

Rating Action: Nippon Building Fund Inc.

MOODY'S CHANGES NIPPON BUILDING FUND'S A2 RATING OUTLOOK TO POSITIVE

Tokyo, November 29, 2005 -- Moody's Investors Service has changed its outlook on the A2 issuer rating and senior unsecured long-term debt rating of Nippon Building Fund Inc. (NBF) to positive from stable.

The rating action reflects Moody's view that [1] NBF has established a solid revenue base through expanding its portfolio in the Japanese Real Estate Investment Trust (J-REIT) market, [2] it has maintained its leading position and business advantages in the increasingly competitive market, [3] its asset management company, Nippon Building Fund Management Ltd. (NBFM), has proven its high asset management ability, and [4] it has conducted steady financial management.

As of end-October 2005, NBF had accomplished its portfolio expansion goal with its portfolio grown to approximately JPY 540 billion, with 52 properties (excluding NBF Platinum Tower to be acquired in March 2006). While NBF has kept its portfolio to be the largest of the 27 listed J-REITs, it has been successful in stabilizing the revenue base through the portfolio expansion. The portfolio growth has also contributed to consolidate NBF's leading position in the market and strengthen NBF's business advantages. Moreover, through effective use of the collaboration with Mitsui Fudosan Co. Ltd., NBFM has assured competitive channels of property acquisitions and proven its high leasing-up and property management ability through maintaining high occupancy rates for the properties under its management.

As per its financial strategy, NBF has conservatively controlled its leverage through two public offerings since its listing. At the same time, it has funded itself with diversified forms, such as public bonds, and diversified due dates of debt in its long-duration management and has kept its annual repayment amount below its syndicated committed bank lines of credit at JPY 30 billion. Moody's believes that this mitigates refinance risk.

Moody's views that, having achieved its portfolio target, NBF will seek to maintain and improve the revenue base by restructuring the portfolio, while continue to expand the portfolio in its growth strategy free of speed target in its progress. Moody's believes that NBF continues to maintain its financial flexibility and conservative financial management policies. Moody's will focus on NBF's new portfolio and financial strategy.

Nippon Building Fund Inc. is a listed J-REIT, focused on investments in and management of high-quality office buildings. Its revenues totaled Yen 16.7 billion in the fiscal half-year ended June 2005.

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