



# NOMURA REAL ESTATE OFFICE FUND

Financial Results of the Second Fiscal Period (October 2004)





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# 1. Highlights of the Second Fiscal Period

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## Activities and Performance

### Key Activities (May 1 - October 31)

- Investment in New Properties  
3 properties, approx. 24.2 billion yen (acquisition base price)  
→ End of second fiscal period: 18 properties / approx. 151.5 billion yen (acquisition price base)
- Portfolio Occupancy Rate  
End of Second Fiscal Period: 94.4%  
(end of first fiscal period (93.3%) → + 1.1%)
- Public Offering for the first time after Listing  
(public offering / third party allocation)  
No. of new issuances: 36,050  
Total amount: Approx. 20.4 billion yen

#### ● Obtaining Ratings

Standard&Poor's	Long-term Corporate Credit Rating	A
	Short-term Corporate Credit Rating	A-1
Moody's	Issuer Rating	A3

### Second Fiscal Period Results (Actual Operation: 184 Days)

Operating Revenue	6,656 mil yen (56 mil yen / +0.9%) *1
Net Income	2,606 mil yen (224 mil yen / +9.4%) *1
Cash Distribution *2	14,114 yen / unit (1,214 yen / +9.4%) *1

\*1 Values in parentheses are the differences from the forecast (June 2004)

\*2 Number of investment units issued at the end of the fiscal period: 184,650

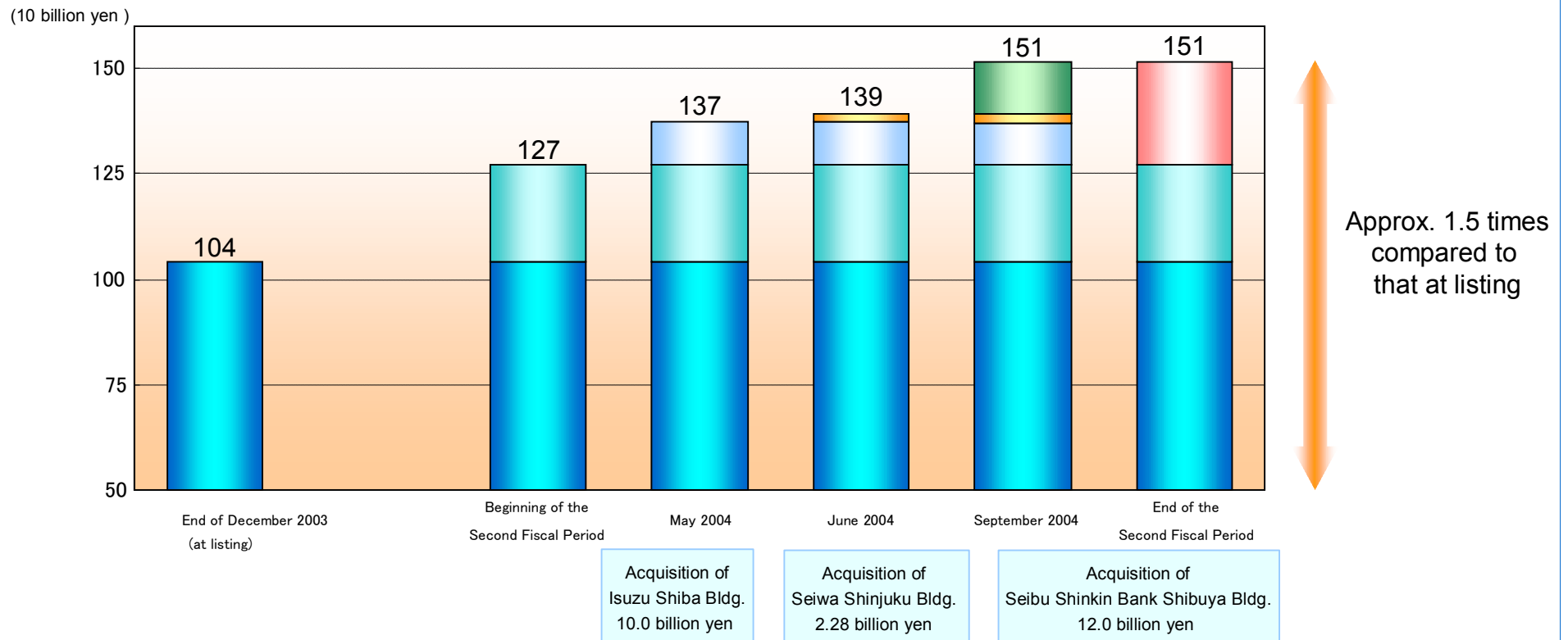
#### (Reference)

Period-end LTV (Total asset base)	37.2%
ROE (Annualized)	5.6%

## Acquisition of Additional Assets

### Investment in Properties that Contribute to Portfolio Stability

New investments of approx. 24.2 billion yen (acquisition price base) for 3 properties during the second fiscal period. (All 3 properties are located in Metropolitan Tokyo)  
 → Portfolio at the end of the second fiscal period : 18 properties / approx. 151.5 billion yen (acquisition price base)





## Portfolio Management

### Portfolio Profitability (NOI Return)

New investment in 3 properties in Metropolitan Tokyo

→ More investment in Metropolitan Tokyo for stable operation

(End of first fiscal period: 69.0% → End of second fiscal period: 74.0%)

→ Lower NOI level compared to that of the first fiscal period due to reduction of profit fluctuation risk

	Budget	Results of Second Fiscal Period
17 property base	6.4%	6.4%
18 property base	-	6.2%

Note: NOI Return = (Rental Revenues- Rental Expenses+ Amortization of Second fiscal Period) / Total Acquisition Price (annualized rate)

### Transition of Portfolio Occupancy Rate

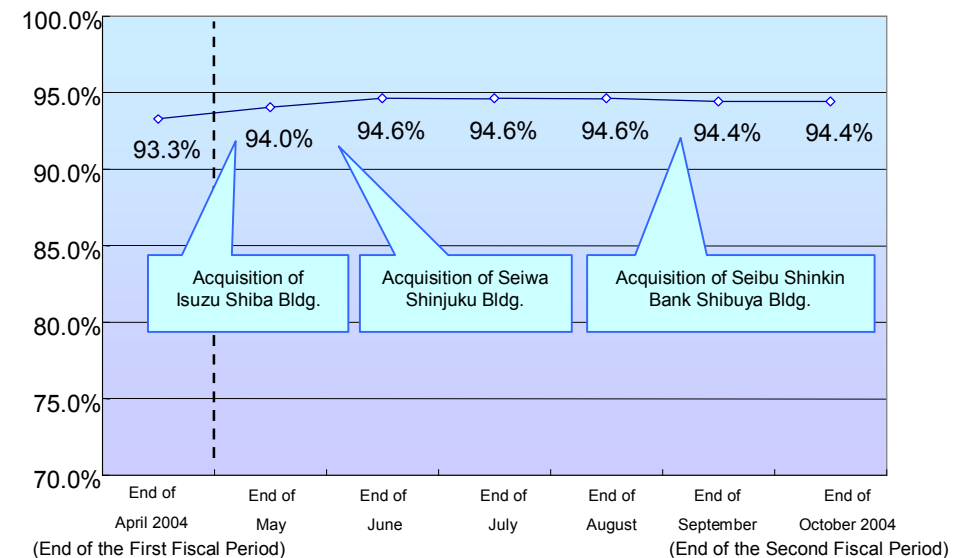
End of first fiscal period (end of April 2004): 93.3%

→ End of the second fiscal period (end of October 2004): 94.4%

(Reference) Starting 15 property base

End of the first fiscal period (end of April 2004): 93.3%

→ End of the second fiscal period (end of October 2004): 95.0%





## Financial Activities

### Public Offering (Public Offering / Third Party Allotment)

- First PO approx. 5 months after listing

No. of new investment units issued: 36,050

Total amount: 20,461 mil yen

(Status after PO)

Total number of investment units issued: 184,650

Total amount of investment: 92,168 mil yen

→ Securing financial capacity for property acquisition and improvement of liquidity of units

Leverage control for conservative LTV level

### Obtaining Ratings (Single As)

- Obtained “Single A” rating from two overseas rating companies

Standard & Poor's	Long-term Corporate Credit Rating	A
	Short-term Corporate Credit Rating	A-1

Moody's	Issuer Rating	A3
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(Both have stable outlooks)

→ Establishment of a highly flexible funding environment with optional issuance of corporate bonds

### Debt Status (End of Second Fiscal Period)

Debt Balance	64.5 billion yen
	(3.5 billion yen to the End of first fiscal period)

Number of Lenders	19 institutions
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LTV	37.2%
<small>(Total assets at the end of second fiscal period: 173.5 billion yen base) (debt / total assets)</small>	

Average remaining borrowing period	2.4 years
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* Long-term liabilities	3.0 years
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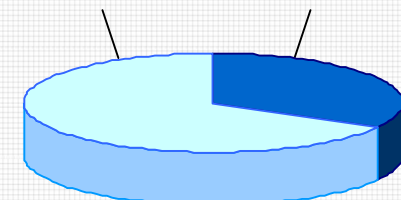
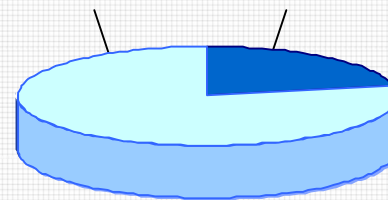
Weighted average interest rate	1.07%
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Short-term / long-term ratio

