ 31,854	¥ 32,883	¥ 27,667

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

NOTES TO FINANCIAL STATEMENTS

Nippon Building Fund Inc.

December 31, 2002 and June 30, 2002

Note 1 – Organization and Basis of Presentation

Organization

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

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

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

As of December, 31 2002, NBF had ownerships or beneficiary interests in 28 office properties containing approximately 322,344 rentable square meters of office space. As of December 31, 2002, NBF had leased office space to 441 tenants engaged in a variety of businesses. The occupancy rate for the Office Properties was approximately 95.0%.

Basis of Presentation

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

In preparing the accompanying financial statements, certain reclassifications and modifications have been made in the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The statements of shareholders' equity and cash flows have been prepared for the purpose of inclusion in the accompanying financial statements, although such statements were not required for domestic purposes and were not filed with regulatory authorities.

Note 2 – Summary of Significant Accounting Policies

Cash and Cash Equivalents

NBF considers all highly liquid investments with original maturity of three months or less to be cash and cash equivalents.

Investment Properties

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

Deferred Bond Issue Costs

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

Income Taxes

Income taxes are accounted for on the basis of income for financial statement purposes. The tax effect of temporary differences between the amounts of assets and liabilities for financial statements and for income tax purposes is recognized as deferred income taxes.

Real Estate Taxes

Real estate taxes are imposed on properties on a calendar year basis. NBF is allocated the portion of the real estate taxes related to the period following the purchase date of each property through the end of the year and the equivalent amounts of those allocated portions are capitalized as part of the acquisition costs of the relative properties. Capitalized real estate taxes amounted to ¥13 million for the period ended December 31, 2002 and ¥182 million for the period ended June 30, 2002, respectively.

Revenue Recognition

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

Accounting Treatment of Beneficiary Interests in Trust Assets including Real Estate

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

Note 3 – Schedule of Other Tangible Assets

Other tangible assets as of December 31, 2002 and June 30, 2002 consisted of the following:

	As of December 31, 2002			As of June 30, 2002		
	(Yen in millions)					
	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value
Structures	¥ 91	¥ (1)	¥ 90	¥ 0	¥ (0)	¥ 0
Machinery and equipment	26	(0)	26	-	-	-
Tools furniture and fixtures	4	(0)	4	2	(0)	2
Structures in trust	379	(72)	307	371	(49)	322
Machinery and equipment in trust	538	(92)	446	531	(60)	471
Tools, furniture and fixtures in trust	230	(72)	158	197	(47)	150
Construction in process	24	-	24	-	-	-
Total	¥1,292	¥ (237)	¥ 1,055	¥ 1,101	¥ (156)	¥ 945

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.

Effective April 1, 2002, NBF adopted the new accounting standard for treasury stock and reduction of statutory reserves (Accounting Standards Board Statement No. 1, "Accounting Standard for Treasury Stock and Reduction of Statutory Reserves", issued by the Accounting Standards Board of Japan on February 21, 2002). Adoption of such accounting standard, however, had no effect on statement of income for the period ended December 31, 2002.

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

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rate and at December 31, 2002 and June 30, 2002 mainly ranging from 0.47% to 0.53% and from 0.46% to 0.54%, respectively. Long-term debts are fixed rate and as of December 31, 2002 and June 30, 2002 consisted of the following:

	(Yen in millions)	
	As of December 31, 2002	As of June 30, 2002
Unsecured loans due 2005 to 2012 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.2%	¥ 64,000	¥ 59,000
0.68% unsecured bonds due 2004	8,000	8,000
	¥ 72,000	¥ 67,000

The annual maturities of long-term debt as of December 31, 2002 were as follows:

(Yen in millions)	
2002	-
2003	-
2004	¥ 8,000
2005	5,000
2006	11,000
Thereafter	48,000

During the period ended December 31, 2002, NBF obtained committed credit lines of ¥30 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion at December 31, 2002.

