



NBF



8th Period

From : January 1, 2005 To : June 30, 2005

NBF Report Jan.– Jun. 2005

Nippon Building Fund Inc.

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

http://www.nbf-m.com/nbf_e/

Profile

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 with 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

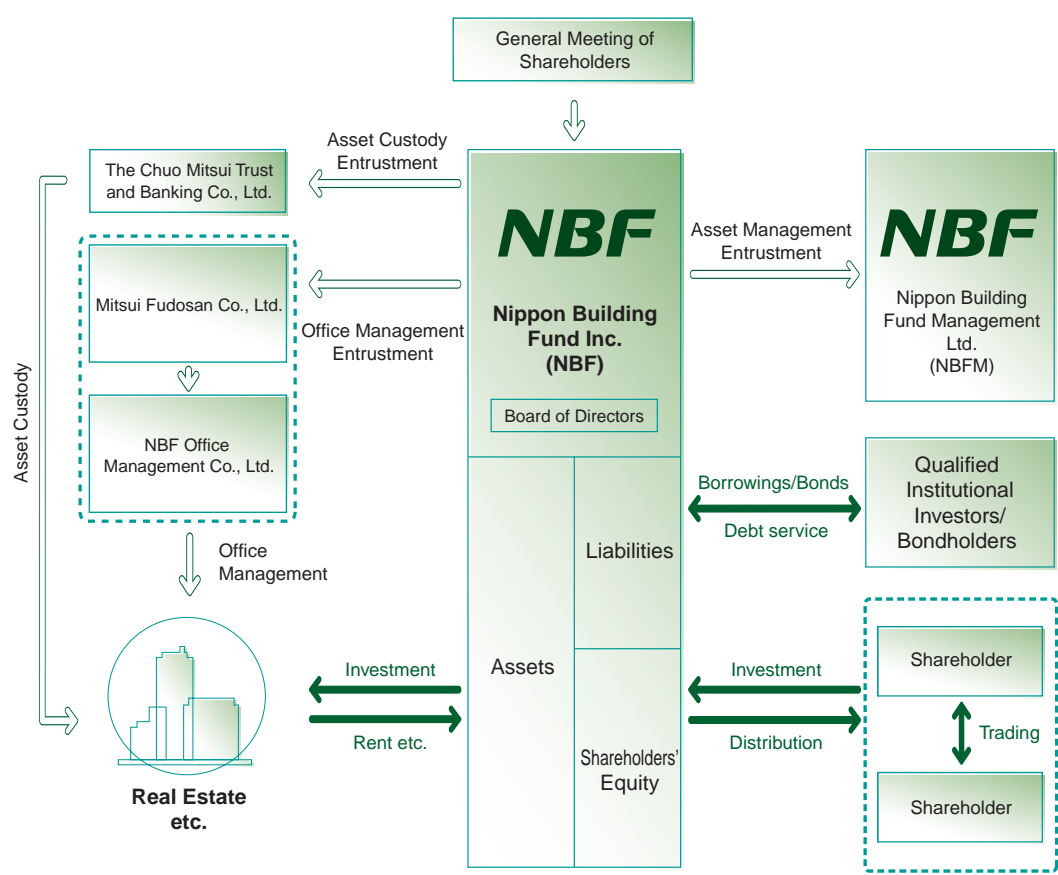
March 16, 2001	Established by founders: Mitsui Fudosan Co., Ltd., The Chuo Mitsui Trust and Banking Co., Ltd., and NBFM (at the time known as "MF Asset Management Co., Ltd.")
May 10, 2001	Registration under Article 187 of the Investment Trust Law of Japan
May 23, 2001	Commencement of business (acquiring 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.



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Business Structure



Major Related Operating Entities

Assignment	Name
Asset Management Company	Nippon Building Fund Management Ltd. ("NBFM")
Asset Custodian	The Chuo Mitsui Trust and Banking Co., Ltd.
Office Management Company	Mitsui Fudosan Co., Ltd.
	NBF Office Management Co., Ltd.

Financial Highlights

		8th Period from January 1, 2005 to June 30, 2005	7th Period from July 1, 2004 to December 31, 2004	6th Period from January 1, 2004 to June 30, 2004	5th Period from July 1, 2003 to December 31, 2003	4th Period from January 1, 2003 to June 30, 2003
(Yen in million, except per share data or where otherwise indicated)						
Operating revenues		¥ 16,731	¥ 16,116	¥ 12,554	¥ 12,453	¥ 12,239
Income before income taxes		6,162	6,307	4,263	4,094	4,314
Net income	(a)	6,161	6,306	4,262	4,093	4,313
Total assets	(b)	449,556	430,378	366,200	314,362	307,688
Total shareholders' equity ("Net assets")	(c)	216,840	216,985	153,161	152,992	153,212
Total amount of cash distribution	(e)	6,161	6,306	4,262	4,093	4,313
Total number of common shares issued (shares)	(d)	364,700	364,700	280,700	280,700	280,700
Net assets per share (Yen)	(c) / (d)	594,571	594,968	545,641	545,038	545,823
Distribution per share (Yen)	(e) / (d)	16,893	17,291	15,185	14,582	15,367
NOI from property leasing activities	Note 2	11,457	10,238	8,311	7,964	8,057
FFO per share (Yen)	Note 2	25,887	23,060	24,203	23,141	23,794

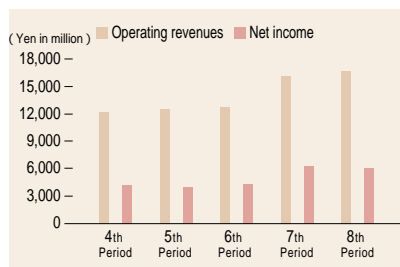
Note 1: Operating revenues do not include consumption taxes.

Note 2: All valuations are calculated through the following formulas. The figures in parenthesis are annualized based on the 6 month figures for the period.

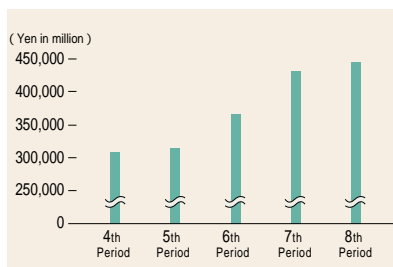
NOI (Net Operating Income) from property leasing activities: (Revenue from property leasing - Rental expenses) + Depreciation and amortization

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

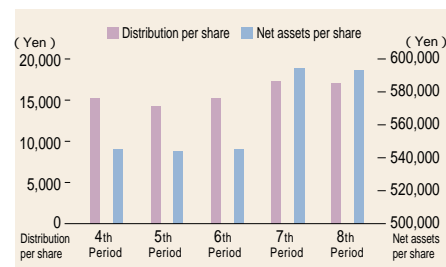
Operating revenues Net income



Total assets



Distribution per share Net assets per share

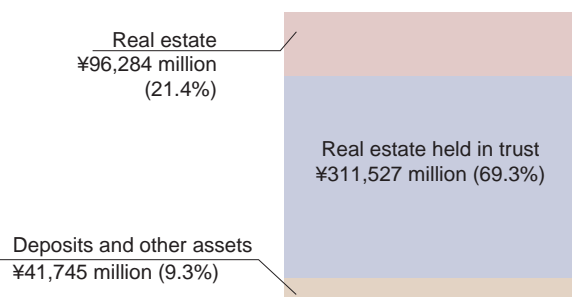


Stock Price Performance



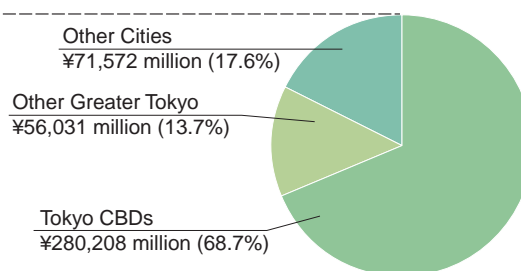
Asset Allocation

Total Assets ¥449,556 million



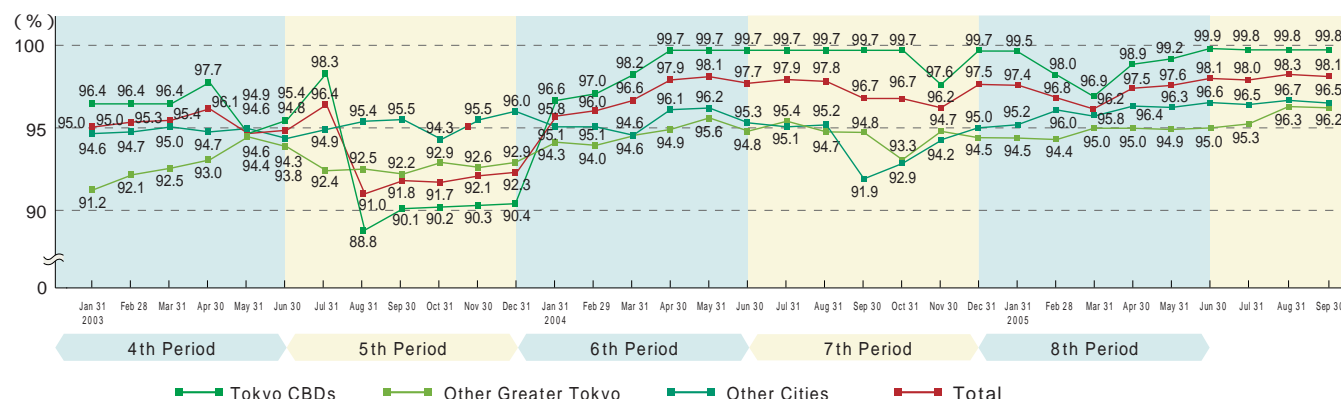
Regional Allocation

Total Real Estate etc. ¥407,811 million



Note: Figures above are based on the book value as of June 30, 2005

Occupancy Rate



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

Major Tenants Roster

The outline of NBF's major tenants as of June 30, 2005 is as follows:

	Name of Tenants	Name of Building	Leased Space (m ²)	Percentage of Total Rentable Area***
01	JFE Steel Corporation (*)	JFE Bldg.	65,280	13.8%
02	GlaxoSmithKline.KK. (*)	GSK Bldg.	22,791	4.8%
03	Mitsui Fudosan (**)	NBF Unix Bldg. Nakameguro GT Tower Toranomon Kotohira Tower Nishi-Shinjuku Mitsui Bldg.	20,426	4.3%
04	Fuji Xerox Co.	Shinjuku Mitsui Bldg. No.2 Tsukuba Mitsui Bldg. Nakano-Sakaue Sunbright Twin	17,526	3.7%
05	Nippon Steel Corporation (*)	Nippon Steel Building No.2	15,333	3.2%
06	Transcosmos Inc.	Shibuya Garden Front NBF Nagoya Hirokoji Bldg. NBF Sapporo Minami Nijo Bldg.	8,932	1.9%
07	NTT Communications	Kowa Nishi-Shinbashi Bldg. B	8,493	1.8%
08	Resona Bank Ltd.	Nihonbashi Muromachi Center Bldg. NBF Toranomon Bldg. Aqua Dojima NBF Tower NBF Hiroshima Tatemachi Bldg.	7,507	1.6%
09	NTT Data Corporation	NBF Shibakouen Bldg. NBF Toranomon Bldg.	7,160	1.5%
10	Sumitomo Densetsu (*)	Sumitomo Densetsu Bldg.	5,978	1.2%

* Indicates tenants with long-term lease contracts (JFE Steel Corporation's contract expires March 2011; GlaxoSmithKline's contract expires September 2010; Nippon Steel Corporation's contract expires November 2009; Sumitomo Densetsu's contract expires June 2008)

** Mitsui Fudosan, the sole tenant of the property, pools profits from leasing operations and then distributes the proceeds proportionally in accordance with each owner's percentage of the total ownership interest.