Variable / fixed ratio

Long-term liabilities	Short-term debt
50.5 billion yen	14.0 billion yen
(78.3%)	(21.7%)

Fixed interest*	Variable interest
43.0 billion yen	21.5 billion yen
(66.7%)	(33.3%)

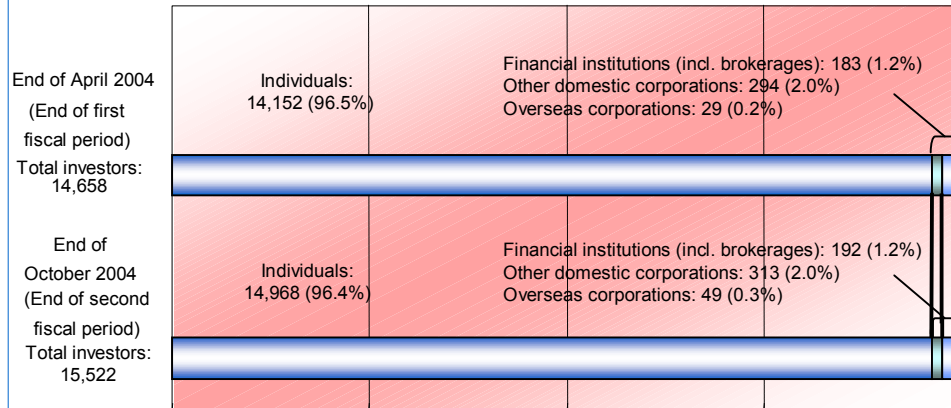


\* Including fixed rates by interest rate swap.

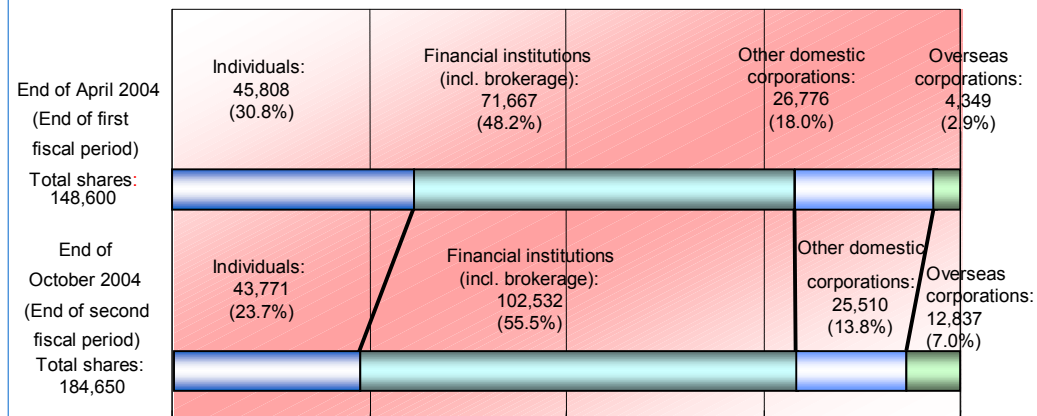


## Shareholder Status

### Number of Shareholders per Owner



### Number of Investment Units per Owner



### Top 10 Investors

	Name of Investor	No. of Shares Owned	Ratio
1	Nomura Real Estate Development Co., Ltd.	10,414	5.6%
2	The Bank of Ikeda., Ltd.	8,707	4.7%
3	Japan Trustee Services Bank, Ltd. (Trust Department)	8,186	4.4%
4	Trust & Custody Services Bank, Ltd. (Security Investment Trust Department)	5,629	3.0%
5	Kawasaki Gakuen	5,000	2.7%
6	The Chugoku Bank, Ltd.	4,919	2.7%
7	American Life Insurance Company GAL (Standing proxy: Citibank, N. A., Tokyo Branch)	4,698	2.5%
8	North Pacific Bank., Ltd.	4,526	2.5%
9	The Master Trust Bank of Japan, Ltd. (Trust Department)	4,459	2.4%
10	Fuji Fire and Marine Insurance Co., Ltd.	3,796	2.1%
	<b>Total</b>	<b>60,334</b>	<b>32.7%</b>

(Reference) Ratio owned by the top 10 investors at the end of the first fiscal period: 29.4%





## Status after Settlement

### Scheduled Acquisition Property in Third Fiscal Period

- Overview of the Property

Name of Property: JAL Building

Location: Higashi-Shinagawa Shinagawa-ku, Tokyo

Total Building Area: 25,260.48 m<sup>2</sup> (7,641.29 tsubo)

(Exclusive area owned via trustees)

Ownership ratio: Approx.51% (ratio of exclusive area)

Date of Acquisition: March 18, 2005

Acquisition Price: 33,080 mil yen

Completion: June 1996 (8 years and 9 months old)

- Characteristics of Site Location

- Tennoz area, easy access to Metropolitan Tokyo and Haneda Airport.
- Improved convenience by development of Shinagawa Station East Exit area

- Characteristics of the Building

- The building is the head-office for the JAL Group
- Damping structure, average floor area: approx. 670 tsubo, ceiling height: 2,700mm
- Individually-controlled air conditioning system, electric capacity: 50VA / m<sup>2</sup>

- Lease Terms

- Long-term stable contract (10 years) with the end tenant (Japan Airlines International Co., Ltd.)





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## 2. Results of the Second Fiscal Period

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## Earnings Statement

Item		First Fiscal Period		Second Fiscal Period		
		Aug. 7, 2003 - Apr. 30, 2004		May 1, 2004 - Oct. 31, 2004		
		Amount (1,000 yen)	Percentage (%)	Amount (1,000 yen)	Percentage (%)	
Recurring Profit and Loss	Operating Revenues and Expenses	Rental Revenues	4,072,606	89.9	5,849,377	87.9
		Rental Revenues	3,120,372	68.9	4,458,746	67.0
		Common-area charges	952,234	21.0	1,390,630	20.9
		Non-rental Revenues	458,457	10.1	807,083	12.1
		Monthly parking revenues	83,998	1.9	129,459	1.9
		Incidental revenues	349,753	7.7	609,820	9.2
		Other rental revenues	22,510	0.5	67,542	1.0
		Miscellaneous	2,195	0.0	261	0.0
		Total Rental Revenues	4,531,064	100.0	6,656,460	100.0
		Rental Expenses	1,847,238	40.8	3,154,267	47.4
	Property Management Fees	592,153	13.1	789,201	11.9	
	Property and other taxes	76,105	1.7	485,569	7.3	
	Utility expenses	410,430	9.1	670,998	10.1	
	Insurance expenses	13,841	0.3	21,877	0.3	
	Repairs and maintenance	37,124	0.8	127,002	1.9	
	Other expenses	51,224	1.1	110,185	1.7	
	depreciation allowance	666,358	14.7	949,432	14.3	
Total Rental Expenses	1,847,238	40.8	3,154,267	47.4		
Rental Profits	2,683,826	59.2	3,502,193	52.6		
Asset Management Fees	276,803	6.1	459,359	6.9		
Selling and Administrative Expenses	93,774	2.1	112,282	1.7		
Operating Profits	2,313,247	51.1	2,930,551	44.0		
Non-Operating Revenues	19,107	0.4	167,073	2.5		
Non-Operating Expenses	804,319	17.8	490,537	7.4		
Interest expense	209,821	4.6	353,647	5.3		
Financing fees	232,833	5.1	47,367	0.7		
New unit issuance expense	87,010	1.9	40,120	0.6		
Listing related expenses	156,746	3.5	-	-		
Initial expenses	100,000	2.2	-	-		
Other non-operating expenses	17,907	0.4	49,401	0.7		
Non-Operating Revenues and Expenses	-785,212	-17.3	-323,464	-4.9		
Current Profits	1,528,035	33.7	2,607,087	39.2		
Net Income Before Taxes	1,528,035	33.7	2,607,087	39.2		
Corporate Tax, Residence Tax, and Enterprise Tax	1,414	0.0	961	0.0		
Adjusted Corporate Tax	-30	0.0	12	0.0		
Net Income	1,526,651	33.7	2,606,113	39.2		
Retained Earnings carried over from previous period	-	-	83	0.0		
Retained Earnings	1,526,651	33.7	2,606,196	39.2		

### Rental Revenues

The Second Fiscal Period started operation with fifteen properties in the portfolio. Isuzu Shiba Bldg. (acquired May 25, 2004), Seiwa Shinjuku Bldg. (acquired June 25, 2004), and Seibu Shinkin Bank Shibuya Bldg. (acquired September 28, 2004) were added, increasing the total number of properties in the portfolio to eighteen at the end of the fiscal period.

Occupancy rate was 93.3% at the end of April 2004, and 94.4% (+1.1%) at the end of the second fiscal period (end of October 2004).

### Property and Other Taxes

As for property and urban planning taxes during the second fiscal period, the amount that corresponds to the period is recorded as expenses for twelve properties acquired at the beginning of the management.

### Repairs and Maintenance

Includes a 511 million yen capital expenditure in addition to 127 million yen in repairs and maintenance fees.



