



**Rating Action: Nippon Building Fund Inc.**

**MOODY'S UPGRADES NIPPON BUILDING FUND'S RATINGS TO A2 FROM A3; OUTLOOK STABLE**

Tokyo, November 11, 2004 -- Moody's Investors Service has upgraded its issuer rating and senior unsecured long-term debt rating of Nippon Building Fund Inc. (NBF) to A2 from A3. The rating action reflects Moody's view that NBF will maintain and further strengthen its competitive advantages by expanding its portfolio in the Japanese Real Estate Investment Trust (J-REIT) market. This rating action concludes the review initiated on September 7, 2004. The rating outlook is stable.

NBF has adopted a positive stance towards portfolio growth, as seen by its target of increasing its portfolio value to JPY 500 billion by March 2006. As of November 2004, it had grown its portfolio to approximately JPY 410 billion, with 45 properties (including two properties under construction). Its portfolio continues to be the largest of the 14 listed J-REITs, and Moody's considers NBF as one of the leaders in the J-REIT market. Following its external growth strategy, NBF has effectually collaborated with Mitsui Fudosan Co., Ltd. to acquire properties, further diversifying its portfolio without deteriorating its quality. With regarding to its internal growth strategy, NBF has improved its cash flow stability through ensuring tenant retention with several methods such as long-term lease agreements, drawing up a mid-term capital expenditure plans and streamlining its in-house investment rules. Moody's expects these advantages in business to increase as NBF continues to appropriately manage its portfolio.

As per its financial policy, NBF deleveraged through a public offering in July this year, although the company's Loan-To-Value ratio (LTV) was gradually rising due to a series of debt-funded acquisitions, At the same time, it has funded itself with diversified forms of debt and appropriately managed its liquidity. Moody's believes that NBF continues to maintain its financial flexibility and conservative financial management policies. While expanding its portfolio, NBF plans to keep its LTV between 40 and 50%. Moody's will continue to monitor NBF's portfolio performance, management strategy and financial policy.

Nippon Building Fund Inc. is a leading listed J-REIT, focused on investments in and management of high-quality office buildings in major cities throughout Japan. Its revenues totaled JPY 12.6 billion in the fiscal half-year ended June 2004.

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