*** Percentage of Total Rentable Area = Leased Space ÷ Total Rentable Area of All Properties in Portfolio

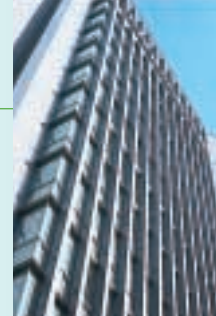
The First Listed J-REIT

NBF

- In September 2001, NBF was listed as the first investment corporation in Japan on the J-REIT section of the Tokyo Stock Exchange.

The Largest Scale of any J-REIT

- The largest total market capitalization of any J-REIT (¥409,596 million as of September 30, 2005)
- The largest scale of managed assets (¥414,185 million as of June 30, 2005)



Enrichment of Portfolio



- Specializes in investing in office buildings
- Possesses 47 properties focusing on large-scale office buildings in the Tokyo Central Business Districts (as of June 30, 2005)
- Diversified in other Tokyo markets as well as in regional cities.
- Total rentable space of 488,323m² (as of June 30, 2005)
- Diversified tenants (number of tenants at the end of the current period: 763)

Financial Stability and Flexibility

- Ratings by Rating Agencies:
Standard & Poor's Long-term Corporate: A, Short-term Corporate: A-1, Outlook: stable
Moody's Issuer Rating: A2, Outlook: stable
R&I Issuer Rating: AA-
- Ratio of Interest-Bearing Debt to Total Assets: 44.4% (as of June 30, 2005)
- Ratio of Long Term and Fixed-Interest Rate Debt to total debt: 73.6% (as of June 30, 2005)
- Average years remaining till due date for long-term interest-bearing debt: 4.44 years (as of June 30, 2005)
- Funding through use of unsecured, non-guaranteed corporate loans

Strategic Partnership with Mitsui Fudosan Co., Ltd.

- Utilization of the know-how of Mitsui Fudosan, the leading real estate company in Japan.

NBF has acquired the following properties after the 8th period.

Yamato Seimei Bldg.

Tokyo CBDs



Acquisition date	October 20, 2005
Outline of acquired property	fee simple
Acquisition price	¥63,500 million
Acquisition structure	Trust
Location	1-7, Uchisaiwaicho 1-chome, Chiyoda-ku, Tokyo
Site area	5,065.35m ²
Floor area of building	51,941.13m ²
Structure	Above ground 26 floors, below ground 4 floors
Completion	June 30, 1984

New Acquisition

NBF has acquired the following properties after the 8th period.

IST Bldg.

Other Greater Tokyo



Acquisition date	September 13, 2005
Outline of acquired property	fee simple
Acquisition price	¥35,200 million
Acquisition structure	Trust
Location	6-52, Toyosu 5-chome, Koto-ku, Tokyo
Site area	14,335.60m ²
Floor area of building	46,002.37m ²
Structure	Above ground 11 floors
Completion	September 7, 2004

NBF has acquired the following properties after the 8th period.

Yotsuya Medical Bldg.

Tokyo CBDs



Acquisition date	August 31, 2005
Outline of acquired property	fee simple
Acquisition price	¥8,800 million
Acquisition structure	Trust
Location	20, Samon-cho, Shinjuku-ku, Tokyo
Site area	2,062.40m ²
Floor area of building	9,722.22m ²
Structure	Above ground 11 floors, below ground 1 floor
Completion	May 20, 2004

New Acquisition

NBF has acquired the following properties after the 8th period.

NBF Urawa Bldg.

Other Greater Tokyo



Acquisition date	September 30, 2005
Outline of acquired property	fee simple
Acquisition price	¥2,000 million
Acquisition structure	Trust
Location	2-5, Higashi-Takasago-cho, Urawa-ku, Saitama, Saitama
Site area	1,005.16m ²
Floor area of building	5,090.72m ²
Structure	Above ground 8 floors, below ground 1 floor
Completion	June 30, 1990



NBF Ogawamachi Bldg.

Tokyo CBDs



Acquisition date	September 30, 2005
Outline of acquired property	condominium interest
Acquisition price	¥4,940 million
Acquisition structure	Trust
Location	3-1, Kanda Ogawamachi 1-chome, Chiyoda-ku, Tokyo
Site area	1,114.85m ² (*)
Floor area of building	8,350.32m ² (*)
Structure	Above ground 10 floors, below ground 1 floor
Completion	October 27, 1986

(*) 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 about 85.6% of this property.



NBF acquired the following properties during the 8th period.

Sakaisuji-Honmachi Center Bldg.

Other Cities



Acquisition date	March 25, 2005
Outline of acquired property	ownership / co-ownership of condominium interest
Acquisition price	¥6,500 million
Acquisition structure	Real Estate
Location	1-6, Honmachi 2-chome, Chuo-ku, Osaka
Site area	3,645.74m ² (*)
Floor area of building	32,989.71m ² (*)
Structure	Above ground 16 floors, below ground 1 floor
Completion	May 1991

(*) 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 about 46.6% of this property.



Akasaka Sanno Square

Tokyo CBDs



Acquisition date	February 24, 2005
Outline of acquired property	fee simple
Acquisition price	¥6,250 million
Acquisition structure	Trust
Location	2-12, Akasaka 2-chome, Minato-ku, Tokyo
Site area	926.63m ²
Floor area of building	7,427.94m ²
Structure	Above ground 8 floors, below ground 1 floor
Completion	September 7, 1989



New Acquisition

NBF acquired the following properties during the 8th period.

NBF Higashi-Ginza Square

Tokyo CBDs



Acquisition date	March 28, 2005
Outline of acquired property	fee simple
Acquisition price	¥5,200 million
Acquisition structure	Trust
Location	13-14, Tsukiji 1-chome, Chuo-ku, Tokyo
Site area	940.09m ²
Floor area of building	7,152.99m ²
Structure	Above ground 9 floors, below ground 1 floor
Completion	February 28, 2005



NBF Utsunomiya Bldg.

Other Greater Tokyo



Acquisition date	March 29, 2005
Outline of acquired property	fee simple
Acquisition price	¥2,435 million
Acquisition structure	Real Estate
Location	1-9, Higashi Shukugo 3-chome, Utsunomiya, Tochigi
Site area	2,074.16m ²
Floor area of building	8,775.07m ²
Structure	Above ground 8 floors
Completion	June 5, 1996



NBF plans to acquire the following properties after the 8th period.

NBF Platinum Tower

Tokyo CBDs

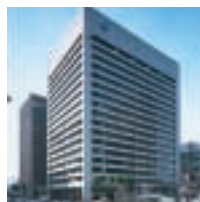
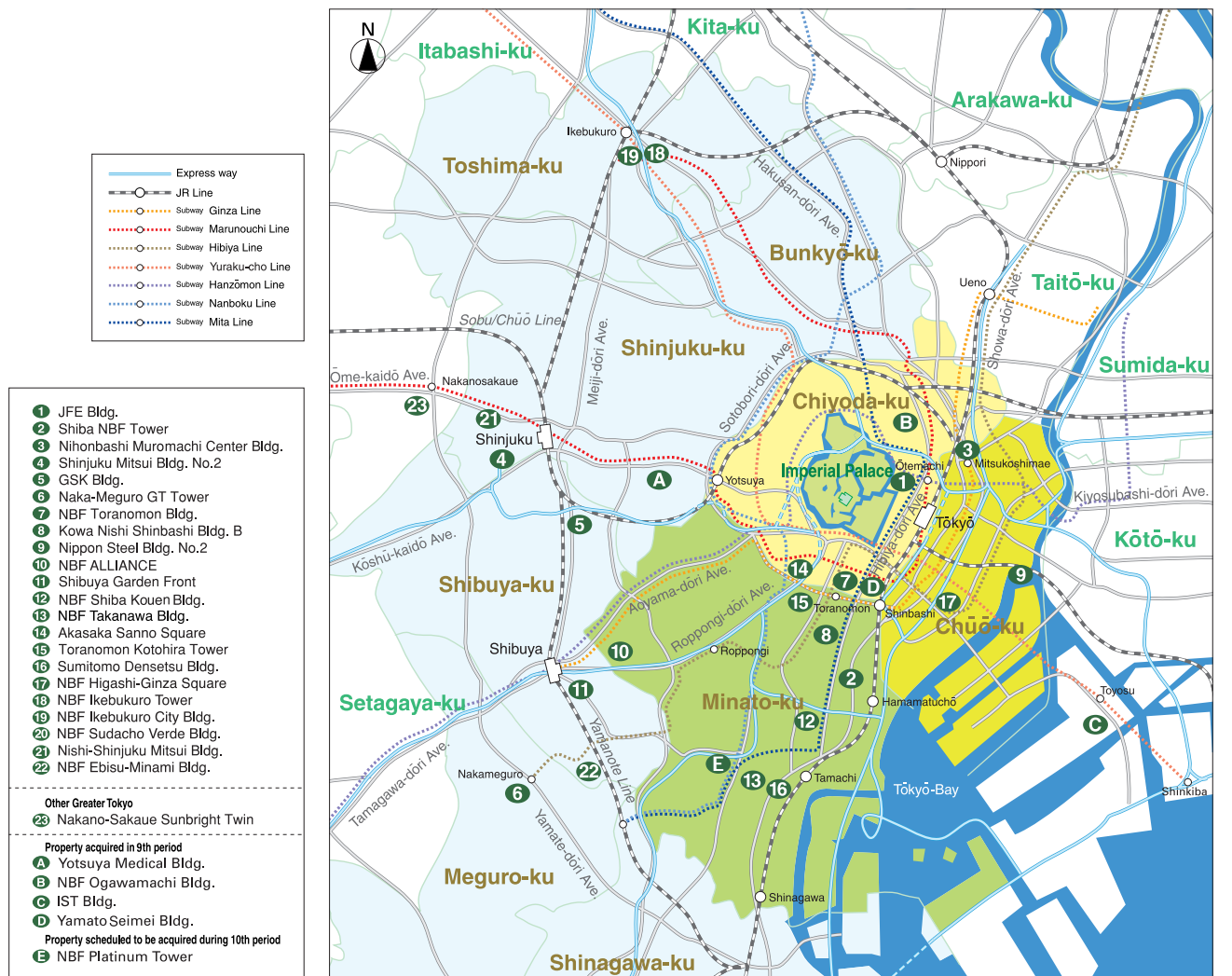


Acquisition date	March 31, 2006 (estimated)
Outline of acquired property	fee simple
Acquisition price	¥27,600 million (price may be adjusted upward to a maximum of ¥31,000 million depending on the seller's success in attracting tenants and improving current estimated profits)
Acquisition structure	Trust
Location	17-3, Shirokane 1-chome, Minato-ku, Tokyo
Site area	4,373.93m ²
Floor area of building	50,630.91m ² (estimated)
Structure	Above ground 26 floors, below ground 2 floors
Completion	November 30, 2005

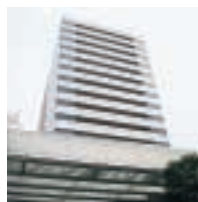


Location of Office Properties

Tokyo CBDs



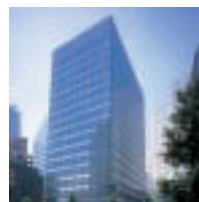
1 JFE Bldg.