## Balance Sheet

### Assets

Item	First Fiscal Period		Second Fiscal Period	
	As of Apr. 30, 2004		As of Oct. 31, 2004	
	Amount (1,000 yen)	Percentage (%)	Amount (1,000 yen)	Percentage (%)
<b>Current Assets</b>	<b>20,659,351</b>	<b>14.0%</b>	<b>21,418,565</b>	<b>12.3%</b>
Cash and Cash equivalents	5,006,510	3.4%	7,303,972	4.2%
Entrusted Cash and Cash equivalents	13,289,638	9.0%	13,913,477	8.0%
Other current assets	2,363,202	1.6%	201,116	0.1%
<b>Fixed Assets</b>	<b>127,286,859</b>	<b>86.0%</b>	<b>152,126,996</b>	<b>87.7%</b>
<b>Tangible Assets</b>	<b>127,089,952</b>	<b>85.9%</b>	<b>151,815,262</b>	<b>87.5%</b>
<b>Properties in trust</b>	<b>127,089,828</b>	<b>85.9%</b>	<b>151,815,165</b>	<b>87.5%</b>
Buildings	44,684,129	30.2%	48,756,814	28.1%
Land	82,405,699	55.7%	103,058,350	59.4%
Other tangible assets	123	0.0%	96	0.0%
Other tangible assets	123	0.0%	96	0.0%
<b>Intangible Assets</b>	<b>1,463</b>	<b>0.0%</b>	<b>1,762</b>	<b>0.0%</b>
Intangible assets in trust and others	1,463	0.0%	1,762	0.0%
<b>Investments and Others</b>	<b>195,443</b>	<b>0.1%</b>	<b>309,972</b>	<b>0.2%</b>
Rental deposits	10,780	0.0%	10,780	0.0%
Loss on deferred hedge	184,663	0.1%	299,192	0.2%
<b>Total Assets</b>	<b>147,946,210</b>	<b>100.0%</b>	<b>173,545,562</b>	<b>100.0%</b>

#### Cash and Cash Equivalents

	Amount (million yen)
Deposits in Fund's Account	7,303
Rental deposits	1,733
Capital Expenditure reserved	2,810
Other	2,760

#### Deposits in the Name of the Trust Banks' Account

	Amount (million yen)
Deposits in the Name of the Trust Banks' Account	13,913
Rental deposits	10,096
Capital Expenditure reserved	212
Other	3,604

#### Tangible Assets

Amount (million yen)

	Acquisition Price	(Depreciation and Amortization of this period)		Book Value at Term-End
		Depreciation and Amortization	Book Value at Term-End	
Properties in Trust	153,430	1,615	(949)	151,815
Buildings	50,372	1,615	(949)	48,756
Land	103,058	-	-	103,058

### Liabilities

Item	First Fiscal Period		Second Fiscal Period	
	As of Apr. 30, 2004		As of Oct. 31, 2004	
	Amount (1,000 yen)	Percentage(%)	Amount (1,000 yen)	Percentage(%)
<b>Current Liabilities</b>	<b>12,428,912</b>	<b>8.4%</b>	<b>16,120,570</b>	<b>9.3%</b>
Trade accounts payable	239,578	0.2%	322,474	0.2%
Short-term borrowings	10,500,000	7.1%	14,000,000	8.1%
Accounts Payable	565,787	0.4%	755,379	0.4%
Rent received in advance	986,168	0.7%	1,041,675	0.6%
Other current liabilities	137,377	0.1%	1,040	0.0%
<b>Fixed Liabilities</b>	<b>62,284,147</b>	<b>42.1%</b>	<b>62,650,315</b>	<b>36.1%</b>
Long-term liabilities	50,500,000	34.1%	50,500,000	29.1%
Deposits from tenants	11,599,483	7.8%	11,851,123	6.8%
Derivative liabilities	184,663	0.1%	299,192	0.2%
<b>Total Liabilities</b>	<b>74,713,059</b>	<b>50.5%</b>	<b>78,770,886</b>	<b>45.4%</b>
<b>Shareholders' capital</b>	<b>71,706,500</b>	<b>48.5%</b>	<b>92,168,480</b>	<b>53.1%</b>
Retained earnings	1,526,651	1.0%	2,606,196	1.5%
<b>Total Unit Holder Equity</b>	<b>73,233,151</b>	<b>49.5%</b>	<b>94,774,676</b>	<b>54.6%</b>
<b>Total Liabilities and Unit Holder Equity</b>	<b>147,946,210</b>	<b>100.0%</b>	<b>173,545,562</b>	<b>100.0%</b>

#### Debt Financing

Interest bearing debt (million yen) 64,500

Asset to interest bearing debt ratio  $\left( \frac{\text{debt} + \text{corporate bonds}}{\text{total asset}} \right)$  37.2%

Long-term interest bearing debt ratio  $\left( \frac{\text{long-term liabilities}}{\text{long-term liabilities} + \text{short-term borrowings}} \right)$  78.3%



## Cash Distribution

### Cash Distribution

Item	First Fiscal Period	Second Fiscal Period
	Aug. 7, 2003 - Apr. 30, 2004	May 1, 2004- Oct. 31, 2004
Retained earnings (1,000 yen)	1,526,651	2,606,196
Cash distribution (1,000 yen)	1,526,567	2,606,150
Cash distribution per unit (yen)	10,273	14,114
Retained earnings carried forward(1,000 yen)	83	46

#### ● Cash Distribution

For the second fiscal period, substantially all of the retained earnings were distributed to the 184,650 issued and outstanding investment units. Dividend per unit was 14,114 yen.

### Comparison with the Forecast

Item	Forecast	Actual	Difference	Difference (%)
	Amount announced on June 28, 2004	Results of the Second Fiscal Period		
Operating revenue (mil yen)	6,600	6,656	56	0.9
Current Profits (mil yen)	2,383	2,607	224	9.4
Net Income (mil yen)	2,382	2,606	224	9.4
Cash distribution per unit (yen)	12,900	14,114	1,214	9.4

#### ● Difference between Actual and Forecasts

##### ● Operating Revenues

Seibu Shinkin Bank Shibuya Bldg., a newly acquired property in the second fiscal period, contributed to the profit (39 mil yen increase)  
Increase in operation by 17 properties (17 mil yen increase)

##### ● Operating Expenses

Expenses due to accelerated repair plan (45 mil yen increase)  
Reduction of expenditures (60 mil yen reduction)

##### ● Non-Operating Expenses

Expenditures incurred for restorations to original states (119 mil yen)



## Financial Indicators

Financial Indicators		First Fiscal Period	Second Fiscal Period
Return on Assets (ROA)	(%)	1.1	1.6
(Annualized)	(%)	2.8	3.1
Return on Equity (ROE)	(%)	2.1	2.8
(Annualized)	(%)	5.2	5.6
Capital Adequacy Ratio (Term End)	(%)	49.5	54.6
Loan to Value Ratio (LTV1)	(%)	41.2	37.2
Loan to Value Ratio (LTV2)	(%)	47.9	42.6
Debt Service Coverage Ratio (DSCR)	(x)	11.45	11.05
Net Operating Income (NOI)	(mil yen)	3,350	4,451
Funds from Operation (FFO)	(mil yen)	2,193	3,555

ROA = Recurring Profit/Average of Total Assets during the period  
(Annualized actual days under management : 148 for first fiscal period, 184 days for second fiscal period)

ROE = Net Income for the Term/Average Balance of Stockholders' Equity for the Term

( Annualized actual days under management : 148 for the first fiscal period, 184 days for second fiscal period )

Capital Adequacy Ratio = Term-end Stockholder Equity / Term-end Total Assets

LTV1 = Term-end Interest Bearing Debt/Term-end Total Assets

LTV2 = Term-end Interest Bearing Debt/Total Acquisition Prices

DSCR = Net Income before Interest/Interest Expenses

NOI = Rental Income – Rental Expenses + Amortization for the Term

FFO = Net Income + Amortization



## Cash Flow Statement (Reference)

Item	First Fiscal Period	Second Fiscal Period
	Aug. 7, 2003 -Apr. 30, 2004	May 1, 2004-Oct. 31, 2004
	Amount (1,000 yen)	Amount (1,000 yen)
<b>I. Cash Flow from Operating Activities</b>		
Income before income taxes	1,528,035	2,607,087
Depreciation and amortization	666,358	949,432
Interest income	-41	-116
Interest expense	209,821	353,647
Rental receivables	-106,869	-22,097
Consumption tax refundable	-2,145,478	2,145,478
Trade accounts payable	239,578	82,896
Other payables	354,559	72,856
Consumption tax refundable	-	18,599
Increase/decrease in prepayments received	986,168	55,507
Increase/decrease in deposits received	137,377	-136,337
Other	-110,765	38,625
<b>Subtotal</b>	<b>1,758,744</b>	<b>6,165,580</b>
Interest received	41	116
Interest paid	-	-332,799
Corporate tax paid	-	-1,429
Cash Flow from Operating Activities	1,758,786	5,831,467
<b>II. Cash Flow from Investing Activities</b>		
Payments for purchases of properties	-165	-
Payments for purchases of entrusted tangible fixed assets	-127,756,112	-25,610,057
Purchases of intangible assets	-1,495	-351
Payments for lease deposits received	-467,541	-895,966
Proceeds from lease deposits received	12,066,957	1,147,673
Payment for rental deposits received	-10,780	-
Cash Flow from Investment Activities	-116,169,137	-25,358,701
<b>III. Cash Flow from Financing Activities</b>		
Proceeds from short-term borrowings	10,500,000	3,500,000
Proceeds from long-term borrowings	50,500,000	-
Proceeds from investment unit issuance	71,706,500	20,461,980
Payments of dividends	-	-1,513,445
Net Cash provided by Financing Activities	132,706,500	22,448,534
<b>IV. Net Increase in Cash and Cash Equivalents</b>	<b>18,296,148</b>	<b>2,921,300</b>
V. Cash and Cash Equivalents at beginning of Period	-	18,296,148
<b>VI. Cash and Cash Equivalents at end of Period</b>	<b>18,296,148</b>	<b>21,217,449</b>