Note 6 –Rental Revenues and Expenses

Rental revenues and expenses for the period ended December 31, 2002, June 30, 2002 and December 31, 2001 were as follows:

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001 (date of inception) to December 31, 2001
(Yen in millions)			
Revenues from Property Leasing :			
Rental:			
Rental revenues	¥ 8,925	¥ 8,971	¥ 9,922
Common area charges.	1,404	1,422	1,590
Others	37	34	43
Subtotal	10,366	10,427	11,555
Others:			
Parking lots	255	248	307
Facility charge	59	54	50
Incidental income	563	488	624
Cancellation fees	585	13	5
Miscellaneous income	18	29	20
Subtotal	1,480	832	1,006
Total revenues from property leasing	11,846	11,259	12,561
Rental Expenses:			
Property management fee	1,542	1,545	1,780
Real estate taxes	974	977	486
Repairs and maintenance	521	315	369
Insurance	47	52	52
Other rental expenses	875	787	880
Depreciation and amortization	2,072	1,947	2,170
Total rental expenses	6,031	5,623	5,737
Operating Income from Property Leasing Activities	¥ 5,815	¥ 5,636	¥ 6,824

Note 7 –Income Taxes

NBF is subject to income taxes in Japan. The effective tax rate on NBF's income based on applicable Japanese tax law was 0.02% for the period ended December 31, 2002 and approximately 0.02% for the period ended June 30, 2002 and approximately 0.03% for the period ended December 31, 2001. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes for the period from July 1, 2002 to December 31, 2002 and the period from January 1, 2002 to June 30, 2002 and for the period from March 16, 2001 (date of inception) to December 31, 2001.

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001(date of inception) to December 31, 2001
Statutory effective tax rate	39.39 %	39.39 %	39.39 %
Deductible dividends paid	(39.37)	(39.37)	(39.38)
Others	0.00	0.00	0.02
Effective tax rate	<u>0.02 %</u>	<u>0.02 %</u>	<u>0.03 %</u>

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

Note 8– Per Share Information

Information about earnings per share for the period ended December 31 2002, June 30, 2002 and the period from March 16, 2001 (date of inception) to December 31, 2001 and net assets per share as of December 31 and June 30, 2002 was as follows.

The computation of earnings per share and net assets per share is based on the weighted average number of common shares outstanding during the period. The figure for the period from March 16, 2001 to December 31, 2001 is weighted average number of common shares outstanding on a daily basis from May 23, 2001 (date of commencement of asset management) to December 31, 2001.

	For the period from July 1, 2002 to December 31, 2002	For the period from January 1, 2002 to June 30, 2002	For the period from March 16, 2001 (date fo inception) to December 31, 2001
	(Yen)		
Earnings per Share of Common Shares:			
Net income:	¥ 16,253	¥ 16,003	¥ 22,271
Weighted average number of common shares outstanding:	280,700	280,700	239,807
	As of December 31, 2002	As of June 30, 2002	
Net Assets Per Share	<u>¥ 546,710</u>	<u>¥ 546,460</u>	

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

Note 9–Leases

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

	<u>As of December 31, 2002</u>	<u>As of June 30, 2002</u>
	(Yen in millions)	
Due within one year.....	¥ 4,948	¥ 4,630
Due after one year.....	14,225	16,414
Total.....	<u>¥ 19,173</u>	<u>¥ 21,044</u>

Note 10– Significant Subsequent Events
Cash distribution

As of February 12, 2003, the Board of Directors of NBF resolved to effect payment of a cash distribution of ¥16,253 per share aggregating ¥ 4,562 million to shareholders of record on December 31, 2002.

Issuance of unsecured bonds

At the board meeting held on January 29, 2003, it was resolved that NBF issue unsecured bonds in the amount of ¥10,000 million with coupon of 0.75% due 2007. Receipt of the proceeds of such issue was completed on February 10, 2003. NBF intends to use such proceeds to repay the short-term borrowings.

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. etc. as Existing Tenant Intermediary Agent, and for other than existing tenants, by Mitsui Fudosan Co., Ltd. etc. as New Tenant Intermediary Agent.