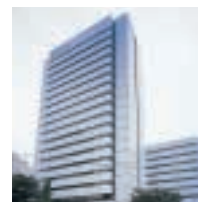
2 Shiba NBF Tower



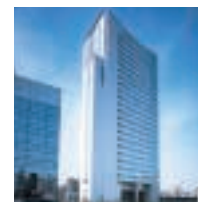
3 Nihonbashi Muromachi Center Bldg.



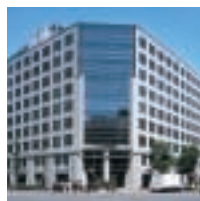
4 Shinjuku Mitsui Bldg. No.2



5 GSK Bldg.



6 Naka-Meguro GT Tower



7 NBF Toranomon Bldg.



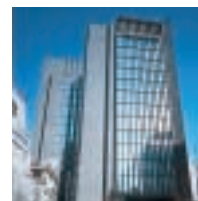
8 Kowa Nishi-Shinbashi Bldg. B



9 Nippon Steel Bldg. No.2



10 NBF ALLIANCE

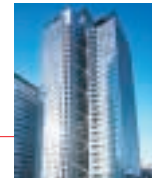
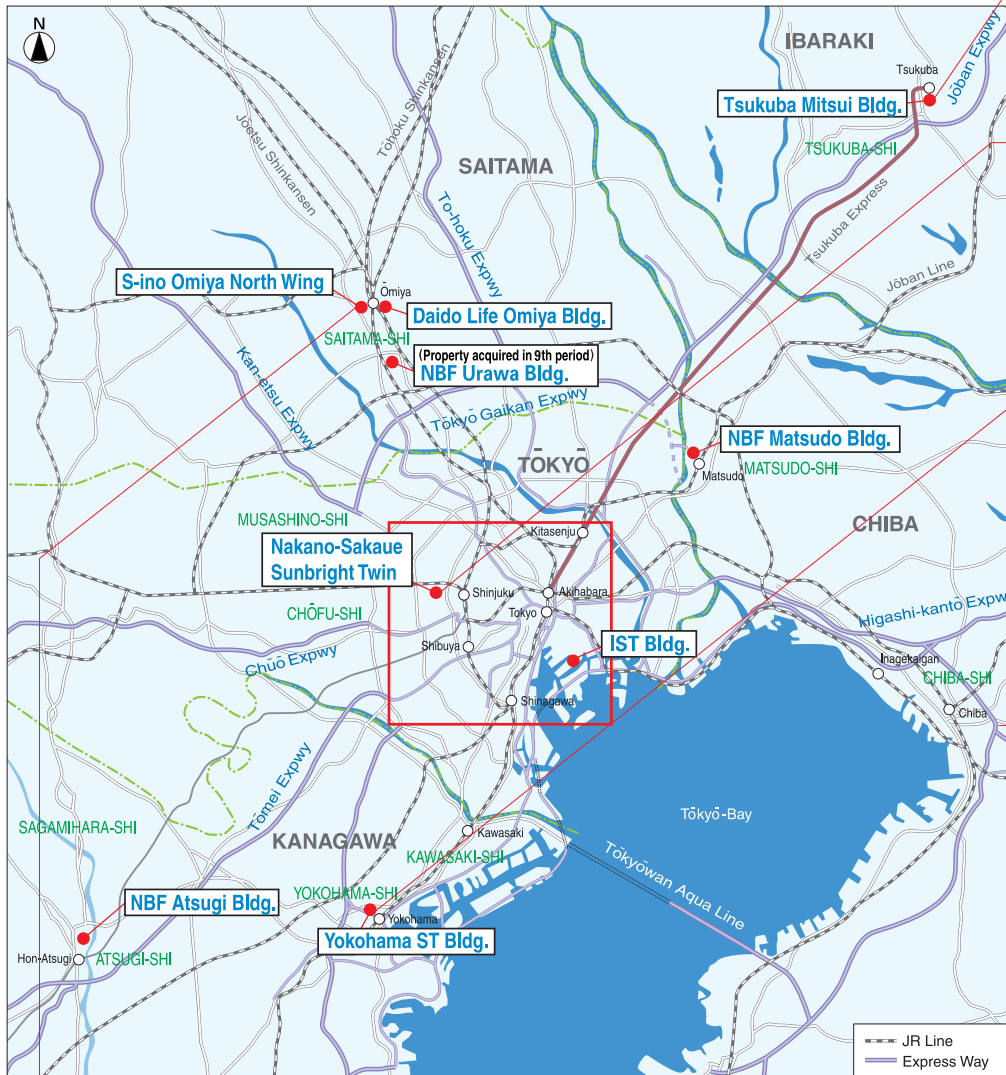


11 Shibuya Garden Front

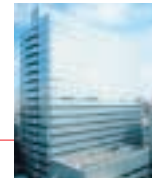


15 Toranomon Kotohira Tower

Other Greater Tokyo



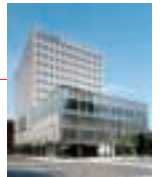
Nakano-Sakaue Sunbright Twin



Yokohama ST Bldg.



Tsukuba Mitsui Bldg.



Sapporo L-Plaza



NBF Nagoya Hirokoji Bldg.



S-ino Omiya North Wing

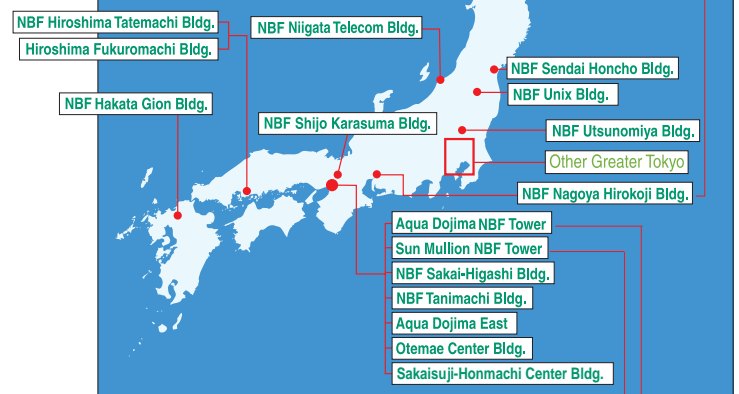


Aqua Dojima NBF Tower



Sun Mullion NBF Tower

Other Cities



Properties Roster

The outline of NBF's properties as of June 30, 2005 is as follows:

Name of Building	Investment Type	Type of Ownership of the Buildings	Percentage of Ownership of the Buildings	Year Built	Acquisition Price	Book Value
			(%)		(Yen in millions)	
Tokyo CBDs						
JFE Bldg.	Trust	fee simple	100.0	1974	¥74,131	¥71,946
Shiba NBF Tower	Trust	fee simple	100.0	1986	32,000	32,770
Nihonbashi Muromachi Center Bldg.	Trust	fee simple	100.0	1986	23,945	24,225
Shinjuku Mitsui Bldg. No.2	Trust	fee simple	100.0	1983	16,285	15,883
GSK Bldg.	Trust	fee simple	100.0	1990	15,616	14,563
Nakameguro GT Tower	Ownership	condominium	60.5	2002	14,056	13,580
NBF Toranomon Bldg.	Trust	fee simple	100.0	1963	13,337	13,764
Kowa Nishi-Shinbashi Bldg. B	Trust	co-ownership of condominium	83.0	1994	13,217	12,567
Nippon Steel Bldg. No.2	Ownership	fee simple	100.0	1989	12,614	12,394
NBF ALLIANCE	Trust	fee simple	100.0	1989	9,126	9,445
Shibuya Garden Front	Ownership	co-ownership	50.0	2003	8,700	8,670
NBF Shiba Kouen Bldg.	Ownership	fee simple	100.0	1990	6,770	6,816
NBF Takanawa Bldg.	Trust	fee simple	100.0	1987	6,667	6,313
Akasaka Sanno Square	Trust	fee simple	100.0	1989	6,250	6,338
Toranomon Kotohira Tower	Ownership	co-ownership of condominium	29.2	2004	6,043	6,207
Sumitomo Densetsu Bldg.	Trust	fee simple	100.0	1991	5,365	5,111
NBF Higashi-Ginza Square	Trust	fee simple	100.0	2005	5,200	5,251
NBF Ikebukuro Tower	Trust	fee simple	100.0	1993	4,695	4,733
NBF Ikebukuro City Bldg.	Trust	fee simple	100.0	1993	4,428	4,475
NBF Sudacho Verde Bldg.	Ownership	fee simple	100.0	1988	2,380	2,479
Nishi-Shinjuku Mitsui Bldg.	Ownership	condominium	4.1	1999	1,603	1,633
NBF Ebisu Minami Bldg.	Ownership	fee simple	100.0	1991	1,000	1,045
Other Greater Tokyo						
Nakanosakaue Sunbright Twin	Trust	condominium	31.6	1996	8,979	8,737
Yokohama ST Bldg.	Trust	co-ownership	75.0	1987	13,529	12,859
NBF Atsugi Bldg.	Ownership	fee simple	100.0	1991	2,300	2,291
Tsukuba Mitsui Bldg.	Trust	fee simple	100.0	1990	8,876	8,097
NBF Utsunomiya Bldg.	Ownership	fee simple	100.0	1996	2,435	2,537
S-ino Omiya North Wing	Ownership	fee simple	100.0	2004	16,816	16,800
Daido Life Omiya Bldg.	Trust	fee simple	100.0	1991	2,361	2,263
NBF Matsudo Bldg.	Ownership	fee simple	100.0	1992	2,455	2,447
Other Cities						
Sapporo L-Plaza	Ownership	condominium	36.0	2003	3,434	3,460
NBF Sapporo Minami Nijo Bldg.	Trust	fee simple	100.0	1990	1,870	1,770
NBF Sendai Honcho Bldg.	Trust	fee simple	100.0	1987	3,566	3,427
NBF Unix Bldg.	Trust	fee simple	100.0	1994	4,029	3,588
NBF Niigata Telecom Bldg.	Trust	fee simple	100.0	1989	3,958	3,752
NBF Nagoya Hirokoji Bldg.	Ownership	fee simple	100.0	2000	5,406	5,515
Aqua Dojima NBF Tower	Trust	fee simple	100.0	1996	17,810	18,171
Sun Mullion NBF Tower	Trust	fee simple	100.0	1996	10,500	9,799
Sakaisuji-Honmachi Center Bldg.	Ownership	co-ownership of condominium	46.6	1991	6,500	6,576
NBF Sakai-Higashi Bldg.	Trust	fee simple	100.0	1991	2,227	2,112
NBF Tanimachi Bldg.	Trust	fee simple	100.0	1993	1,944	1,983
Aqua Dojima East	Trust	co-ownership of condominium	23.7	1993	1,914	1,954
Otemae Center Bldg.	Trust	fee simple	100.0	1992	1,826	1,706
NBF Shijo Karasuma Bldg.	Trust	fee simple	100.0	1991	1,627	1,458
NBF Hiroshima Tatemachi Bldg.	Ownership	fee simple	100.0	1991	2,930	3,017
Hiroshima Fukuromachi Bldg.	Ownership	co-ownership of condominium	10.4	2002	835	817
NBF Hakata Gion Bldg.	Trust	fee simple	100.0	1993	2,629	2,467
Total					414,185	407,811