## Debt Financing

As of the end of the second fiscal period (end of Oct., 2004)

	Lender	Amount	Interest Rate Type	Interest Rate	Maturity	Remarks
Short-term debt	6 Financial Institutions	3.5 bn yen	Floating	0.47917% p.a. (Sep. 27, 2004 - Nov. 27, 2004)	Nov. 29, 2004	Unsecured Unguaranteed
	7 Financial Institutions	8.5 bn yen	Floating	0.49750 % p.a. (Jun. 9, 2004 – Dec. 8, 2004)	Dec. 8, 2004	
	1 Financial Institutions	2.0 bn yen	Floating	0.50000% p.a. (Aug. 27, 2004 – Feb. 28, 2005)	Feb. 26, 2005	
Subtotal	10 Financial Institutions	14.0 bn yen	-	-	-	-
Long-term debt	5 Financial Institutions	7.5 bn yen	Floating	0.60000% p.a. (Aug. 27, 2004 – Feb. 28, 2005)	Feb. 26, 2006	Unsecured Unguaranteed
	9 Financial Institutions	12.5 bn yen	Adjusted (Note 1)	1.14500% p.a. (Weighted average interest rate adjusted with effects of interest rate swap (adjustment of interest rate))	Dec. 8, 2006	
	6 Financial Institutions	7.5 bn yen	Adjusted (Note 2)	1.22500% p.a. (Weighted average interest rate adjusted with effects of interest rate swap (adjustment of interest rate))	Feb. 26, 2008	
	5 Financial Institutions	8.0 bn yen	Adjusted (Note 1)	1.66750% p.a. (Weighted average interest rate adjusted with effects of interest rate swap (adjustment of interest rate))	Dec. 8, 2008	
	1 Financial Institutions	3.0 bn yen	Adjusted (Note 2)	1.77500% p.a. (Weighted average interest rate adjusted with effects of interest rate swap (adjustment of interest rate))	Feb. 26, 2010	
	2 Financial Institutions	3.0 bn yen	Fixed	1.04500% p.a.	Dec. 8, 2006	
	1 Financial Institutions	3.0 bn yen	Fixed	1.05250% p.a.	Feb. 26, 2008	
	4 Financial Institutions	5.0 bn yen	Fixed	1.51625% p.a.	Dec. 8, 2008	
	1 Financial Institutions	1.0 bn yen	Fixed	1.50625% p.a.	Feb. 26, 2010	
Subtotal	18 Financial Institutions	50.5 bn yen	-	-	-	-
Total	19 Financial Institutions	64.5 bn yen	-	-	-	-

Note 1: Interest rate swap agreement effective as of Dec. 8, 2003.

Note 2: Interest rate swap agreement effective as of May 27, 2004.





## Third Fiscal Period Forecasts

Item	Second Fiscal Period	Third Fiscal Period Forecast
	(mil yen)	(mil yen)
Rental revenues	5,849	6,300
Other rental revenues	807	715
<b>Total Rental Revenues</b>	<b>6,656</b>	<b>7,015</b>
Outsourcing expenses	789	860
Property and other taxes	485	481
Utility expenses	670	596
Insurance expenses	21	21
Repairs and Maintenance	127	137
Other expenses	110	74
Depreciation	949	1,034
<b>Total Rental Expenses</b>	<b>3,154</b>	<b>3,206</b>
<b>Rental Profits</b>	<b>3,502</b>	<b>3,808</b>
<b>Asset Management Revenues</b>	<b>459</b>	<b>525</b>
Selling and Administrative Expenses	112	142
<b>Operating Revenues and Expenses</b>	<b>2,930</b>	<b>3,140</b>
<b>Non-Operating Revenues</b>	<b>167</b>	<b>-</b>
<b>Non-Operating Expenses</b>	<b>490</b>	<b>554</b>
<b>Non-Operating Revenues and Expenses</b>	<b>-323</b>	<b>-554</b>
<b>Current Profits</b>	<b>2,607</b>	<b>2,586</b>
<b>Net Income Before Taxes</b>	<b>2,607</b>	<b>2,586</b>
Corporate Tax, Residence Tax, and Enterprise Tax	0	1
<b>Net Income</b>	<b>2,606</b>	<b>2,585</b>
<b>Retained Earnings</b>	<b>2,606</b>	<b>2,585</b>
<b>Issued and outstanding units at end of fiscal period (units)</b>	<b>184,650</b>	<b>184,650</b>
<b>Cash distribution per unit</b>	<b>14,114 yen</b>	<b>14,000 yen</b>

- Rental Revenues

The third fiscal period will commence with 18 properties under management. The forecast assumes the JAL Building (March 18, 2005) to be the sole acquisition for the period.

- Property and other taxes

Property tax and urban planning tax for the 12 initial portfolio properties have been listed as expenses for the third fiscal period.

Property and other taxes are not listed as expenses for Kanda Iwamoto-cho Tosei Building, Surugadai Plaza Building, Tennozu Park Side Building, Isuzu Shiba Building, Seiya Shinjuku Building, and Seibu Shinkin Bank Shibuya Bldg., which were acquired in 2004, and the JAL Building, which is to be acquired on March 18, 2005, as the amount was settled with the previous owner and included in the acquisition price.



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Office Fund



### 3. Portfolio Status

NOMURA REAL ESTATE OFFICE FUND

### Isuzu Shiba Bldg.

- Overview of the Property

Location: Shiba Minato-ku, Tokyo

Total Site Area: 11,425.20m<sup>2</sup> (3,456.12 tsubo)

(Area recorded in registry book)

Acquisition Date: May 25, 2004

Acquisition Price: 10,000 mil yen

- Characteristics of Site Location

- Located midway between Shinagawa and Otemachi
- Easy access to Haneda Airport, Shinkansen lines, and highways

- Characteristics of the Building

- A large property: Average floor area: 381 tsubo, ceiling height: 2,600mm
- Floor plan enables flexible office layout.
- Individually-controlled air conditioning system, electric capacity: 40VA / m<sup>2</sup>



### Seiwa Shinjuku Bldg.

- Overview of the Property
  - Location: Sendagaya Shibuya-ku, Tokyo
  - Total Site Area: 3,160.05m<sup>2</sup> (955.91 tsubo)  
(Area recorded in registry book)
  - Acquisition Date: June 25, 2004
  - Acquisition Price: 2,280 mil yen
- Characteristics of Site Location
  - Located in rapidly developing Shinjuku Station South Exit area
  - 4-minute walk to Shinjuku Station, Tokyo Metro 13<sup>th</sup> Line will commence operation in the future.
- Characteristics of the Building
  - Average floor area: 99 tsubo, ceiling height: 2,500mm
  - Individually-controlled air conditioning system on each floor, electric capacity: 28VA / m<sup>2</sup>
  - Suitable for one floor use contracts



## Second Fiscal Period Property Acquisition (Seibu Shinkin Bank Shibuya Bldg.)

### Seibu Shinkin Bank Shibuya Bldg.

- Overview of the Property
  - Location: Udagawa-cho Shibuya-ku, Tokyo
  - Total Site Area: 5,358.55m<sup>2</sup>(1,620.96 tsubo)  
(Area recorded in registry book)
  - Acquisition Date: September 28, 2004
  - Acquisition Price: 12,000 mil yen
- Characteristics of Site Location
  - Located in the center of “Shibuya”, one of the largest commercial areas in Japan
  - 3-minute walk to “Shibuya” station, access to 7 lines including the JR lines, Tokyu-Toyoko line, and Tokyo Metro Ginza line
  - High visibility location on a corner facing “Park Street” with many department stores and shops
- Characteristics of the Building
  - Ground floor to the 3<sup>rd</sup> floor can be used for commercial use
  - Symbolic appearance with glass curtain wall
  - Exclusive entrance for office areas





## Portfolio List

As of End of Second Fiscal Period (end of October 2004)

