



NEWS RELEASE

No.2006-C-947
Dec 21, 2006

R&I Upgrades to AA, Stable: Nippon Building Fund Inc.

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

ISSUER: Nippon Building Fund Inc. (Sec. Code: 8951)
Issuer Rating

R&I RATING: AA (Upgraded from AA-)
RATING OUTLOOK: Stable

RATIONALE:

Nippon Building Fund Inc. (NBF) is a real estate investment trust (J-REIT) listed in September 2001. Specializing in investment in office buildings, it has a total of 55 properties amounting to a value of 624.8 billion yen on an acquisition basis. The fund's main sponsor is Mitsui Fudosan Co., Ltd.

The main reasons for the upgrading on this occasion are three: (1) improvement in the portfolio quality and diversification as a result of the ongoing acquisition of properties, (2) the competitive edge NBF derives from its status as the largest J-REIT in asset scale, and (3) the conservative level of its debt and stable fund raising base.

NBF has been promoting the acquisition of properties through its strong relationship with Mitsui Fudosan and through the network it has developed on its own through transactions to date and has been building a high-quality portfolio based chiefly on large-scale office buildings of a high standard. The exchange of the JFE Building for five properties owned by Mitsui Fudosan in April 2006 in particular reduced the concentration of assets and tenants in the JFE Building and at the same time lowered the average age of NBF's buildings.

The scale of assets has surpassed by far NBF's original target of 500 billion yen, making it the largest of Japan's 40 real estate investment trusts (J-REIT). Therefore, it can be assumed that NBF will be able to benefit from its superior status in a number of ways including the diversification of the portfolio, efficiency in the fund management, and its competitive edge in liabilities and capital procurement.

In the course of expanding its asset scale through three capital increases, NBF has maintained its debt to equity ratio (the sum of the debt outstanding and lease deposits in operation divided by total assets) at a conservative level of 40 to 50% and the fund has no plans to change in this regard. Distributions per share which investors pay attention to are also one of the highest in the industry.

Liabilities consist largely of long-term loans on fixed interest and in its fund raising activities NBF actively targets long-term arrangements of at least five years. Consequently, the average remaining period on long-term debt as of the end of the June 2006 period was 5.9 years. There has been progress in diversifying funding sources and funding methods and in spreading repayment dates. A commitment line of 30 billion yen effective for a period of three years has also been put in place.

The Rating Outlook is Stable. Since the fund has already reached its target asset scale, for the time being NBF plans to give priority to growth through rent increases in existing properties and other methods and to engage in initiatives where it will exercise more caution in view of the severe market environment for new investments. NBF's conservative investment plans will also support its high rating.

Rating and Investment Information, Inc. Nihonbashi 1-chome Bldg., 1-4-1, Nihonbashi, Chuo-ku, Tokyo 103-0027, Japan
Structured Finance Rating Division TEL. 03-3276-3406-3428 FAX. 03-3276-3429 EMAIL sfdept@r-i.co.jp Homepage <http://www.r-i.co.jp>

Ratings are statements of R&I's opinion shown in certain symbols regarding an Issuer's general capacity (credit quality) to repay its financial obligation and individual debts (bonds and loans, etc.) and it is not a statement of recommendations to buy, hold, or sell any securities. Information has been obtained by R&I from sources believed to be reliable, however, its accuracy, adequacy, or completeness is not guaranteed. Therefore, R&I is not responsible for any errors or omissions or the result obtained from the use of the rating. As a general rule, R&I provides the rating services for a rating fee paid by the Issuer.

©Rating and Investment Information, Inc.



NEWS RELEASE

R&I RATINGS:**ISSUER:****Nippon Building Fund Inc. (Sec. Code: 8951)****ISSUER RATING:**

AA (Upgraded from AA-)

RATING OUTLOOK:

Stable

LONG-TERM ISSUE RATING:

Unsec. Str. Bonds No. 6

Issue Date

Redemption

Issue Amount (mn)

Mar 09, 2005

Mar 09, 2010

Yen 10,000

Unsec. Str. Bonds No. 7

Nov 19, 2005

Nov 19, 2015

Yen 10,000

R&I RATING:

AA (Upgraded from AA-)

Issuer Rating is R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than the Issuer Rating.