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

Note 2: Consent for disclosure was not obtained from tenants from whom rent revenue accounts for more than 80% of total rent revenues for the property. However, relevant figures are included in the total.

Note 3: Figures stated above are based on NBF's ownership interest.

Appraisal Value	Rentable Square Meters	Leased Square Meters at the End of Period	Occupancy Rates at the End of Period	Total Number of Tenants at the End of Period	Revenues	Percentage of Total Revenues (Note 1)
(Yen in millions)	(m ²)	(m ²)	(%)		(Yen in millions)	(%)
¥77,800	65,280	65,280	100.0	1	¥2,175	13.0
24,900	24,728	24,728	100.0	28	1,047	6.3
25,300	16,306	16,306	100.0	15	877	5.2
16,900	14,946	14,775	98.9	35	681	4.1
18,300	22,702	22,702	100.0	1	Note 2	Note 2
14,800	13,924	13,924	100.0	1	662	4.0
14,800	10,354	10,232	98.8	11	575	3.4
14,200	10,088	10,088	100.0	2	Note 2	Note 2
13,310	17,338	17,338	100.0	2	610	3.6
9,770	4,043	4,043	100.0	9	281	1.7
10,500	8,258	8,258	100.0	1	Note 2	Note 2
7,030	7,087	7,087	100.0	3	Note 2	Note 2
7,350	10,473	10,473	100.0	5	322	1.9
6,430	5,258	5,258	100.0	6	102	0.6
6,160	4,926	4,926	100.0	1	97	0.6
5,270	5,978	5,978	100.0	1	Note 2	Note 2
5,690	4,871	4,871	100.0	9	35	0.2
4,900	5,757	5,757	100.0	11	205	1.2
4,620	5,127	5,127	100.0	11	195	1.2
2,460	2,971	2,971	100.0	4	98	0.6
1,740	1,576	1,576	100.0	1	67	0.4
1,150	1,595	1,595	100.0	3	58	0.3
9,900	12,074	12,074	100.0	1	Note 2	Note 2
15,300	20,071	19,994	99.6	83	740	4.4
2,410	5,230	4,936	94.4	19	132	0.8
9,110	16,851	15,363	91.2	60	500	3.0
2,520	6,095	5,338	87.6	29	65	0.4
17,800	20,699	19,823	95.8	32	654	3.9
2,250	3,574	3,378	94.5	14	117	0.7
2,590	4,772	3,969	83.2	23	145	0.9
3,560	9,058	9,058	100.0	12	262	1.6
1,630	5,352	5,352	100.0	10	108	0.6
3,840	7,567	7,542	99.7	10	220	1.3
4,730	13,479	13,066	96.9	54	308	1.8
4,440	10,220	10,220	100.0	36	277	1.7
5,570	6,873	6,873	100.0	11	235	1.4
18,500	21,935	20,666	94.2	38	731	4.4
9,880	14,120	13,497	95.6	26	456	2.7
6,570	11,438	10,660	93.2	37	176	1.1
2,420	5,327	4,737	88.9	16	141	0.8
2,040	4,953	4,725	95.4	2	Note 2	Note 2
2,010	3,243	2,720	83.9	17	104	0.6
2,010	5,532	5,368	97.0	6	127	0.8
1,650	3,929	3,929	100.0	16	103	0.6
2,930	5,619	5,619	100.0	27	162	1.0
874	1,310	1,296	99.0	16	42	0.3
2,530	5,416	5,416	100.0	7	156	0.9
430,444	488,323	478,912	98.1	763	16,731	100.0



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). At the end of the immediately preceding term the organization 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.

At the end of the immediately preceding term, members of the Board of Directors of NBF were as set forth in the table below.

Name of executive directors and supervisory directors	Title	
Sadafumi Abe	Executive Director	
Koichi Nishiyama	Executive Director	
Tomio Hirota	Supervisory Director	Lawyer
Akira Nishizawa	Supervisory Director	Real Estate Appraiser
Nobutoshi Kozuka	Supervisory Director	Certified Public Accountant, Certified Public Tax Accountant
Hideo Fukazawa	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.

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 achieves this objective by investing in real estate consisting of buildings primarily used for offices with their underlying land located in the Tokyo Central Business Districts (hereinafter "CBDs"), Other Greater Tokyo and Other Cities in Japan as well as securities, beneficiary certificates representing beneficial 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). (Reference to : laws, legal documents, etc used as the basis or sources hereof are set forth in parenthesis herein.)

B. Investment Strategy

Nippon Building Fund Management Ltd. ("NBFM"), based on the investment strategy of NBF set forth below, invests and manages 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) Strategy for Creation of the Portfolio

The goal of the portfolio is to generate steady growth and stable profits on a mid-term to long-term basis. The selection criteria of investment assets is based on, the composition of investment assets in the portfolio and based on consideration of a quantitative proportion of the office stock located in the various regions of Japan.

Area Diversification

The investment strategy of NBF divides the investment area 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% or less to Other Cities. The purpose of this area diversification is to mitigate cash flow risks such as 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.
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, Ibaraki, Gunma and Tochigi.	
Note 2 Due to unforeseeable events such as, 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).	

(2) Acquisition Strategy

Ratio of Real Estate Assets

NBF will maintain ratios of 75% or more with respect to the "Designated Real Estate Ratio". As of September 21, 2005, NBF satisfied the criteria.

- The "Designated Real Estate Ratio" means the ratio of the total amount of Designated Real Estate to the total amount of Designated Assets owned by NBF.

Note: Designated Real Estate includes real estate, real estate leasehold rights, superficies and beneficiary certificates backed by real estate, land leasehold rights and superficies (as designated under Article 83.4.3.1 of the Special Taxation Measures Law of Japan).

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, following matters are appropriately treated. <ul style="list-style-type: none"> • 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;
Tenancy characteristics	Acceptable creditworthiness of tenants, purposes of use by tenants, configuration, and condition of collectibility of rents 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).

(3) 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).

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).

Reserves for Long-Term Renovations

From 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 September 21, 2005, foreseen reserves provided from January to December 2005 are as follows:

Item	Reason
Reserves for long-term renovations	Average annual amount over an approximately 10-year period based on engineering reports
Reserves for tenant improvements (reserves for future construction expenses required for spaces leased to tenants)	Expenses of providing “free access floor”(or raised floor); expenses for other move-in construction costs (partitions etc.)
Total Foreseen Amount: (annual basis) ¥1,865 million	

(Note1) In addition to the above-mentioned amount, certain amounts are set aside as cash reserves for renovation pursuant to the administrative rules of the buildings in which NBF owns condominium interests, etc.

(Note 2) The amount of reserves set forth above is the total amount of reserves with respect to the 43 properties owned by NBF as of the end of December, 2004.

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, such as area diversification and obtaining adequate fire and casualty insurances etc., will be exerted.

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).

The appraisal value of property with respect to the period commencing on the acquisition thereof and ending on the date of disclosure of such value with respect to the next following closure of NBF's accounting term shall be the acquisition price of the said property (excluding miscellaneous acquisition costs, fixed assets tax, city-planning tax and consumption tax) as stated in the sale and purchase contract etc. for the said property.

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. Sell/hold studies will be periodically undertaken with respect to all operating properties (“Investment Objects and Policies”, Articles of Incorporation).

(4) 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 etc.)

Debt Financing

NBF may raise capital (including use of the call loan market) and issue bonds 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 etc.) (“Investment Objects and Policies”, Articles of Incorporation).

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 will be ¥1,000,000 million. When undertaking borrowings or when issuing NBF bonds, 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 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(Long and mid-term operating asset management policy and annual management plan established by the Asset Management Company).

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 15.2 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 " Appendix Investment Restrictions" regarding other investment restrictions. Also, refer to " Basic Investment Policies (B) Investment Strategy" hereinabove.

Performance Information Report

Overview of NBF

1. Financial Highlights
2. Distribution for the Current Period
3. Capitalization
4. Major Shareholders
5. Categories of Shareholders

Capital Expenditures

1. Planning
2. Capital Expenditures for the Current Period
3. Cash Reserve for Capital Improvements

Expenses regarding Entrustment etc.