Property	Location	Completion	No. of Floors (aboveground)	Total Site Area (m <sup>2</sup> ) (Note1)	Rentable Area (m <sup>2</sup> )	Leased Floor Space (m <sup>2</sup> )	Occupancy Rate	Total No. of Tenants	Average Floor Area (m <sup>2</sup> )	Air Conditioning System (Coverage)	Ceiling Height (m)	PML (Note 2)	Acquisition Date	Acquisition Price (mil yen)
Metropolitan Tokyo	Shinjyuku Nomura Bldg.	Nishi-Shinjyuku Shinjyuku-ku	May 1978	50 floors 117,258.88 (Entire building)	31,804.43	30,705.42	96.5%	87	1,262.37	Each ¼ of floor	2,600	5%	Dec. 2003	38,730
	Itopia Nihonbashi Bldg.	Honcho Nihonbashi Chuo-ku	Apr. 1961 Extended in 1968.4	8 floors 29,430.67	19,233.28	18,903.62	98.3%	12	2,615.23	Each span	2,650	14%	Dec. 2003	20,600
	Tennozu Park Side Building	Higashi-Shinagawa Shinagawa-ku	Jan. 1995	21 floors 17,587.30 (Exclusive area owned)	18,051.60	17,832.58	98.8%	14	1,331.14	Each ¼ of floor	2,650	6%	Feb. 2004	14,800
	Seibu Shinkin Bank Shibuya Bldg.	Udagawa-cho Shibuya-ku	Sep. 1987	8 floors 5,358.55	3,273.80	2,628.38	80.3%	2	442.38	Each span	2,500	12%	Sep. 2004	12,000
	Isuzu Shiba Bldg.	Shiba Minato-ku	Mar. 1991	7 floors 11,425.20	8,165.08	6,904.67	84.6%	9	1,260.41	Each span	2,600	14%	May 2004	10,000
	Shinagawa NF Bldg.	Higashi-Shinagawa Shinagawa-ku	Nov. 1987	8 floors 10,077.02	7,850.99	7,850.99	100.0%	5	928.29	Each floor	2,600	11%	Dec. 2003	5,500
	Surugadai Plaza Building	Surugadai Kanda Chiyoda-ku	Apr. 1997	8 floors 5,782.27	4,160.94	4,160.94	100.0%	1	626.33	Each ½ of floor	2,700	6%	Feb. 2004	5,150
	Kanda Iwamoto-cho Tosei Building	Iwamoto-cho Chiyoda-ku	Jul. 1988	9 floors 4,698.97	4,076.38	3,596.31	88.2%	7	480.07	Each floor	2,550	14%	Feb. 2004	3,080
	Seiwa Shinjyuku Bldg.	Sendagaya Shibuya-ku	Mar. 1986	8 floors 3,160.05	2,464.71	2,464.71	100.0%	5	327.66	Each floor	2,500	12%	Jun. 2004	2,280
Vicinity of Tokyo	T.T. Landic Toyo-Cho Bldg.	Shinsuna Koto-ku	Nov. 1989	7 floors 18,051.08	18,218.17	18,218.17	100.0%	1	1,986.46	Each span	2,550	14%	Dec. 2003	7,550
	Technoport Kamata B	Minami-Kabata Ota-ku	Sep. 1990	11 floors 21,516.54 (Exclusive area owned)	13,683.46	11,669.20	85.3%	11	1,148.45	Each span	2,650	10%	Dec. 2003	6,430
	Faret Tachikawa Center Square	Akebono-cho Tachikawa-shi	Dec. 1994	12 floors 6,865.80 (Exclusive area owned)	6,853.38	6,853.38	100.0%	16	1,099.32	Each ¼ of floor	2,600	10%	Dec. 2003	3,290
	Shin-Yokohama Nikko Bldg.	Kita-ku Yokohama-shi	Oct. 1990	9 floors 11,149.99	8,074.83	8,074.83	100.0%	3	940.84	Each span	2,500	17%	Dec. 2003	3,600
Other Cities	Utsunomiya NF Bldg.	Baba st. Utsunomiya-shi	Dec. 1999	10 floors 10,479.63	5,887.40	5,657.58	96.1%	26	664.68	Each span	2,700	5%	Dec. 2003	2,970
	Nomura Osaka Bldg.	Chuo-ku Osaka-shi	Dec. 1983	12 floors 23,522.82	16,977.79	14,588.63	85.9%	23	1,336.52	Each span Auxiliary AC	2,500	19%	Dec. 2003	6,410
	Nomura Yotsubashi Bldg.	Nishi-ku Osaka-shi	Nov. 1991	15 floors 16,845.87	11,558.68	11,008.35	95.2%	16	797.35	Each span Auxiliary AC	2,650	13%	Dec. 2003	3,940
	Kobe Kaigan Bldg.	Chuo-ku Osaka-shi	Feb. 1998	16 floors 10,292.93	6,427.01	5,378.77	83.7%	24	528.43	Each span	2,600	7%	Dec. 2003	3,280
	Nomura Hiroshima Bldg.	Naka-ku Hiroshima-shi	Jul. 1976	9 floors 11,950.37	7,911.73	7,234.46	91.4%	15	1,047.54	Each span Auxiliary AC	2,450	16%	Dec. 2003	1,930
<b>Total</b>					<b>194,673.65</b>	<b>183,730.99</b>	<b>94.4%</b>	<b>277</b>				<b>7.7%</b>		<b>151,540</b>

Note 1: Total site area is based on the information in registry book

Note 2: PML ratings are based on an assessment by Shimizu Corporation for all properties.



# Portfolio Diversity

## Location Diversity (based on acquisition price)



## Portfolio Diversity (based on acquisition price)





## Tenant Data (Top 10 Tenants, Industry Breakdown, Stability)

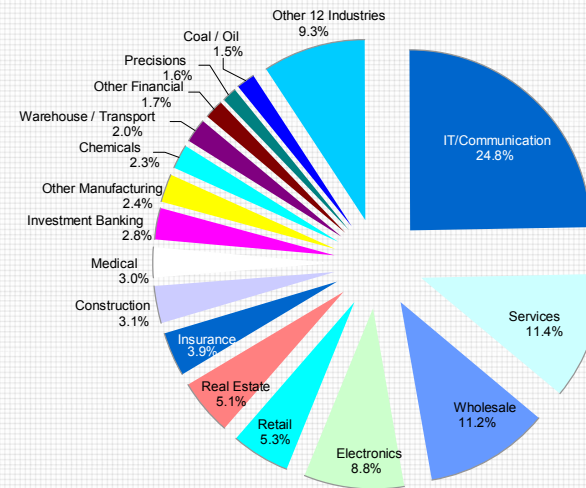
### Top 10 Tenants

End of the second fiscal period (end of October 2004) \* Based on leased floor space

	Tenant	Industry	Property	Leased Floor Space (m <sup>2</sup> )	Percentage in Portfolio (%)	(Reference) As of the End of First Fiscal Period
1	XYMAX Corporation	Real Estate	T.T. Landic Toyo-Cho Bldg.	18,218.17	9.9	10.8
2	FUJITSU LIMITED	Electronics	Technoport Kamata B	2,296.90	1.3	1.4
			Faret Tachikawa Center Square	501.35	0.3	0.3
3	Nomura Real Estate Development Co., Ltd.	Real Estate	Shinjuku Nomura Bldg.	6,547.74	3.6	2.6
			Nomura Osaka Bldg.	3,601.65	2.0	2.1
			Nomura Yotsubashi Bldg.	206.65	0.1	0.1
4	Nomura Facilities, Inc.	Real Estate	Nomura Hiroshima Bldg.	1,266.19	0.7	0.8
			Shinjuku Nomura Bldg.	574.11	0.3	0.3
			Utsunomiya NF Bldg.	1,072.69	0.6	0.6
5	FUJI XEROX OFFICE SUPPLY	Wholesale	Surugadai Plaza Bldg.	2,834.48	1.5	1.7
6	Ito-Yokado Co., Ltd.	Retail	Technoport Kamata B	4,160.94	2.3	2.5
7	Corporate Software Limited Co., Ltd.	IT/Communication	Tennozu Park Side Bldg.	3,652.38	2.0	2.2
8	Venture Link Co., Ltd.	Service	Ito-Topia Nihonbashi Bldg.	3,598.83	2.0	1.9
9	DAIKEN CORPORATION	Other Manufacturing	Ito-Topia Nihonbashi Bldg.	3,352.29	1.8	2.0
10	Hitachi Software Engineering Co., Ltd.	IT/Communication	Nomura Osaka Bldg.	3,221.93	1.8	1.9
	<b>Total</b>			<b>57,621.11</b>	<b>31.4</b>	<b>32.6</b>

### Industry Breakdown

End of the second fiscal period (end of October 2004) \* Per leased floor space



Note: Breakdown based on sub-lessee's industry in case the space is sublet.