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

Organization of NBF

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

As of December 31, 2002, 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, 2002, members of the Board of Directors of NBF were as set forth in the table below, each of which was reelected at the 3rd general meeting of NBF held on March 14, 2003 for 2 years terms commencing March 17, 2003.

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

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

General Meeting of Shareholders

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

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

NBF has entered into an Asset Management Entrustment Agreement with NBFM, an asset management company, and entrusted business such as managing the assets of NBF (herein "Managed Assets") to 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 court (Articles 99.1 & 104 of the Investment Trust Law of Japan, Article 257 of the Commercial Code of Japan).

Appointment of Third Parties

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

agreements pertaining to asset management and asset custody, and any payment of fees, charges or other expenses pertaining to asset management and asset custody.

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

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

NBFM, as Asset Management Company provided for in the Investment Trust Law of Japan, performs management of NBF's assets and undertakes management of the institutions of NBF. As of December 31 2002, NBFM has been entrusted as an asset management company only by NBF.

As of the same date, NBFM has paid-in capital of ¥ 495 million. There is no capital relationship with NBF. Koichi Nishiyama, President & CEO of NBFM, is concurrently an executive director of NBF.

Operation

- Undertakes asset management of NBF pursuant to an Asset Management Entrustment Agreement ((1) in 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% (2.5% effective from July 1, 2003) of the amount of the revenue arising from Real Estate etc. as calculated on each closing date (provided, however, that revenues from the sale of Real Estate etc. and other Managed Assets will be excluded) will be payable.

Management Fees 2

The amount equivalent to 3% of income before income tax (provided, however, that in the event a loss is carried forward, then the amount of income before income taxes remaining after said loss has been covered) prior to deduction of Management Fees 2 as calculated on each closing date will be payable.

Management Fees 3

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

directors of NBF, compensation will be calculated within the scope decided up to the following maximum rates.

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

History of NBFM

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

September 19, 2000	Established
November 17, 2000	Obtained license as a building lots and building transactions agent under the Building Lots and Building Transactions Law
January 29, 2001	Obtained approval as a discretionary transaction agent under the Building Lots and Building Transactions Law
February 15, 2001	Registered as a general real estate investment advisor under the Real Estate Investment Advisor Registration Regulations
March 7, 2001	Obtained approval as an Asset Management Company under the Investment Trust Law of Japan
March 22, 2001	Increased capital from ¥100 million to ¥198 million
May 23, 2001	Changed name (from "MF Asset Management Co., Ltd." to "Office Building Fund Management Japan Limited")
June 16, 2001	Increased capital from ¥198 million to ¥495 million
March, 2003	Changed name (from "Office Building Fund Management Japan Limited" to "Nippon Building Fund Management Ltd.")

List of Shareholders (as of December 31 2002)

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

Directors and Staff

As of December 31,2002 the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors 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
Tamotsu Shinyama	Director
Mutsumi Hiroshima	Corporate Auditor
Masahiko Suemitsu	Corporate Auditor

Outline of Financial Condition

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

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

<u>Current as of March 31, 2002</u>	<u>Yen in thousands</u>
Total Assets	1,257,655
Total Liabilities	447,948
Shareholders' Equity	809,707

Profit & Loss for the Most Recent Fiscal Year

First Fiscal Year	
From: April 1, 2001	
To: March 31, 2002	
	<u>Yen in thousands</u>
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, 2002 the Bank had paid-in capital of ¥335 billion. As of December 31, 2002, 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) Akira Sugai of Heiseikaikeisha Accounting Office (General Agent Concerning Accounting Business Etc.)

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

Mitsui Fudosan Co., Ltd. performs comprehensive real estate business, such as real estate development, leasing, sales of housing, office building and land, brokerage and so forth. As of September 30, 2002, Mitsui Fudosan had paid-in capital of ¥134 billion. As of December 31, 2002, Mitsui Fudosan 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 to avoid thereafter hindering the entrustment of management of real estate and having received a request from NBF, undertakes supervision of the repairs of existing defects etc. and delivery of notifications etc. which must occur prior to the delivery of real estate, in advance of commencing the management of real estate.