Trading Activities during the Current Period

1. Trading of Real Estate and Real Estate held in Trust
2. Trading of Other Assets Including Total Amount and Transactions
3. Related Parties Transactions

Overview of NBF

1. Financial Highlights

		8th Period from January 1, 2005 to June 30, 2005	7th Period from July 1, 2004 to December 31, 2004	6th Period from January 1, 2004 to June 30, 2004
(Yen in millions, except per share data or where otherwise indicated)				
Operating revenues		¥16,731	¥16,116	¥12,554
Revenues from property leasing		16,731	15,178	12,458
Operating expenses		9,344	8,587	7,392
Rental expenses		8,554	7,831	6,775
Income before income taxes		6,162	6,307	4,263
Net income	(a)	6,161	6,306	4,262
Total assets	(b)	449,556	430,378	366,200
Total shareholders' equity ('Net assets')	(c)	216,840	216,985	153,161
Contributed capital		210,679	210,679	148,899
Total amount of cash distribution	(e)	6,161	6,306	4,262
Total number of common shares issued (shares)	(d)	364,700	364,700	280,700
Net assets per share (Yen)	(c) / (d)	594,571	594,968	545,641
Distribution per share (Yen)	(e) / (d)	16,893	17,291	15,185
Distribution of accumulated earnings per share (Yen)		16,893	17,291	15,185
Distribution in excess of accumulated earnings per share (Yen)		-	-	-
Return on total assets	Note 2	1.40% (2.80%)	1.58% (3.17%)	1.25% (2.51%)
ROE	Note 2	2.84% (5.68%)	3.41% (6.82%)	2.78% (5.57%)
Capital ratio	(c) / (b)	48.2%	50.4%	41.8%
Payout ratio	(e) / (a)	99.9%	100.0%	99.9%
Number of days		181	184	182
Other supplementary data:				
Number of investment properties	Note 4	47	43	43
Number of tenants	Note 4	763	667	629
Total rentable square meters		488,323	460,901	419,511
Occupancy rate	Note 4	98.1%	97.5%	97.7%
Depreciation and amortization		3,280	2,891	2,628
Capital expenditures		702	431	459
NOI from property leasing activities	Note 2	11,457	10,238	8,311
FFO per share (Yen)	Note 2	25,887	23,060	24,203

Note 1 Operating revenues do not include consumption taxes.

Note 2 All valuations are calculated through the following formulas. The figures in parenthesis are annualized based on the 6 months figures for the period.

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

ROE: $\text{Net income} / (\text{Initial shareholders' equity} + \text{Shareholders' equity at end of period}) \div 2$

NOI (Net Operating Income) from property leasing activities:

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

FFO (Funds From Operation) per share : $(\text{Net income (excluding Gain on sale of investment properties)} + \text{Depreciation and Amortization}) /$
Weighted average number of common shares issued and outstanding during the period.

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

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

2. Distribution for the Current Period

Distribution per share for the current period was ¥16,893. NBF expects to distribute almost all taxable income for the current period to be eligible for special tax treatment (Special Taxation Measures Law of Japan Article 67-15) that allows NBF to deduct its cash dividends of profits from taxable income.

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen in thousands, except per share amount)		
Retained earnings	¥ 6,161,091	¥ 6,306,101	¥ 4,262,515
Undistributed earnings	214	73	86
Total cash distribution	6,160,877	6,306,028	4,262,430
(Total cash distribution per share)	16,893	17,291	15,185
Distribution of accumulated earnings	6,160,877	6,306,028	4,262,430
(Distribution of accumulated earnings per share)	16,893	17,291	15,185
Cash Distribution in excess of accumulated earnings (per share)			

Note Above cash distributions were paid after the period end.

3. Capitalization

Balance of Paid-in Capital

NBF was established on March 16, 2001 with initial paid-in capital of ¥100 million. NBF began investing activities in May 2001 after ¥98,800 million was raised through private placements. As of June 30, 2005, NBF had issued 364,700 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, NBF's common shares comprise the sole class of shares authorized and issued by NBF.

Issue date	Remarks	Common Shares outstanding		Paid-in capital		Notes
		Increase	Balance	Increase	Balance	
		(shares)		(Yen in millions)		
March 16, 2001	Initial capital (private)	200	200	¥ 100	¥ 100	Note 1
May 23, 2001	Private placement	197,600	197,800	98,800	98,900	Note 2
September 8, 2001	Public offering	82,900	280,700	49,999	148,899	Note 3
July 14, 2004	Public offering	80,000	360,700	58,838	207,737	Note 4
August 11, 2004	Third Party Allocation	4,000	364,700	2,941	210,678	Note 5

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 debt and to fund property acquisition.

Note 4 Public offering of new units for ¥759,500 per share (excluding underwriting fee: ¥735,475) to repay debt etc.

Note 5 Additional issue of new units (third party allocation) for ¥735,475 per share undertaken pursuant to the public offering in Note 4.

Market Price of shares

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

	June 30, 2005	For the six months ended December 31, 2004	June 30, 2004
		(in Yen)	
High.	¥ 1,000,000	¥ 900,000	¥ 823,000
Low.	849,000	762,000	682,000

Borrowings

Borrowings by financial institution as of June 30, 2005 are shown below.

Short-term debt

Lender	Balance	Average interest rate(%) (Note 1)	Due on (Note 2)	Repayment Method	Use of Funds	Notes
(Yen in millions)						
The Chuo Mitsui Trust and Banking Co., Ltd.	¥ 3,300	0.4%	July 29, 2005			
The Bank of Tokyo- Mitsubishi, Ltd.	3,300	0.4%	July 29, 2005			
Sumitomo Mitsui Banking Corporation	3,300	0.4%	July 29, 2005			
The Hachijuni Bank, Ltd.	2,000	0.4%	September 30, 2005			
The Bank of Fukuoka, Ltd.	3,000	0.3%	July 29, 2005			
Shinkin Central Bank	3,000	0.3%	July 29, 2005			
The Kagoshima Bank, Ltd.	2,000	0.3%	July 29, 2005			Unsecured
The Chugoku Bank, Ltd.	3,000	0.3%	July 29, 2005			/unguaranteed
The Gunma Bank, Ltd.	1,000	0.4%	July 29, 2005	Bullet	(Note 3)	/pari passu,
Mizuho Corporate Bank, Ltd.	1,000	0.4%	November 4, 2005	payment		See (Note 4)
The Shizuoka Bank, Ltd.	1,000	0.4%	August 31, 2005			
The Yamaguchi Bank, Ltd.	1,000	0.4%	July 29, 2005			Floating rate
The Daishi Bank, Ltd.	4,000	0.3%	July 29, 2005			
Shinsei Bank, Ltd.	2,300	0.3%	July 29, 2005			
The Yamanashi Chuo Bank, Ltd.	500	0.4%	September 30, 2005			
Short-term debt Total	¥ 33,700					

Long-term debt

Sumitomo Life Insurance Company	¥ 12,000	1.7%	May 23, 2008			
	5,000	1.7%	July 16, 2009			
	5,000	2.1%	July 16, 2011			
	3,000	1.2%	February 3, 2010			
The Chuo Mitsui Trust and Banking Co., Ltd.	10,000	1.3%	May 23, 2006			
	9,000	1.3%	July 16, 2007			
	1,000	1.2%	March 30, 2009			
	5,000	1.6%	March 30, 2011			
Meiji Yasuda Life Insurance Company	3,000	2.1%	December 21, 2011			
	4,000	2.2%	April 27, 2012			Unsecured
	1,000	2.2%	May 23, 2012			/unguaranteed
	2,000	1.2%	February 26, 2010	Bullet	(Note 3)	/pari passu,
The Norinchukin Bank	8,000	1.1%	November 20, 2008	payment		See (Note 4)
Mitsui Life Insurance Company, Ltd.	2,000	1.7%	February 13, 2012			
	4,000	1.8%	March, 30, 2012			Fixed rate
	2,000	1.6%	November 1, 2012			
Nippon Life Insurance Company	3,000	0.7%	August 9, 2005			
	2,000	0.7%	September 30, 2005			
	3,000	0.9%	October 30, 2009			
	2,000	0.8%	April 1, 2010			
The Sumitomo Trust and Banking Co, Ltd.	6,000	1.3%	July 13, 2007			

Long-term debt (continued)

Lender	Balance	Average interest rate(%) (Note 1)	Due on	Repayment Method	Use of Funds	Notes
(Yen in millions)						
The Dai-ichi Mutual Life Insurance Company	2,000	0.7%	March 31, 2006			
	1,000	0.9%	September 29, 2006			
	2,000	0.8%	February 13, 2008			
Daido Life Insurance Company	2,000	1.2%	February 3, 2010			
	1,000	1.8%	March 30, 2012			
	1,000	2.0%	October 31, 2014			
Development Bank of Japan	4,000	1.8%	November 28, 2014			
Sumitomo Mitsui Banking Corporation	2,000	1.2%	March 12, 2007			
	1,000	1.5%	June 30, 2009			
The Joyo Bank, Ltd.	1,000	0.9%	May 23, 2006			
	1,000	1.4%	May 23, 2008			
The Iyo Bank, Ltd.	1,000	0.7%	March 31, 2006			
	1,000	0.7%	February 2, 2007			
The Bank of Tokyo- Mitsubishi, Ltd.	2,000	0.7%	September 28, 2007			
Taiyo Life Insurance Company	1,000	1.2%	February 12, 2010			
Zenkyoren (The National Mutual Insurance Federation of Agricultural Cooperatives)	1,000	1.7%	June 1, 2011			
Long-term debt Total	¥116,000					
Borrowings Total(Note 5)	¥149,700					

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 to the second decimal place.

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

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

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

Note 5. The total amount of long-term borrowings (i.e. excluding those expected to be repaid within one year) repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Unit : ¥1000)

	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	4,000,000	32,000,000	10,000,000	18,000,000

NBF Bonds

Issue	Issue Date	Balance as of June 30, 2005 (Yen in millions)	Coupon	Maturity Date	Redemption	Use of Proceeds	Note
No.2 Unsecured Bonds	February 10, 2003	¥ 10,000	0.75 %	February 9, 2007	Bullet Payment	Note 1	Note 2
No.3 Unsecured Bonds	June 12, 2003	¥ 10,000	2.00 %	June 12, 2018	Bullet Payment	Note 1	Note 2
No.4 Unsecured Bonds	September 22, 2004	¥ 10,000	1.04 %	September 22, 2009	Bullet Payment	Note 1	Note 2
No.5 Unsecured Bonds	September 22, 2004	¥ 10,000	1.60 %	September 22, 2011	Bullet Payment	Note 1	Note 2
No.6 Unsecured Bonds	March 9, 2005	¥ 10,000	0.80 %	March 9, 2010	Bullet Payment	Note 1	Note 2
Total(Note 3)		¥ 50,000					

Note 1. Use of funds includes acquisition of Real Estate etc., repayment of borrowings and working capital.

Note 2. The bonds are limited to qualified institutional investors and rank pari passu with other debts issued.

Note 3. The total amount of bonds repayable within 5 years of the date of the balance sheet and expected to be repaid by specific year(s) is as follows.

(Unit: ¥1000)

	within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years
Amount Borrowed	-	10,000,000	-	-	20,000,000

Others

NBF has security deposits totaling ¥27,049 million as of June 30, 2005.