### Tenant Stability

Percentage of stable contracts (remaining lease term of three years or longer) at the end of the second fiscal period (end of October 2004): 16.6% (per leased floor space)





## Move-Ins / Outs (Second Fiscal Period )

- Portfolio Occupancy Rate (End of Second Fiscal Period)

15 properties at the beginning of the period (95.0%, +1.7%)

18 properties at the end of the period (94.4%, +1.1%)

Both increased compared to the end of the first fiscal period

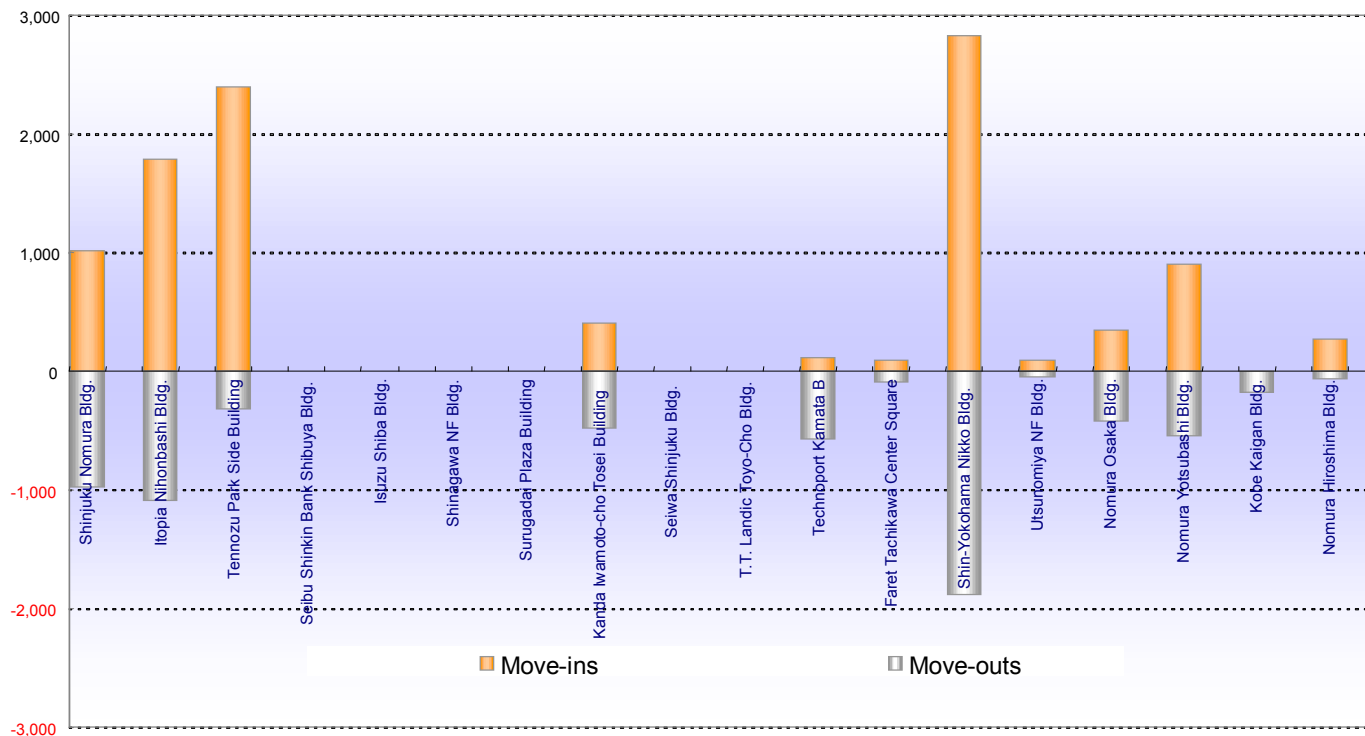
→ Area that corresponds to move-ins / outs during the period  
move-ins exceeds move-outs by 3,533m<sup>2</sup> (1,068 tsubo)

- Breakdown of Move-Ins / Outs area

Move-outs area: 2,019 tsubo: 3.5% of weighted average floor space during the period

Move-ins area: 3,088 tsubo: 5.3% of weighted average floor space during the period

→ Managed within the extent of normal tenant circulation





## Income and Expenditure per Property

(1,000 yen)

Item	Shinjuku Nomura Bldg.	Itohia Nihonbashi Bldg.	Tennozu Park Side Bldg.	Seibu Shinkin Bank Shibuya Bldg.	Isuzu Shiba Bldg.	Shinagawa NF Bldg.	Surugadai Plaza Bldg. *	Kanda Iwamoto-cho Tosei Building	Seiwa Shinjuku Bldg.	T.T. Landic Toyo-Cho Bldg. *
Number of Days in Operation	184 days	184 days	184 days	34 days	160 days	184 days	184 days	184 days	129 days	184 days
Rental Revenues	1,727,421	797,738	737,865	39,850	250,538	258,895	-	125,357	62,753	-
Rental revenues (incl. common area charges)	1,520,103	756,524	611,001	32,765	217,140	221,661	-	113,930	51,087	-
Other revenues	207,317	41,213	126,864	7,085	33,398	37,233	-	11,427	11,665	-
Rental Expenses	857,976	281,703	367,466	8,280	89,641	107,735	-	34,280	23,194	-
Property Management Fees	196,571	68,985	146,935	804	13,902	20,687	-	9,796	5,562	-
Property and other taxes	189,635	42,305	116	-	5	16,911	-	7	470	-
Utility expenses	223,978	58,003	36,664	-	19,618	24,683	-	7,553	6,936	-
Insurance expenses	3,983	1,664	5,983	62	587	645	-	288	146	-
Repairs and Maintenance	28,574	1,384	7,962	-	6,289	12,094	-	672	2,075	-
Other expenses	41,950	15,238	9,689	223	3,362	994	-	511	1,267	-
Depreciation	173,282	94,121	160,114	7,190	45,874	31,719	-	15,451	6,736	-
Rental Profits	869,444	516,035	370,399	31,569	160,897	151,159	-	91,076	39,558	-
Net operating income (NOI)	1,042,727	610,156	530,514	38,760	206,772	182,878	-	106,528	46,294	-

Item	Technoport Kamata B	Faret Tachikawa Center Square	Shin-Yokohama Nikko Bldg. *	Utsunomiya NF Bldg.	Nomura Osaka Bldg.	Nomura Yotsubashi Bldg.	Kobe Kaigan Bldg.	Nomura Hiroshima Bldg.	Total of 18 Properties
Number of Days in Operation	184 days	184 days	184 days	184 days	184 days	184 days	184 days	184 days	
Rental Revenues	399,099	232,858	-	170,473	475,013	315,613	191,345	207,025	6,656,460
Rental revenues (incl. common area charges)	339,420	207,095	-	137,294	405,651	276,893	154,753	182,529	5,849,377
Other revenues	59,679	25,763	-	33,178	69,362	38,719	36,592	24,495	807,083
Rental Expenses	228,505	129,478	-	107,346	236,902	164,388	112,105	96,403	3,154,188
Property Management Fees	51,747	35,101	-	27,635	64,686	44,497	25,874	28,474	789,201
Property and other taxes	38,261	14,514	-	17,273	45,747	32,964	18,230	20,006	485,569
Utility expenses	51,297	42,064	-	18,308	54,937	37,127	26,980	22,020	670,998
Insurance expenses	1,224	620	-	715	1,421	985	855	680	21,877
Repairs and Maintenance	16,364	70	-	732	17,679	4,238	2,041	8,523	127,002
Other expenses	3,849	5,205	-	3,971	4,357	2,670	3,784	6,410	110,185
Depreciation	65,760	31,901	-	38,708	48,072	41,903	34,338	10,288	949,432
Rental Profits	170,593	103,380	-	63,126	238,111	151,224	79,240	110,621	3,502,193
Net operating income (NOI)	236,353	135,281	-	101,834	286,184	193,128	113,578	120,910	4,451,625

\* Rental operating revenues and expenses are not disclosed for these properties as a result of unavoidable circumstances.

