



Press Release

Structured Finance Ratings & Research

For immediate release

Media Contact: Toshiko Tanabe

Tel: (81) 3-4550-8411

Fax: (81) 3-4550-8740

Marunouchi Kitaguchi Bldg. 28F, 1-6-5 Marunouchi,

Chiyoda-ku, Tokyo 100-0005

tokyo_pressroom@standardandpoors.com

S&P Assigns 'A' Ratings To Nomura Real Estate Office Fund's Proposed ¥14.5 Billion Senior Unsecured J-REIT Bonds

Tokyo, March 2, 2007 – Standard & Poor's Ratings Services said today that it had assigned its 'A' ratings to Nomura Real Estate Office Fund Inc.'s (NOF) proposed ¥5.0 billion 5th senior unsecured notes due March 2012, ¥5.0 billion 6th senior unsecured notes due March 2017, and ¥4.5 billion 7th senior unsecured notes due March 2028. At the same time, Standard & Poor's affirmed its 'A' long-term and 'A-1' short-term corporate credit ratings on NOF. Standard & Poor's also affirmed its 'A' ratings on NOF's total ¥30.0 billion 1st to 4th senior unsecured notes. The outlook on the long-term corporate credit rating is stable.

The ratings on NOF reflect its above-average business position, measured external growth strategy, and relatively conservative financial profile. The company currently ranks within the top tier of J-REITs in terms of asset value and market capitalization, backed by a high-quality portfolio of office properties, and a sponsor with strong real estate expertise in Japan.

The number of properties in the portfolio was 30 and total assets amounted to about ¥259.1 billion as of the end of the company's sixth fiscal year in October 2006. The company has already achieved its initial external growth target (¥200 billion in total assets), and intends to keep growing externally at a gradual pace. NOF purchased Sapporo North Plaza Building (Sapporo city, Hokkaido) for about ¥6.8 billion in June 2006, and Secom Medical Building (Chiyoda-ku, Tokyo) for about ¥11.5 billion in September 2006. NOF's portfolio is geographically diversified in accordance with its investment policy, and its average occupancy rate stood at 98.2% as of the end of the sixth fiscal year, providing a stable source of cash flow.

NOF has raised funds for purchasing properties through increases in both capital and debt. Although the company's debt-to-capital ratio, as defined by Standard & Poor's, was 48.3% as of the end of the fifth fiscal year, it had improved to 39.7% by the end of the sixth fiscal year, thanks to leverage control through capital increases. Today's bond issuance will increase the debt-to-capital ratio to about 43%, and it is possible that the company's leverage will rise again in the course of implementing its external growth strategy. However, NOF has effected capital increases via public offerings on three previous occasions, and Standard & Poor's will monitor whether NOF can successfully control its leverage within the target range through timely leverage controls such as capital increases.

Nomura Real Estate Asset Management Co. Ltd. (NREAM), a fund manager for NOF, obtained approval from the Financial Services Agency (FSA) regarding its corporate reorganization plan, which envisions asset management services for multiple investment companies. Accordingly, NREAM established its Residence Management Division in April 2006, and also established a new company, Nomura Real Estate Residential Fund

Inc., in August 2006. Although the impact of the reorganization on NOF is likely to be limited, Standard & Poor's will monitor how it unfolds in the future.

The outlook of NOF is stable. The company is expected to steadily generate earnings, supported by its high quality assets, and maintain sufficient liquidity at hand and a good financial profile, even in the course of portfolio expansion. However, Standard & Poor's will monitor the company's external growth strategy, property purchase prices, the impact of newly purchased properties on the overall portfolio, and the profitability of the portfolio, since it is not always easy for the company to acquire profitable properties under current market conditions.

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>.

Analytical Contact:

Yoshitaka Matsuda, Tokyo

(81) 3-4550-8232

yoshitaka_matsuda@standardandpoors.com

Media Contact:

Toshiko Tanabe

(81) 3-4550-8411

tokyo_pressroom@standardandpoors.com

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