4. Major Shareholders

The following table sets forth our major shareholders' information as of June 30, 2005.

Name	Address	Number of Common Shares Owned	Ownership
Japan Trustee Services Bank, Ltd.	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	28,320	7.77 %
The Master Trust Bank of Japan, Ltd.	11-3 Hamamatsucho 2-chome Minato-ku, Tokyo	21,461	5.88
Mitsui Fudosan Co., Ltd.	1-1 Nihonbashi Muro-machi, 2-chome Chuo-ku, Tokyo	18,235	5.00
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-Chome, Chuo-ku, Tokyo	12,894	3.54
Sumitomo Life Insurance Company	18-24 Tsukiji 7-chome, Chuo-ku, Tokyo	11,256	3.09
The Chugoku Bank, Ltd.	15-20 Marunouchi 1-chome, Okayama, Okayama	10,315	2.83
Obic Business Consultants Co., Ltd.	8-1 Nishi Shinjuku 6-chome, Shinjuku-ku, Tokyo	10,115	2.77
The Nomura holdings Inc.	9-1 Nihonbashi 1-chome, Chuo-ku, Tokyo	10,000	2.74
The Ikeda Bank, Ltd.	1-11 Jonan 2-chome, Ikeda, Osaka	8,133	2.23
Nikko Cititrust Trust and Banking Corporation	3-14, Higashi Shinagawa 2-chome, Shinagawaku, Tokyo	6,893	1.89
Total		137,622	37.74 %

5. Categories of Shareholders

(As of June 30, 2005)

	Number of shareholders	Number of shares owned	Percent of total number of issued shares
Financial institutions	176	212,380	58.23%
Other legal entities	384	49,026	13.44
Overseas investors	227	44,108	12.10
Individuals and others	15,358	41,592	11.41
Securities companies	18	17,594	4.82
Japanese government and regional authorities	-	-	-
Total	16,163	364,700	100.0%

Capital Expenditures

1. Planning

NBF is planning the following capital expenditures for the renovation of its 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.

Name of Property	Objective	Estimated Duration	Estimated Amounts		
			Total Amounts	Payment for the	Cumulative Amount Paid
				Current Period (from January 1, 2005 to June 30, 2005) (Yen in millions)	
NBF Sapporo Minami Nijo Bldg.	Renovation of heat source system etc.	From September 2005 To November 2005	¥ 27	¥ -	¥ -
NBF Niigata Telecom Bldg.	Renovation of Central Monitoring System	From April 2006 To April 2006	41	-	-
NBF Ikebukuro City Bldg.	Renovation of HVAC equipment	From April 2006 To May 2006	49	-	-

2. Capital Expenditures for the Current Period

The following table sets forth the capital expenditures for the current period. NBF posted ¥ 702 million in capital expenditures together with ¥ 383 million for repairs and maintenance expenses.

Name of Property	Objective	Period	Expenditure (Yen in millions)
Shinjuku Mitsumi Bldg. No.2	Renovation of central monitoring system, security system etc.		¥ 264
NBF Sudacho Verde Bldg.	Installation of OA floors, renovation of common use areas etc.	From January 2005 To June 2005	36
NBF Sapporo Minami Nijo Bldg.	Renovation of central monitoring system, Installation of OA floors etc.		36
Other buildings	Renovations intended to improve the level of tenant satisfaction		366
Total			¥ 702

3. Cash Reserve for Capital Improvements

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

	As of June 30, 2005	As of December 31, 2004
	(Yen in millions)	
Reserve balance at the beginning of the period	¥ 1,498	¥ 1,647
Amount accumulated in current period	962	760
Withdrawal from reserves in the current period	805	909
Amount carried forward	¥ 1,655	¥ 1,498

Note 1 Upon the acquisition of Real Estate etc., NBF also assumed accumulated reserves of ¥939 million as of June 30, 2005 for capital expenditures from previous owners, which were not included in the above accumulated amounts.

Note 2 The reserve figures represent only the amount of reserves attributable to NBF's ownership interest, the amount of reserves attributable to other owners has been excluded.

Expenses regarding Entrustment etc.

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

Item	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen in millions)		
Asset management fees	¥ 609	¥ 575	¥ 443
Asset custody fees	19	17	14
Agent fees (stock transfer, accounting and administrative)	56	55	45
Directors' remuneration	11	11	11
Auditor's fees	12	12	12
Other expenses	83	86	92
Total	¥ 790	¥ 756	¥ 617

Note: In addition to the amounts stated above, there are asset management fees of ¥ 102 million for the period from January 1, 2005 to June 30, 2005, ¥ 281 million for the period from July 1, 2004 to December 31, 2004 and ¥ 242 million for the period from January 1, 2004 to June 30, 2004 related to investment in properties which were booked on each property.

Trading Activities during the Current Period

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

Name of Building	(Yen in millions)					
	Acquired			Transferred		
	Date	Acquisition Price (Note 1)	Date	Transfer Price	Book Value	Capital Gain/ Loss
Akasaka Sanno Square	February 24, 2005	6,250	-	-	-	-
Sakaisuji-Honmachi Center Bldg.	March 25, 2005	6,500	-	-	-	-
NBF Higashi-Ginza Square	March 28, 2005	5,200	-	-	-	-
NBF Utsunomiya Bldg.	March 29, 2005	2,435	-	-	-	-
Total		¥ 20,385	-	-	-	-

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

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 January 1, 2005 to June 30, 2005

Description of Transactions with Related Parties (Note 1)				
Category	Total Fees Paid (A) (Yen in millions)	Paid to	Amount of Payment (B) (Yen in millions)	B/A (Note 2)
Brokerage commissions	136	Mitsui Fudosan Co., Ltd.	63	46.1%
Office management fees etc. (Note 3)	802	Mitsui Fudosan Co., Ltd.	789	98.3%
		Sumisei Building Management Co., Ltd.	0	0.1%
		NBF Office Management Co., Ltd.	11	1.4%
Property transfer fees	11	Mitsui Fudosan Co., Ltd.	11	100.0%
Property maintenance fees	1,218	First Facilities Co., Ltd.	231	19.0%
		First Facilities West Co., Ltd.	146	12.0%
		Mitsui Fudosan Co., Ltd.	89	7.3%
		Mitsui Fudosan Building Management Co., Ltd.	67	5.5%
		First Facilities Yokohama Co., Ltd.	11	0.9%
		Mitsui Fudosan Housing Lease Co., Ltd.	2	0.2%
		NBF Office Management Co., Ltd.	1	0.0%
Leasing related service fees	66	Mitsui Fudosan Co., Ltd.	28	42.5%
		NBF Office Management Co., Ltd.	3	4.6%
		Mitsui Fudosan Housing Lease Co., Ltd.	1	0.9%
Underwriting fees for investment trust bonds (Note 4)	40	Daiwa Securities SMBC Co., Ltd.	40	100.0%

Note 1 "Related parties" mean parties defined in Article 20 of the government ordinance regarding the Investment Trust Law of Japan, principally, parties related to an asset management company.

Note 2 Figures indicate percentages of total prices.

Note 3 NBF leases the Naka-Meguro GT Tower, Toranomom Kotohira Tower and the Nishi-Shinjuku Mitsui Building to Mitsui Fudosan Co., Ltd., which sub-leases them to sub-lessees. Accordingly, NBF does not entrust the office management business for those properties to Mitsui Fudosan. Instead, NBF Office Management Co., Ltd. has been entrusted to undertake such business on behalf of NBF, the owner and lessor of those properties.

Note 4 This amount represents the handling fees directly paid by NBF to Daiwa Securities SMBC Co., Ltd. for underwriting fees of the No.6 NBF Bonds. In addition to the above fees, a certain portion of the fees paid by NBF to a third party (a company supervising investment company securities) for handling payments of principal and interest concerning the No.2, No.3, No.4 and No.5 NBF Bonds was paid by the said company to Daiwa Securities SMBC Co., Ltd.

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

(Yen in millions)	
First Facilities Co., Ltd.	¥ 176
First Facilities West Co., Ltd.	117
Mitsui Fudosan Building Management Co., Ltd.	67
Mitsui Designtech Co., Ltd.	29
Mitsui Fudosan Housing Lease Co., Ltd.	4
Mitsui Fudosan Co., Ltd.	1
First Facilities Yokohama Co., Ltd.	1

Financial Statements

Independent Auditors' Report
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Statements of Shareholders' Equity
Statements of Cash Flows
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Independent Auditors' Report

To 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 June 30, 2005 and December 31, 2004, and the related statements of income, shareholders' equity and cash flows for each of the six months ended June 30, 2005, December 31, 2004 and June 30, 2004 expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nippon Building Fund Inc. as of June 30, 2005 and December 31, 2004, and the results of its operations and its cash flows for each of the six months ended June 30, 2005, December 31, 2004 and June 30, 2004, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to Note 11 to the financial statements, which states that Nippon Building Fund Inc. issued new shares.

KPMG ARSA & Co.

Tokyo, Japan
September 21, 2005

NIPPON BUILDING FUND INC.

BALANCE SHEETS

As of June 30, 2005 and December 31, 2004

	As of June 30, 2005	As of December 31, 2004
	(Yen in millions)	
Assets		
Current Assets:		
Cash and cash equivalents	¥ 39,857	¥ 38,489
Tenant receivables	280	183
Consumption tax refund receivables and other current assets	202	768
Total current assets	40,339	39,440
Investment properties:		
Land including trust accounts	256,439	243,359
Building and improvements including trust accounts	147,602	139,572
Other tangible assets	3,065	2,679
Less: accumulated depreciation	(19,188)	(15,913)
Leasehold rights in trust accounts and other intangible assets	19,846	19,848
Total investment properties, net	407,764	389,545
Other assets	1,453	1,393
Total Assets	¥ 449,556	¥ 430,378
Liabilities		
Current Liabilities:		
Short-term loans	¥ 33,700	¥ 25,500
Long-term debt due within one year	19,000	5,000
Accounts payable	2,210	4,234
Rents received in advance	2,780	2,589
Accrued expenses and other liabilities	932	844
Total current liabilities	58,622	38,167
Long-term debt	147,000	149,000
Tenant security deposits	27,049	26,185
Other liabilities	45	41
Total Liabilities	232,716	213,393
Shareholders' Equity		
Common shares, non-par value	210,679	210,679
Shares Authorized: 2,000,000 shares		
Shares Issued and Outstanding: 364,700 shares		
Retained Earnings	6,161	6,306
Total Shareholders' Equity	216,840	216,985
Total Liabilities and Shareholders' Equity	¥ 449,556	¥ 430,378

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

NIPPON BUILDING FUND INC.