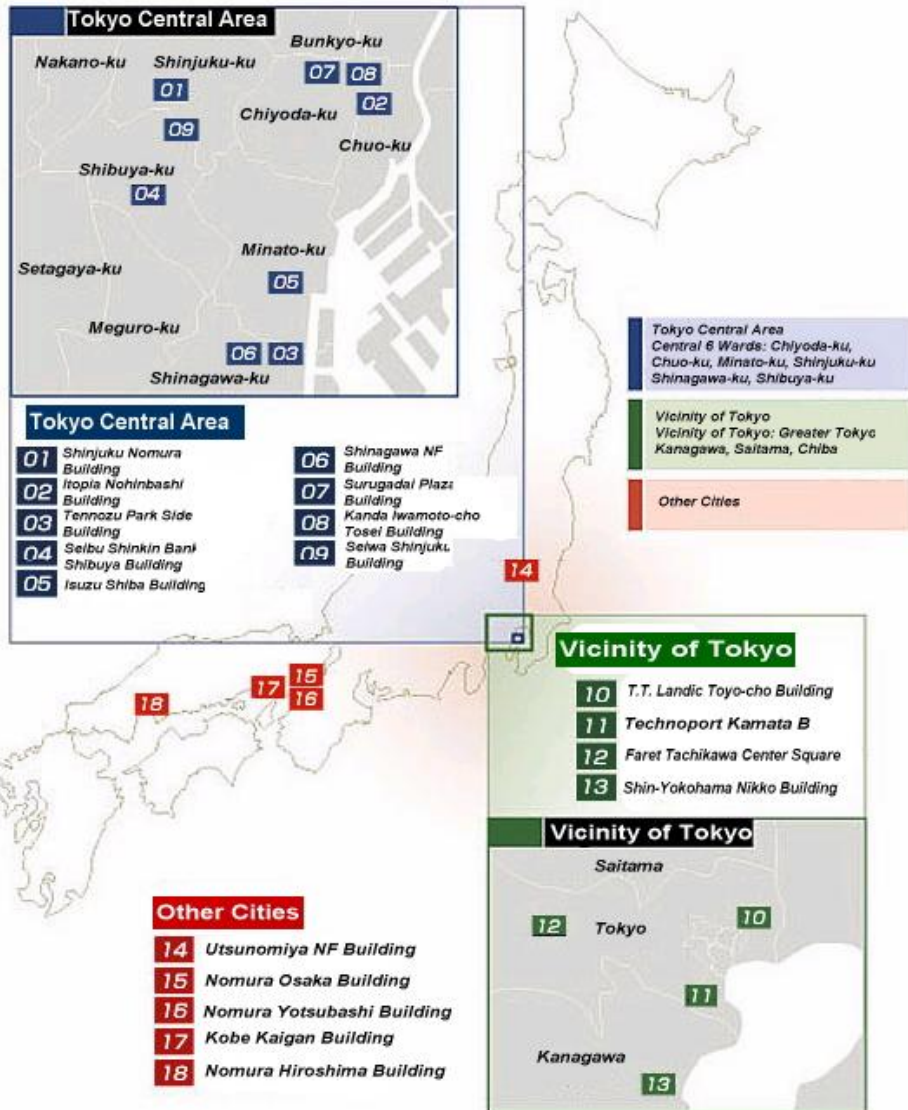


## Period-End Value

Property		Amount on Balance Sheet at the End of the Second Fiscal Period (mil yen)	Amount at the End of the First Fiscal Period or Current Amount (mil yen)	Amount at the End of the Second Fiscal Period (mil yen)	Increase / Decrease (%)	Acquisition Price (mil yen)
Metropolitan Tokyo	Shinjuku Nomura Bldg.	38,650	38,300	38,400	0.3%	38,730
	Itoya Nihonbashi Bldg.	20,555	20,400	20,400	0.0%	20,600
	Tennozu Park Side Building	14,687	14,800	14,700	-0.7%	14,800
	Seibu Shinkin Bank Shibuya Bldg.	12,388	12,000	12,000	0.0%	12,000
	Isuzu Shiba Bldg.	10,339	10,000	10,000	0.0%	10,000
	Shinagawa NF Bldg.	5,458	5,360	5,390	0.6%	5,500
	Surugadai Plaza Building	5,299	5,220	5,220	0.0%	5,150
	Kanda Iwamoto-cho Tosei Building	3,100	3,180	3,150	-0.9%	3,080
	Seiwa Shinjuku Bldg.	2,286	2,280	2,300	0.9%	2,280
	<b>Metropolitan Tokyo Total</b>	<b>112,766</b>	<b>111,540</b>	<b>111,560</b>	<b>0.1%</b>	<b>112,140</b>
Vicinity of Tokyo	T.T. Landic Toyo-Cho Bldg.	7,429	7,610	7,610	0.0%	7,550
	Technoport Kamata B	6,487	6,520	6,530	0.2%	6,430
	Faret Tachikawa Center Square	3,247	3,350	3,450	3.0%	3,290
	Shin-Yokohama Nikko Bldg.	3,555	3,630	3,470	-4.4%	3,600
	<b>Vicinity of Tokyo Total</b>	<b>20,720</b>	<b>21,110</b>	<b>21,060</b>	<b>-1.3%</b>	<b>20,870</b>
Other Cities	Utsunomiya NF Bldg.	2,905	2,970	3,080	3.7%	2,970
	Nomura Osaka Bldg.	6,366	6,540	6,560	0.3%	6,410
	Nomura Yotsubashi Bldg.	3,900	4,030	4,130	2.5%	3,940
	Kobe Kaigan Bldg.	3,224	3,230	3,200	-0.9%	3,280
	Nomura Hiroshima Bldg.	1,930	1,980	1,910	-3.5%	1,930
<b>Other Cities Total</b>	<b>18,327</b>	<b>18,750</b>	<b>18,880</b>	<b>2.0%</b>	<b>18,530</b>	
<b>Total</b>	<b>151,815</b>	<b>151,400</b>	<b>151,500</b>	<b>0.8%</b>	<b>151,540</b>	



# Portfolio Map





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## 4. Future Asset Management Policies

NOMURA REAL ESTATE OFFICE FUND



# Asset Management Performance of the Third Fiscal Period (to Date) (Result of JAL Building Acquisition)

Note: All values are based on no additional asset before acquisition of JAL Building (March 2005)

## Improvement of Portfolio Stability

- Securement of long-term stable income from prime tenants

End tenant: Japan Airlines International Co., Ltd.  
(To be used as the head-office building of JAL Group)  
Contract detail: Long-term stable contract

(No termination allowed for 10 years during the contract period.)

- Ratio of stable contracts

(remaining lease term of three years or longer)



Note: Per leased floor space

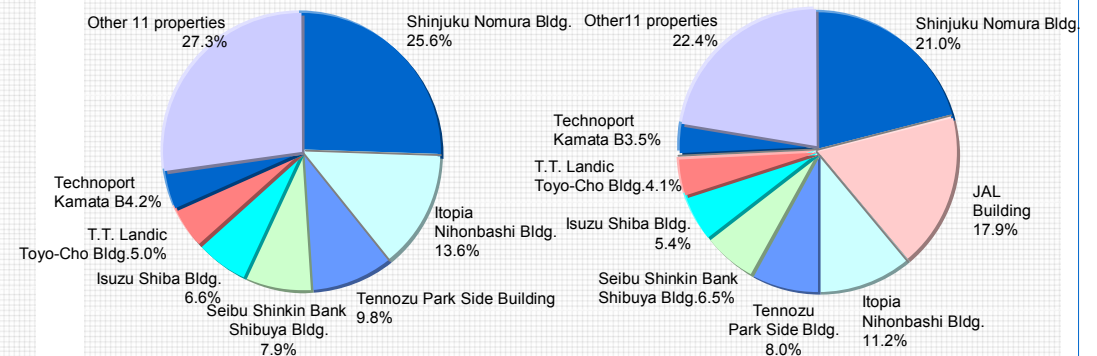
## Development of Portfolio Diversity

- Development of Further Portfolio Diversity

Shinjuku Nomura Bldg.

End of second fiscal period: 25.6% → After acquisition of JAL Building: 21.0%  
▲ 18%

End of second fiscal period (end of October 2004) → After acquisition of JAL Building



## Increase of Reserve Cash-Flow Capacity for Capital Expenditures

Ratio of capital expenditure (CAPEX) in depreciation:



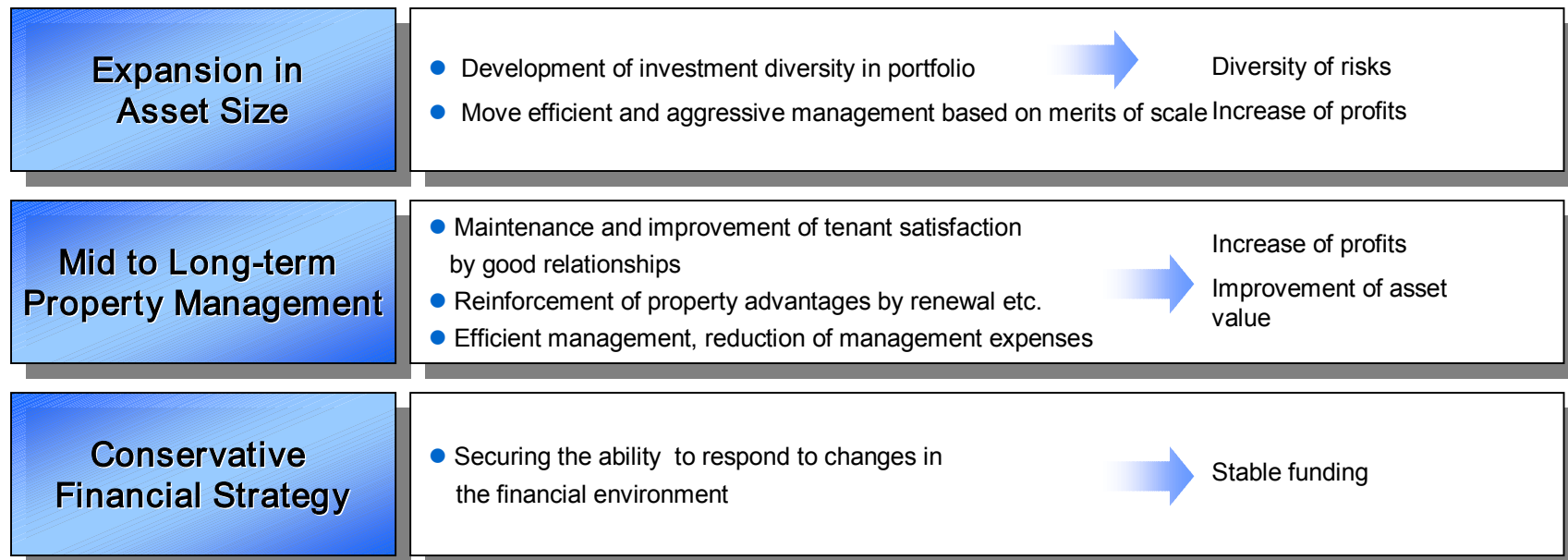
Note: CAPEX is the annualized average based on capital expenditure in Engineering Report for 12 years.

