

## Ratings Assigned To Nomura Real Estate Office Fund's Series 8 And 9 Unsecured Bonds

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TOKYO (Standard & Poor's) Nov. 12, 2010--Standard & Poor's Ratings Services today assigned its 'A' ratings to Nomura Real Estate Office Fund Inc.'s (NOF; A/Negative/A-1) proposed ¥6 billion series 8, and proposed ¥4 billion series 9 unsecured bonds, due Nov. 26, 2014 and Nov. 24, 2017, respectively. The ratings reflect NOF's relatively strong business position and moderately conservative financial profile.

NOF has established a leading position in the Japanese real estate investment trust (J-REIT) market, supported by the strong real estate development and management capabilities of its sponsor, Nomura Real Estate Holdings Inc. (NR).

As of Oct. 31, 2010, the company owned a portfolio of 51 well-managed, high-quality office buildings with a total purchase price of about ¥378.6 billion.

Nevertheless, as tough conditions continue in the office leasing market, we see some risk factors that could affect NOF's credit quality. These are:

- the decline in rental income as a result of the rent reduction requested by, and planned partial departure of, the sub-lessee of the portfolio's largest tenant. It is our view that NOF's cash flow will remain weak for the time being, although we expect it to improve to some extent in the medium to long term; and
- NOF's debt-to-capital ratio has somewhat exceeded the upper limit of the range set by the company's financial policy.

We therefore intend to continue to focus on the extent to which the company is

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able to improve its profitability-related indicators, and its financial measures, which include interest coverage-related indicators and the debt-to-capital ratio.

Ample liquidity at hand helps support NOF's rating. The company maintains good relations with several financial institutions, and it had unused commitment lines of ¥40 billion as of April 30, 2010 (end of 13th fiscal term). In addition, it maintains financial flexibility because all of its debt is unsecured.

### RELATED CRITERIA AND RESEARCH

"Principles Of Corporate And Government Ratings," published June 26, 2007.  
"Rating Policy For Japanese Real Estate Investment Trusts," published May 9, 2001.

### RATINGS ASSIGNED

Nomura Real Estate Office Fund Inc.	Rating
¥6 bil 0.94% unsecured J-REIT bonds (series 8)	A
¥4 bil 1.52% unsecured J-REIT bonds (series 9)	A

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