



Press Release

Structured Finance Ratings & Research

For immediate release

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S&P Assigns 'A' Ratings To Nomura Real Estate Office Fund Inc.'s Proposed ¥20 Billion Senior Unsecured J-REIT Bonds

Tokyo, Nov. 11, 2005 – Standard & Poor's Ratings Services said today that it had assigned its 'A' ratings to Nomura Real Estate Office Fund Inc.'s (NOF) proposed ¥10 billion third senior unsecured notes due November 2010 and ¥10 billion fourth senior unsecured notes due November 2015. At the same time, Standard & Poor's affirmed its 'A' long-term and 'A-1' short-term corporate credit ratings on NOF, and its 'A' ratings on NOF's ¥5 billion first senior unsecured notes due March 2015 and ¥5 billion second senior unsecured notes due March 2020. 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 group 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.

In the first fiscal period, the number of properties in the portfolio was 15 and total assets amounted to about ¥147.9 billion as of April 2004. NOF purchased JAL Building (Shinagawa-ward, Tokyo: Condominium ownership 51%) for about ¥33 billion in the third fiscal period and NOF's portfolio had 19 properties with total assets amounting to about ¥208.0 billion as of April 2005. This indicates that the company achieved its initial external growth target (¥200 billion of total assets by April 2006) a year ahead of schedule. Until September 2005, NOF purchased Kawasaki Higashiguchi Sanshin Building (Kawasaki City, Kanagawa) for about ¥9.5 billion and three other properties for about ¥15.5 billion.

NOF has raised funds for purchasing properties through increases in capital and debt. Although the company's debt-to-capital ratio (leverage) rose to about 46% at the end of the third fiscal period because of the purchase of JAL Building and the increase in debt including bond issuances, its leverage fell to the 30%-35% range, thanks to leverage control through capital increases (about ¥32.4 billion in total), and it is expected to be around 40% (within the initial target range of 35%-45%) at the end of the fourth fiscal period. There is a possibility that the company's leverage will rise again in the course of implementing its external growth strategy. Therefore, Standard & Poor's will monitor whether NOF can successfully control its leverage within the target range through timely leverage controls such as capital increases.

The outlook on the long-term corporate credit rating on 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>.

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