NEWS RELEASE

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R&I Assigns AA-: Nippon Building Fund Inc.

Rating and Investment Information, Inc. (R&I), has assigned the following ratings.

ISSUER: Nippon Building Fund Inc. (Sec. Code: 8951)
Senior Long-term Credit Rating

R&I RATING: AA- (Newly Assigned)

RATIONALE:

In September 2001, Nippon Building Fund Inc. (NBF), a real estate investment trust (J-REIT) sponsored by Mitsui Fudosan Co., Ltd. (Senior Long-term Credit Rating: A-) and Sumitomo Life Insurance Co. (Senior Long-term Credit Rating: A-), became the first REIT to be listed at the same time as Japan Real Estate Investment Corporation (JRE). At the end of July 2004, assets owned by NBF were 40 properties with a value of 338,892 million yen (acquisition price base). As of October 1, 2004, NBF owned 42 properties with a value of 367,938 million yen, and on the same date was the REIT boasting the largest asset portfolio on a purchase agreement basis, with 45 properties having a value of 406,381 million yen. NBF specializes in investments in office buildings.

R&I considers J-REITs to combine characteristics of two types of entities, namely a special purpose company (SPC) whose business is limited in scope and an operating company possessing the characteristics of a going concern, and follows the procedures described below when conducting a rating evaluation.

Just as when rating a securitized real estate product, R&I begins by determining a rating level as the starting point, by using the Loan to Value (for the LTV, R&I uses debt + deposit guarantee money - cash deposits and trust deposits as the numerator and the real estate valuation determined by R&I as the denominator) and the interest coverage ratio (ICR, the number of times the stable NOI (lease income before depreciation) assessed by R&I exceeds interest payments, assuming a stress interest rate of 6%). When deciding a rating level as the starting point, however, R&I uses indicators with a medium-term outlook based on the REIT's future investment and capital plans, rather than the LTV and ICR observed momentarily at the present point in time, because the LTV and ICR indicators will vary constantly in the process of a J-REIT accumulating assets and raising funds for acquisitions.

R&I next evaluates the risk that changes in these indicators will exceed R&I's assumptions, and notches down the rating level to be used as the starting point in accordance with the perceived risk. R&I evaluates the factors behind such changes by carefully examining qualitative items such as the asset management company's property investment policies, operation and management policies, financial policies, and relationship with the sponsor.

As the final step, R&I makes a comparative verification with the rating level of property leasing companies rated by R&I, and determines its final rating.

NBF's current portfolio is composed entirely of office buildings. By location the properties are concentrated in the Tokyo area, with 67% of the properties located in Tokyo's six central business districts, 16% in other Tokyo metropolitan area wards, and 17% in other areas. The mean acquisition value per property of 8,472 million yen is comparatively large. Although the weighted average years since construction based on acquisition value is about 17.81 years, the average number of years since construction for 38 properties excluding the JFE Building and Daiya Toranomon Building is 12.92 years. For the JFE Building and Daiya Toranomon Building, superior locations compensate for the number of years passed since construction. While the portfolio would

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appear to be concentrated in the JFE Building, the largest single property (21.87% of the entire portfolio), with ten other office buildings in the 10 billion yen-class as a core the portfolio is diversified sufficiently. Multi-tenant properties form the heart of the portfolio. For the portion of the portfolio consisting of single tenant buildings, in most cases long-term stable lease agreements have been concluded with highly creditworthy tenants, thereby mitigating tenant vacancy risk. Although a comparatively large number of comparted or common ownership properties are included among the assets forming the core of the portfolio, NBF's policy is to actively pursue the possibility of additional acquisitions of such properties.

R&I's valuation amount for the portfolio is 323,747 million yen, or 95.5% of the total acquisition value of 338,892 million yen and 95.8% of the most recent appraisal amount of 338,016 million yen. Based on the R&I valuation amount, as of July 2003 the LTV was approximately 36% and the ICR assuming a stress interest rate of 6% was about 2.4, which correspond to a AAA (triple A) rating under R&I's standards. Over the medium-term, R&I expects the LTV to range between 36%-54% and the ICR to be approximately 1.8-2.4 times, both excellent levels.

NBF is investing in comparatively large and high-grade office buildings. Looking at operating results for the past six semi-annual periods as well, its NOI shows a generally positive performance. The fund demonstrated its strong management capabilities by restoring occupancy rates within a short period of time after several properties experienced large tenant vacancies, as well as by actions such as disposing of four properties in July 2004 after ownership became less significance because of growth in the fund's size. By using NBF Office Management, a wholly-owned subsidiary of Mitsui Real Estate Development, NBF also has adopted an advanced approach to enhancing management efficiency through use of information technology (IT), establishing relationships with tenants and creating building brands.

NBF has acquired several properties under development in a form by which NBF bears part of the market risk, by signing purchase agreements before construction is completed. This is an effective means to ensure the fund acquires excellent, newly-constructed properties. Nevertheless, even though NBF will mitigate the related risk by limiting such acquisitions to a maximum of 10% of total operating assets and adjusting acquisition values according to tenant pledge conditions, R&I will have to observe NBF does not assume excessive risk in the future.

For a REIT to ensure a degree of stability as a fund, external growth to a certain scale is recognized to be necessary. NBF has set an objective of attaining a portfolio with a total acquisition value of 500,000 million yen by the end of March 2006. Given this somewhat aggressive growth strategy, NBF's preferable approach will be to maintain appropriate degrees of leverage control and acquisition value, as it has in the past.

NBF has established a maximum percentage for debt to total assets (NBF's LTV) of about 60%, and a target range of 40-50%. During the six semi-annual fiscal periods since listing its shares, NBF did not increase its capital and the LTV rose to 50.8% as of the end of the sixth fiscal period. Following a capital increase of more than 60,000 million yen in July 2004, however, the LTV declined to about 35%.

In addition to controlling its LTV level, a REIT must take steps to address the risk of higher interest rates and refinance risk. NBF has achieved a very high level of financial stability by raising all of its funding on an unsecured basis, and through measures such as securing a high percentage of long-term fixed-rate debt, establishing a 30,000 million yen commitment line, and issuing a cumulative total of 48,000 million yen in investment corporation bonds.

R&I RATINGS:

ISSUER:	Nippon Building Fund Inc. (Sec. Code: 8951)
	Senior Long-term Credit Rating
R&I RATING:	AA- (Newly Assigned)

An R&I Senior Long-term Credit Rating is an opinion regarding an issuer's overall capacity to pay its entire financial obligations, without taking into account the degree of recovery of specific obligations.

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A Senior Long-term Credit Rating will be assigned to all issuers. Ratings for individual issues may differ from the Senior Long-term Credit Rating, depending on the terms and conditions of the issue.

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