- excluding a portion of such business, entrusts all Property Transfer Agency Business (herein "Subcontracted Property Transfer Agency Business") to NBF Office Management Co., Ltd. ((9) in 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% (2.5% effective from July 1,2003) of revenue arising from each item of Real Estate etc. as calculated on each closing date (provided, however, that revenues from the sale of Real Estate etc. and other Managed Assets will be excluded);
- 3% of net operating income before deduction of Entrustment Business Fees and amount of depreciation (hereinafter "Adjusted NOI"); provided, however, that income from the sale of Real Estate etc. and other Managed Assets is excluded herefrom; and further provided that notwithstanding the foregoing, if Adjusted NOI becomes zero or negative, no fees based on Adjusted NOI will be payable.

Construction Supervision Fees

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

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

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

Transfer Supervision Fees

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

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

NBFOM engages solely in businesses concerning office management of NBF and is a 100% owned subsidiary of Mitsui Fudosan Co., Ltd. as of December 31, 2002. As of December 31, 2002, NBFOM had paid-in capital of ¥10,000,000. There is neither a capital relationship nor any concurrent directorships with NBF.

Operation

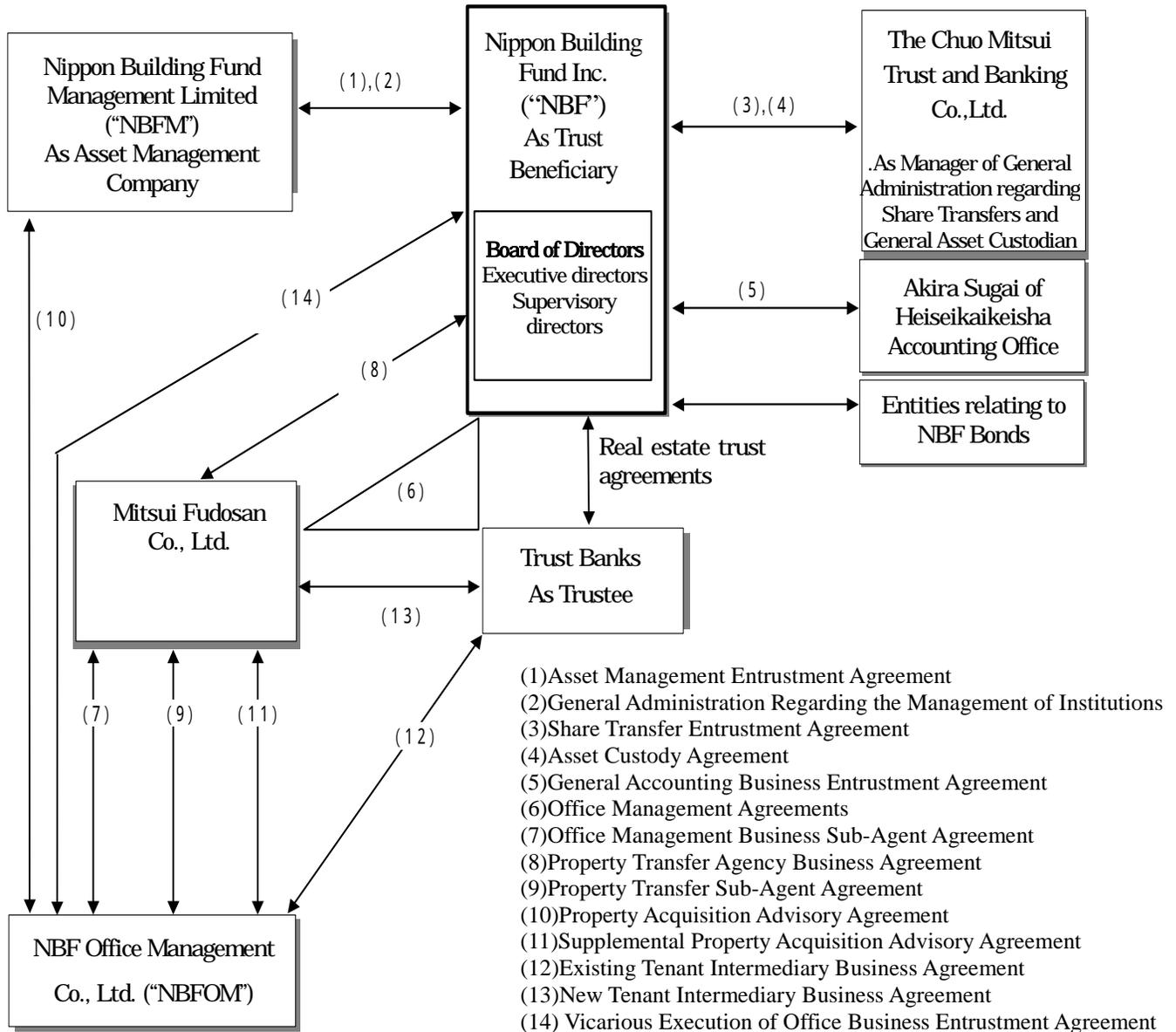
- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to an Office Management Business Sub-Agent Agreement ((7) in below diagram), performs Subcontracted Office Management Business (as defined below)

