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Press Release

Structured Finance Ratings & Research

For immediate release

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S&P: Rating On Nippon Building Fund Inc. Raised To 'A+'; Notes Also Upgraded

Tokyo, Feb. 15, 2007 – Standard & Poor's Ratings Services today raised to 'A+' from 'A' its long-term corporate credit rating on Nippon Building Fund Inc. (NBF), as well as its ratings on NBF's outstanding senior unsecured notes, series 3 through 7 (see list below). Standard & Poor's also raised to 'A+' from 'A' its preliminary rating on the company's ¥200 billion shelf registration. The outlook on the long-term corporate credit rating is stable. At the same time, Standard & Poor's affirmed its 'A-1' short-term rating on the company.

The upgrades reflect greater stability in NBF's business base, with the company's efforts to expand its asset portfolio having resulted in improved asset quality and lower concentration risk. They also reflect improvement in the company's financial profile, including its capital structure, profitability and cash flow protection, as NBF shifts its focus toward internal growth, and thus pursues more conservative leverage control. NBF has a solid financial profile and is financially flexible.

Among Japan's listed real estate investment trusts (J-REITs), NBF has a strong business position, owning the largest portfolio (in terms of asset size) of well-maintained office buildings with high occupancy rates that generate stable and sustainable cash flow. The credit quality of the main sponsors, such as Mitsui Fudosan and Sumitomo Life, has also been improving.

As of the end of December 2006, NBF owned 55 office properties throughout Japan, with its total portfolio valued at approximately ¥624.8 billion based on purchase price. NBF acquired NBF Platinum Tower (¥31 billion) and Shin-Kawasaki Mitsui Building (¥20.3 billion) in March 2006. In April 2006, NBF exchanged JFE Building, which had a sales price of ¥91 billion and was formerly the largest property in its portfolio, for five properties that were owned by Mitsui Fudosan Co. Ltd. and had a total purchase price of ¥110.1 billion. Following this exchange, the company's portfolio improved in terms of asset quality, asset concentration risk, and tenant concentration risk. The credit quality of major tenants is relatively good. Moreover, NBF plans to acquire a development property, tentatively named Toyosu 5-chome Building, for approximately ¥16.2 billion to ¥24.1 billion by March 2008. The average age of NBF's asset portfolio has fallen to approximately 13 years, and overall profitability is improving. NBF has a regionally diversified portfolio and stable cash flow, boasting an occupancy rate of 97.8% as of the end of December 2006.

NBF has adopted a strategy focusing on internal growth measures, such as boosting revenue from rents. In a severe investing environment, the company has pursued a more cautious and selective approach to property acquisitions, and in 2006, its pace of external growth was moderate at about 16%. NBF's financial policy is to maintain a debt-to-capital ratio of 40% to 50%. With NBF's asset portfolio having reached a certain magnitude, future leverage ratios are expected to be less volatile. Since its listing, NBF has issued equity three times. Standard & Poor's expects NBF to maintain its leverage ratios within a relatively conservative low-40% to mid-40% range through timely equity finance.

As of December 2006, NBF's total revenue stood at ¥25.9 billion, its net income at ¥9.8 billion, and its debt-to-capital ratio at 39.9%. All long-term debt bears fixed interest, and the debt has diversified maturities through 2018. NBF's cash flow is highly stable, with its interest coverage ratio (EBITDA to interest expense) standing at about 9x and FFO to debt standing at 12.4% as of December 2006. Liquidity remains high, with NBF's coverage ratio (net cash flow to interest expense plus dividends) standing at about 1.4x. Cash outstanding as of December 2006 stood at approximately ¥34.1 billion, which was sufficient to cover immediate operating expenses (including security deposit liabilities). NBF's unused commitment lines stand at ¥30 billion in total. In terms of debt repayment, NBF has ample liquidity via its sound relations with 26 banks. NBF repaid unsecured notes in a timely manner through bank borrowings and outstanding liquidities. Its financial flexibility is also sound, as all of the properties in its portfolio are unencumbered.

The outlook on the long-term credit rating is stable. NBF’s high-quality assets should provide it with a stable income stream and sustainable profitability. As NBF focuses on internal growth, the company should see stronger profitability deriving from its solid business base and its diversified and expanded property portfolio. Also, as NBF pursues more conservative leverage control, the company is expected to maintain a financial profile that has sound capital structure and cash flow protection.

LONG-TERM RATING RAISED
Nippon Building Fund Inc.

To	From
A+	A

OTHER RATINGS RAISED
Outstanding bonds

To	From	
A+	A	¥10 billion senior unsecured notes series 3 due June 2018
A+	A	¥10 billion senior unsecured notes series 4 due September 2009
A+	A	¥10 billion senior unsecured notes series 5 due September 2011
A+	A	¥10 billion senior unsecured notes series 6 due March 2010
A+	A	¥10 billion senior unsecured notes series 7 due November 2015
A+	A	¥200 billion shelf registration (Expected issuance date: Within two years of Feb. 6, 2007.)

SHORT-TERM RATING AFFIRMED
A-1 Nippon Building Fund Inc.

A Japanese-language version of this media release is available on Standard & Poor's Research Online at www.researchonline.jp, or via CreditWire Japan on Bloomberg Professional at SPCJ <GO>.

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