STATEMENTS OF INCOME

For the six months ended June 30, 2005, December 31, 2004 and June 30, 2004

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen in millions)		
Revenues:			
Rental	¥ 15,114	¥ 13,610	¥ 11,265
Other revenues related to property leasing	1,617	1,568	1,193
Gain on sale of investment properties	-	938	96
Total Revenues	16,731	16,116	12,554
Operating Expenses:			
Property management fees	2,050	1,954	1,623
Real estate taxes	1,579	1,167	1,193
Insurance	27	37	48
Repairs and maintenance	383	493	318
Other rental expenses	1,235	1,289	965
Depreciation and amortization	3,280	2,891	2,628
Asset management fees	609	575	443
Other expenses	181	181	174
Total Operating Expenses	9,344	8,587	7,392
Operating Income	7,387	7,529	5,162
Interest income	1	1	1
Interest expense	(1,163)	(1,012)	(871)
New investment shares issue costs	-	(154)	-
Amortization of deferred bond issue costs	(47)	(38)	(21)
Other expenses, net	(16)	(19)	(8)
Income Before Income Taxes	6,162	6,307	4,263
Current and deferred income taxes	(1)	(1)	(1)
Net Income	¥ 6,161	¥ 6,306	¥ 4,262

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

NIPPON BUILDING FUND INC.

STATEMENTS OF SHAREHOLDERS' EQUITY

For the six months ended June 30, 2005, December 31, 2004 and June 30 2004

	Number of Common Shares	(Yen in millions)		
		Common Shares	Retained Earnings	Total
Balance as of December 31, 2003	280,700	¥148,899	¥4,093	¥152,992
Cash Dividends declared	-	-	(4,093)	(4,093)
Net income	-	-	4,262	4,262
Balance as of June 30, 2004	280,700	148,899	4,262	153,161
Cash Dividends declared	-	-	(4,262)	(4,262)
Issuance of New Shares through Public Offering as of July 14, 2004.	80,000	58,838	-	58,838
Issuance of New Shares through Allocation to a Third Party as of August 11, 2004	4,000	2,942	-	2,942
Net income	-	-	6,306	6,306
Balance as of December 31, 2004	364,700	210,679	6,306	216,985
Cash Dividends declared	-	-	(6,306)	(6,306)
Net income	-	-	6,161	6,161
Balance as of June 30, 2005	364,700	¥210,679	¥6,161	¥216,840

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

NIPPON BUILDING FUND INC.

STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2005, December 31, 2004 and June 30, 2004

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen in millions)		
Cash Flows from Operating Activities:			
Income before income taxes	¥ 6,162	¥ 6,307	¥ 4,263
Depreciation and amortization	3,280	2,891	2,628
Amortization of deferred bond issue costs	47	38	21
Interest expense	1,163	1,012	871
(Increase) Decrease in tenant receivables	(96)	59	(106)
Increase (Decrease) in accounts payable	426	247	(2,477)
Increase (Decrease) in rents received in advance	191	(22)	781
Decrease in investment properties in trust accounts due to sale	-	5,939	261
Cash payments of interest expense	(1,142)	(919)	(790)
Other, net	625	(216)	(271)
Net Cash Provided by Operating Activities	10,656	15,336	5,181
Cash Flows from Investing Activities:			
Payments for purchases of investment properties	(22,828)	(62,304)	(52,337)
Payments for purchases of intangible assets	(1,123)	(1,837)	(29)
Proceeds from tenant security deposits	2,271	6,133	4,768
Payments for tenant security deposits	(1,407)	(1,826)	(1,619)
Refunds from security deposits paid to lessors	4	10	19
Payments for security deposits paid to lessors	(7)	(11)	(11)
Payments for purchases of other assets	(40)	(40)	(41)
Net Cash Used in Investing Activities	(23,130)	(59,875)	(49,250)
Cash Flows from Financing Activities:			
Proceeds from short-term loans	159,000	58,400	214,450
Repayment of short-term loans	(150,800)	(96,950)	(183,550)
Proceeds from long-term debt	12,000	32,000	27,000
Payments for redemption of bonds	-	-	(8,000)
Payments for deferred bond issue costs	(56)	(99)	-
Proceeds from issuance of common shares	-	61,779	-
Payment of dividends	(6,302)	(4,262)	(4,089)
Net Cash Provided by Financing Activities	13,842	50,868	45,811
Net Change in Cash and Cash Equivalents	1,368	6,329	1,742
Cash and cash equivalents at the beginning of the period	38,489	32,160	30,418
Cash and Cash Equivalents at the end of the period	¥ 39,857	¥ 38,489	¥ 32,160

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

NOTES TO FINANCIAL STATEMENTS

Nippon Building Fund Inc.

June 30, 2005, December 31, 2004 and June 30, 2004

Note 1 – Organization and Basis of Presentation

Organization

Nippon Building Fund Inc. (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. (hereinafter "NBFM") acting as sponsors. Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on May 10, 2001 and NBF started acquisition of office properties on May 23, 2001.

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

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

As of June 30, 2005, NBF had ownership or beneficiary interests in 47 office properties containing approximately 488,323 rentable square meters of office space. As of June 30, 2005, NBF had leased office space to 763 tenants engaged in a variety of businesses. The occupancy rate for the office properties was approximately 98.1%.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law of Japan and the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of shareholders' equity) from the financial statements of NBF prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. NBF does not prepare consolidated financial statements, as NBF has no subsidiaries.

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

Investments properties are recorded at cost, which included the allocated purchase price and related costs and expenses for acquisition of the office properties and the beneficiary interests of properties in trust. Property and equipment balances are depreciated using the straight-line method over estimated useful lives. Estimated useful lives of the principal tangible fixed assets (including assets held in trust) are as follows:

Buildings and improvements	2-50 years
Structures	2-52 years
Machinery and equipment	2-17 years
Tools, furniture and fixtures	2-16 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.

In the period ended June 30, 2005, NBF did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption.

Deferred Bond Issue Costs

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

New Investment Shares Issue Costs

New investment shares issue costs are expensed in the period of payment.

The public offering of new investment shares on July 13, 2004 was conducted through an underwriting agreement under which an underwriting securities company underwrote all of the newly issued shares at an agreed issue price and sold them at an offering price different from such issue price to investors ("spread method"). Since, pursuant to such spread method, the difference between an offering price and the issue price is earned by an underwriting securities company as substantial underwriting fees, there were no underwriting fees paid by NBF to the underwriting securities company. In the case of the public offering of new investment shares on July 13, 2004, the total amount of the difference between the offering price and the issue price was ¥1,922 million, which would have been accounted for as new investment shares issue costs of NBF if it had been conducted through an underwriting agreement under which an underwriting securities company underwrites shares at an issue price and sells them at an offering price which is the same as such issue price ("conventional method"). Therefore, under the spread method, the new investment shares issue costs were recognized ¥1,922 million lower, and the operating income and the income before income taxes were resulted in ¥1,922 million greater than the case if the conventional method was applied.

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 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 ¥71 million for the period ended June 30, 2005 and ¥106 million for the period ended December 31, 2004 and ¥208 million for the period ended June 30, 2004, 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.

Reclassifications

Certain reclassifications have been made to prior periods' financial statements to conform with the presentation used for the period ended June 30, 2005.

Note 3 – Schedule of tangible assets of investment properties

Tangible assets as of June 30, 2005 and December 31, 2004 consisted of the following:

	As of June 30, 2005			As of December 31, 2004		
	(Yen in millions)					
	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value	Acquisi- -tion Costs	Accumu- -lated Depreci- -ation	Book Value
Land	¥ 47,840	¥ -	¥ 47,840	¥ 43,064	¥ -	¥ 43,064
Land in trust	208,599	-	208,599	200,295	-	200,295
Land including trust total	256,439	-	256,439	243,359	-	243,359
Buildings and improvements	47,170	(2,875)	44,295	42,803	(1,996)	40,807
Buildings and improvements in trust	100,432	(15,535)	84,897	96,769	(13,288)	83,481
Building and improvements including trust	147,602	(18,410)	129,192	139,572	(15,284)	124,288
Structures	706	(106)	600	671	(79)	592
Machinery and equipment	494	(54)	440	381	(31)	350
Tools, furniture and fixtures	106	(18)	88	94	(10)	84
Structures in trust	585	(181)	404	545	(154)	391
Machinery and equipment in trust	796	(245)	551	640	(202)	438
Tools, furniture and fixtures in trust	361	(174)	187	333	(153)	180
Construction in process in trust	17	-	17	15	-	15
Other tangible assets total	3,065	(778)	2,287	2,679	(629)	2,050
Total	¥407,106	¥(19,188)	¥387,918	¥385,610	¥(15,913)	¥369,697

Note 4 – Shareholders' Equity

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

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

Short-term loans consist of short-term notes and short-term borrowings under loan agreements. The annual interest rates on short-term loans outstanding are floating rates and at June 30, 2005 and December 31, 2004 ranging from 0.29% to 0.45% and from 0.30% to 0.48%, respectively. Long-term debt is fixed rates and as of June 30, 2005 and December 31, 2004 consisted of the following:

	(Yen in millions)	
	As of June 30, 2005	As of December 31, 2004
Unsecured loans due 2005 to 2014 principally from banks and insurance companies with interest rates mainly ranging from 0.7% to 2.2%	¥ 116,000	¥ 114,000
0.75% unsecured bonds due 2007.....	10,000	10,000
1.04% unsecured bonds due 2009.....	10,000	10,000
0.80% unsecured bonds due 2010.....	10,000	-
1.60% unsecured bonds due 2011.....	10,000	10,000
2.00% unsecured bonds due 2018.....	10,000	10,000
	166,000	154,000
Less: amount due within one year	19,000	5,000
	¥ 147,000	¥ 149,000

The annual maturities of long-term debt as of June 30, 2005 were as follows:

	(Yen in millions)
2005	¥ 5,000
2006	15,000
2007	30,000
2008	23,000
2009	20,000
Thereafter	73,000

During the period ended June 30, 2005, NBF obtained committed credit lines of ¥30 billion with certain financial institutions to reduce refinancing risk. The unused amount of such committed credit lines was ¥30 billion at June 30, 2005.