- based on a Vicarious Execution of Office Business Entrustment Agreement ((14) in below diagram) concluded with respect to office property(ies) for which certain Office Management Business activities have not been entrusted to third parties, performs said Office Business Management activities in lieu of the owners and lessors of said buildings.

- upon an entrustment from Mitsui Fudosan Co., Ltd. and pursuant to a Property Transfer Sub-Agent Agreement ((9) in 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.

Diagram of Related Operating Entities



Note:

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

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

Appendix

Investment 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 those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (4) Preferred Investment Certificates of Special Purpose Companies (meaning those specified in Article 2.1.5.3 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (5) Special Purpose Beneficiary Certificates (meaning those specified in Article 2.1.7.4 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (6) Beneficiary Certificates of investment trusts (meaning those specified in Article 2.1.7 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (7) Investment Securities (meaning those specified in Article 2.1.7.2 of the Securities and Exchange Law of Japan; provided, however, that this is limited to those the assets of which are primarily invested and Managed Assets principally referred to in paragraphs (1) and (2) above).
- (8) Beneficiary Certificates of Money Trust (limited to those the trust assets of which are primarily invested and Managed Assets referred to in paragraph (1) above).

B. Other Investment Objects among Designated Assets

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

- (1) Bank deposits.
- (2) Call loans.
- (3) Japanese Government Bonds, Notes and Bills
- (4) Regional Treasury Bonds, Notes and Bills
- (5) Commercial Paper
- (6) Designated Bonds of Special Purpose Companies (meaning those specified in Article 2.3.1.2 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. Moreover, NBF may invest in equity interests of voluntary partnerships as defined by Article 667 of the Civil Code of Japan associated with investment in real estate, lease rights or superficies (but limited to investment in partnerships established with contributions of real estate, lease rights or superficies and having the objective of leasing, operating and managing etc. the same).

D. Investment in Ordinary Securities

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

Investment Restrictions

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

Investment Location and Currencies

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

Subscription and Margin Trading of Securities

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

Borrowing

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

Concentration of investment

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

Investment in Other Funds

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

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

Investment in Assets Lacking Liquidity

There is no limitation on investment in assets lacking liquidity.

Compliance with Laws and Regulations

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

- B. Compliance with the Investment Trust Law of Japan

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

Nippon Building Fund Inc.

Corporate Data

Corporate Office:

7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan
+81-3-3281-8810
www.nbf-m.com/nbf/

Date of Inception:

March 16, 2001

Capital:

Contributed capital and common shares issued and outstanding as of December 31, 2002:
¥148,899 million
280,700 shares

Shareholders:

13,106 (As of December 31, 2002)

Transfer Agent

The Chuo Mitsui Trust and Banking Co., Ltd.
33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan

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Nippon Building Fund Inc.