Note 6 –Rental Revenues and Expenses

Rental revenues and expenses for the periods ended June 30, 2005, December 31, 2004 and June 30, 2004 were as follows:

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen in millions)		
Revenues from Property Leasing :			
Rental:			
Rental revenues	¥ 13,291	¥ 11,955	¥ 9,953
Common area charges.	1,741	1,574	1,243
Others	82	81	69
Subtotal	15,114	13,610	11,265
Other revenues related to property leasing:			
Parking lots.	412	359	298
Facility charge	68	67	63
Incidental income.	1,025	1,067	708
Cancellation fees.	100	59	116
Miscellaneous income	12	16	8
Subtotal	1,617	1,568	1,193
Total revenues from property leasing.	16,731	15,178	12,458
Rental Expenses:			
Property management fee.	2,050	1,954	1,623
Real estate taxes	1,579	1,167	1,193
Repairs and maintenance	383	493	318
Insurance	27	37	48
Other rental expenses	1,235	1,289	965
Depreciation and amortization	3,280	2,891	2,628
Total rental expenses.	8,554	7,831	6,775
Operating Income from Property Leasing Activities. .	¥ 8,177	¥ 7,347	¥ 5,683

Note 7 – Breakdown of Gain on sale of investment properties

On July 30, 2004, NBF sold four properties set forth below:

Shinjuku Yocho-machi Bldg.	(Yen in millions)
Revenue from sale of investment properties	¥ 2,700
Cost of investment properties	1,977
Other sales expenses	83
Gain on sale of investment properties	¥ 640
Inage Kaigan Bldg.	
Revenue from sale of investment properties	¥ 2,100
Cost of investment properties	1,831
Other sales expenses	66
Gain on sale of investment properties	¥ 203
Hamamatsu City Bldg.	
Revenue from sale of investment properties	¥ 1,400
Cost of investment properties	1,284
Other sales expenses	45
Gain on sale of investment properties	¥ 71
Kyomachibori Center Bldg.	
Revenue from sale of investment properties	¥ 900
Cost of investment properties	846
Other sales expenses	30
Gain on sale of investment properties	¥ 24
Total	
Revenue from sale of investment properties	¥7,100
Cost of investment properties	5,937
Other sales expenses	225
Gain on sale of investment properties	¥ 938

Note 8 –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 periods ended June 30, 2005 and December 31, 2004 and 0.01% for the period ended June 30, 2004, respectively. The following table summarizes the significant differences between the statutory tax rates and NBF's effective tax rates for financial statement purposes.

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
Statutory effective tax rate	39.39%	39.39%	39.39%
Deductible dividends paid	(39.38)	(39.38)	(38.93)
Special deduction for expropriation etc.	-	-	(0.46)
Others	0.01	0.01	0.01
Effective tax rate	0.02 %	0.02 %	0.01%

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 a period and other requirements prescribed in Japanese tax regulations are met, the investment corporation is allowed to deduct total amount of dividends paid in calculating its taxable income under Japanese tax regulations.

Note 9– Per Share Information

Information about earnings per share for the periods ended June 30, 2005, December 31, 2004 and June 30, 2004 and net assets per share as of June 30, 2005 and December 31, 2004 was as follows.

The computation of earnings per share is based on the weighted average number of common shares outstanding during the period. The computation of net assets per share is based on the number of common shares outstanding at each period end.

	For the six months ended		
	June 30, 2005	December 31, 2004	June 30, 2004
	(Yen)		
Earnings per Share of Common Shares:			
Net income:	¥ 16,893	¥ 17,607	¥ 15,185
Weighted average number of common shares outstanding:	364,700	358,157	280,700
	As of June 30, 2005	As of December 31, 2004	
Net Assets Per Share.	¥ 594,571	¥ 594,968	

Note 10–Leases

NBF leases its investment properties to outside parties under non-cancelable operating leases. As of June 30, 2005 and December 31, 2004, the future lease revenues under the non-cancelable operating leases are as follows:

	As of June 30, 2005	As of December 31, 2004
	(Yen in millions)	
Due within one year	¥ 10,068	¥ 10,266
Due after one year	11,673	17,089
Total.....	<u>¥ 21,741</u>	<u>¥ 27,355</u>

Note 11– Significant Subsequent Events

Cash Distribution

As of August 19, 2005, the Board of Directors of NBF declared to effect payment of a cash distribution of ¥16,893, per share aggregating ¥ 6,161million, to shareholders of record on June 30, 2005.

Issues of New Shares

On July 21, 2005 and again on August 3, 2005, the Board of Directors of NBF resolved to issue new shares as follows and having received full payment on August 10, 2005 said shares were issued in accordance with the following conditions.

As the result, the total amount of stated capital increased to ¥262,170 million and the number of shares issued increased to 422,700.

() Offering method	:	Public Offering
() Number of shares issued	:	58,000 shares
() Offering price per share	:	916,300 Yen per share
() Total offering price	:	53,145 million Yen
() Issue price per share	:	887,782 Yen per share
() Total issue price	:	51,491 million Yen
() Payment date	:	August 10, 2005
() Initial date subject to distribution	:	July 1, 2005

Use of Procured Proceeds

The proceeds procured through the public offering was applied to repayment of loans etc. procured by NBF for acquisition of real estate etc.

Appendix

Major Interested Parties

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 September 21 2005, 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 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.

Fees for the Asset Management Operation

Management Fees 1

The amount equivalent to 2.5% effective from July 1, 2004 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 such 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 June 30, 2005)

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 September 21, 2005 the directors and corporate auditors of NBFM are as follows. The staff other than directors and auditors of NBFM is comprised of 14 persons.

Name of Directors and Auditors	Title
Koichi Nishiyama	President & CEO (standing)
Hiroyuki Sawa	Director, Head of Investment & Finance Group (standing)
Satoru Yamanaka	Director, Head of Administration Group (standing)
Yuri Giga	Director
Tamotsu Shinyama	Director
Yoshinori Nishitsuji	Corporate Auditor
Noriaki Moromachi	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

Current as of March 31, 2005	Yen in thousands
Total Assets	1,655,814
Total Liabilities	451,128
Shareholders' Equity	1,204,686

Profit & Loss for the Most Recent Fiscal Year

First Fiscal Year	
From: April 1, 2004	
To: March 31, 2005	Yen in thousands
Operating Income	1,633,753
Ordinary Profit	1,069,218
Net Income	600,782

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 2.1.3.2 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) 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).

- (8) Beneficiary Certificates of Money Trust invested and managed for the purpose of any of the foregoing items.

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. In addition, NBF may acquire shares of stock in real estate management companies etc. to the extent that such acquisition is incidental to NBF's investment in the principal Designated Assets.

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. In addition, NBF may invest in equity interests of partnerships defined under Article 667 of the Civil Code (but limited to such partnerships established by contribution of real estate, real estate leasehold rights and superficies for the purpose of leasing, operating or managing etc. of the same) as well as trademark rights to the extent that such investment is incidental to NBF's investment in the principal Designated Assets.

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. Please also refer to "Investment Policies of NBF 1. Basic Investment Policies B. Investment Strategy" herein.

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).

Borrowing

See "Investment Policies of NBF 1. Basic Investment Policies B. Investment Strategy (4) 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 (1) Strategy for Creation of the Portfolio".

Investment in Other Funds

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

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

Subscription and Margin Trading of Securities

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

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 such 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 an issuer, 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 issuer, securities company or registered financial institution is not foreseen to reach that otherwise expected by said issuer, securities company or registered financial institution, acquiring or purchasing said securities with assets of NBF at the request of said issuer, securities company or registered financial institution.
- f) In the event that a specified real estate syndicate, who is an Interested Party etc. of an asset management company, makes a solicitation in connection with the execution of a specified real estate syndication agreement at a time when the contract amount of said specified real estate syndication agreement is not foreseen to reach that otherwise expected by said specified real estate syndicate, acquiring a *tokumei kumiai* interest pursuant to said specified real estate syndication agreement with assets of NBF at the request of said specified real estate syndicate.
- g) 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*.

- h) 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.
- i) In the event that a distributor of trust beneficiary interests, who is an Interested Party etc. of an asset management company, distributes, or acts as an agency or intermediary of distribution of, trust beneficiary interests at a time when the total amount of purchase offer of said trust beneficiary interests to said distributor of trust beneficiary interests is not foreseen to reach that otherwise expected by said distributor of trust beneficiary interests, purchasing said trust beneficiary interests with assets of NBF at the request of said distributor of trust beneficiary interests.

(2) Submission of written notice when conflict of interest is anticipated

Submission of written notice when conflict of interest is anticipated (§34.6.2-4 of the Investment Trust Law)

An asset management company must, in the event that any sale or purchase of, or any other transaction set forth under the government ordinance regarding the Investment Trust Law with respect to, the Designated Assets (excluding the specified assets set forth under the Investment Trust Law and such assets as are set forth under the enforcement regulations of the Investment Trust Law, the same to apply hereinafter in this paragraph) is conducted between an investment corporation the assets of which are managed by said asset management company on one hand, and said asset management company, its director or executive officer, any other investment corporation, investment fund which directs management, Interested Party etc. or other person set forth under the government ordinance regarding the Investment Trust Law on the other, submit written notice, in accordance with the enforcement regulations of the Investment Trust Law, to said investment corporation, other investment corporations (which invest in the same kind of assets as the said Designated Assets) the assets of which are managed by said asset management company and other persons set forth under the government ordinance regarding the Investment Trust Law specifying the matters relating to such transaction; provided, however, that in lieu of such submission of written notice, said asset management company may, in accordance with the government ordinance regarding the Investment Trust Law, provide the matters to be specified in such written notice by such methods as using electronic information processing systems or other telecommunication technology which are set forth under the enforcement regulations of the Investment Trust Law with the consent of said investment corporation the assets of which are managed by said asset management company, other investment corporations (which invest in the same kind of assets as the said Designated Assets) the assets of which are managed by said asset management company and other persons set forth under the government ordinance regarding the Investment Trust Law.

(3) 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.

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Nippon Building Fund Inc.

Corporate Data

Corporate Office:	7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810 http://www.nbf-m.com/nbf_e
Date of Inception:	March 16, 2001
Capital:	Contributed capital and common shares issued and outstanding as of June 30, 2005: ¥210,679 million 364,700 shares
Shareholders:	16,163 (As of June 30, 2005)
Transfer Agent:	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo, 105-8574, Japan
Business Office of the Transfer Agent:	Stock Transfer Agency Department of the Chuo Mitsui Trust and Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo, 168-0063, Japan +81-3-3323-7111
Independent Public Accountants:	KPMG AZSA & Co. AZSA Center Building 1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan
Investor Relations:	For further information, please contact our Asset Management company: Investor Relations of Financial Department Nippon Building Fund Management Ltd. 7-2, Yaesu 2-chome, Chuo-ku, Tokyo, 104-0028, Japan +81-3-3281-8810

This document contains translations of selected information described in the Securities Report (Yuka shoken hokokusho) filed on September 21, 2005 pursuant to the Securities Exchange Law of Japan, and the Financial Statements and the Performance Information Report for the period from January 1, 2005 to June 30, 2005, of Nippon Building Fund Inc. prepared pursuant to the Investment Trust Law of Japan.

This English language document was prepared solely for the convenience of and reference by overseas investors and neither corresponds to the original Japanese documents nor is it intended to constitute a disclosure document. The Japanese language 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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