(Reference) Transition of average year-old



## Basic Asset Management Policy

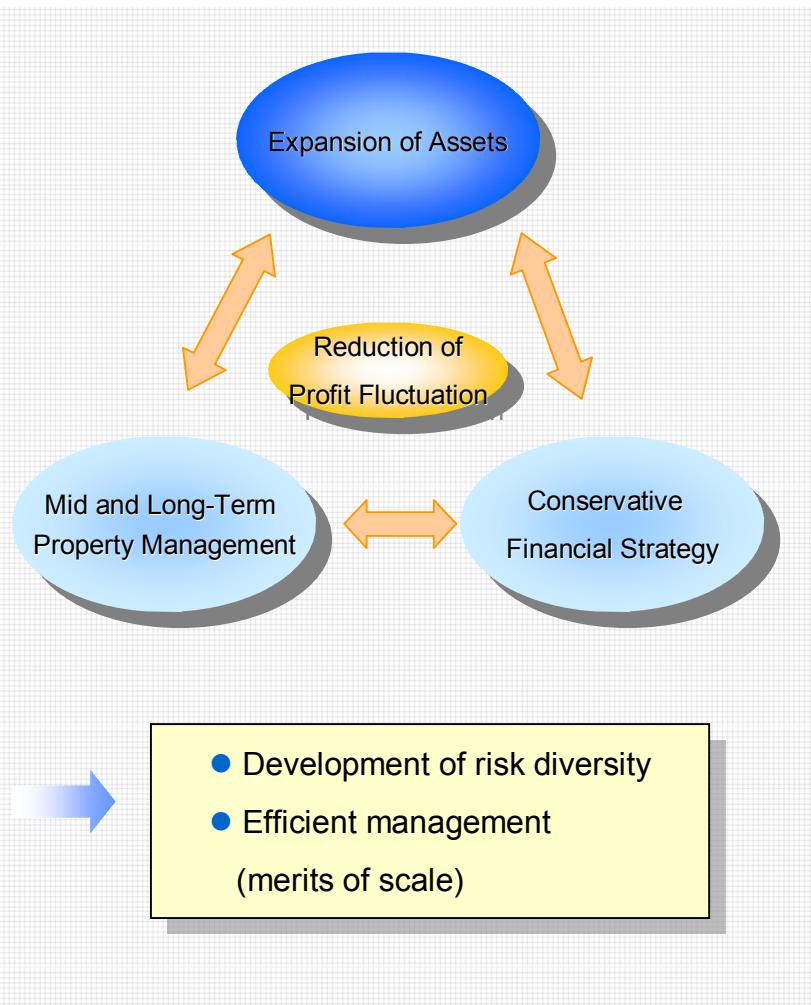
Basic Policy :      **Securement of mid and long-term stable income**      **Steady growth of in asset size**





## Expansion in Asset Size (Market Conditions)

### Expansion in Asset Size



### Market Conditions

- Increasingly Severe Acquisition Environment

- Capital influx to real estate market is increasing.  
(Influx of capitals from new investors such as pension funds)
- Market players are increasing.  
(Participation of new players (private funds, etc.))

- Prime Properties Supplied to the Market Remains the Same

Information on properties for sale increased greatly compared to the previous period.



Unqualified properties as investment targets increased.

- Disconformities of risks and returns
- Unqualified site condition
- Excessive additional investment required

Second Fiscal Period

(Reference) No. of information on properties for sales (May 2004 – Oct. 2004)

Month	2004						Total of second fiscal period	(Reference) Results of first fiscal period
	May	June	July	Aug.	Sept.	Oct.		
No. of Info.	186	249	213	117	165	283	1,213	636

Properties reviewed	203
---------------------	-----


Properties in review	12
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## Expansion in Asset Size (Portfolio Development Policy)

### Investment Area / Area Allocation

- Investment area  
(three major metropolitan areas, government-designated cities, etc.)
- Area allocation (diversified investment)


 Maintain the current policy

#### Allocation of Each Area

Area	End of Second Fiscal Period (End of October 2004)	After Acquisition of JAL Building	Allocation Target
Metropolitan Tokyo	74.0%	78.7%	60-80%
Tokyo Suburbs	13.8%	11.3%	10-20%
Other Regional Cities	12.2%	10.0%	10-20%

As the result of priority on investing in properties in Metropolitan Tokyo.  
(Second fiscal period: 24.2 billion yen , third fiscal period:  
33.0 billion yen expected)

→ Stable portfolio profit / increase of ratio of Metropolitan Tokyo

 Consideration of an appropriate allocation balance

### Important Points when Selecting a Property

Criteria: Prime site and basic characteristics of the building  
+ availability of risk management



Site (convenience): Easy access to transportation means, office accumulations, etc.

Building (basic characteristics): Average floor area, basic structure, etc.

Specification (comfort): Air conditioning system, IT environment, external design, etc.

### Important Points for Building Portfolio

#### Checkpoints when adding a property to portfolio

Investment diversity (area, investment amount per property, tenant industry)

Portfolio NOI (NOI level, balance of stability and risks)

Ratio of long-term stable contract (balance of stability and aggressive management)

Internal reserve (balance of capital expenditure and depreciation etc.)



# Expansion in Asset Size (Enhancements of Property Acquisition Performance)

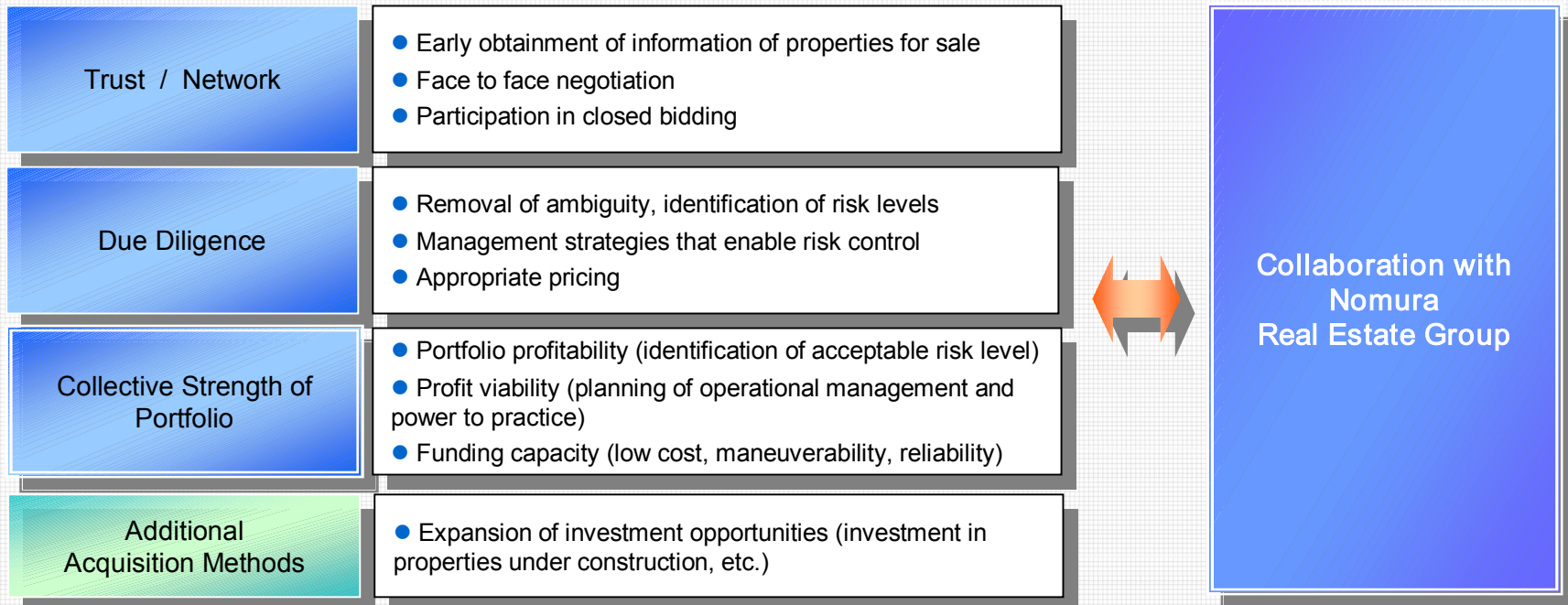
## Enhancements of Property Acquisition Performance

Track Record in Acquisition: Investment for 6 properties (47.3 billion yen) in approx. 1 year after listing



Reinforcement of acquirement performance in order to continue investment for prime properties.

- Reinforcement of “advantages” of the Fund
- Additional acquisition methods



## Expansion in Asset Size (Portfolio Acquisition Channels)

Acquisition Channel	Major Properties				
Properties owned by or developed by Nomura Real Estate	 <p>Shinjuku Nomura Bldg.</p>	 <p>Nomura Osaka Bldg.</p>	 <p>Nomura Yotsubashi Bldg.</p>	 <p>Faré Tachikawa Center Square</p>	 <p>Tennozu Park Side Bldg.</p>
				1 other property	
Properties for which information received from and properties brokered by Nomura Real Estate Group	 <p>Itopia Nishinobu Bldg.</p>	 <p>T.T. Landic Toyo-Cho Bldg.</p>	 <p>Kanda Iwamoto-cho Tosei Bldg.</p>	 <p>Seiwa Shinjuku Bldg.</p>	 <p>JAL Building</p>
		5 other properties			
Properties for which information was received from external sources	 <p>Surugadai Plaza Building</p>	 <p>Izumi Shiba Bldg.</p>	 <p>Seibu Shinkin Bank Shibuya Bldg.</p>		

- Properties acquired in the first fiscal period (after listing)
- Properties acquired in the second fiscal period
- Properties to be acquired in the third fiscal period



# Expansion in Asset Size (Target Asset Size)

## Achievement of Target

Target at listing (Dec. 2003):  
Total assets of 200 billion yen by March 2006

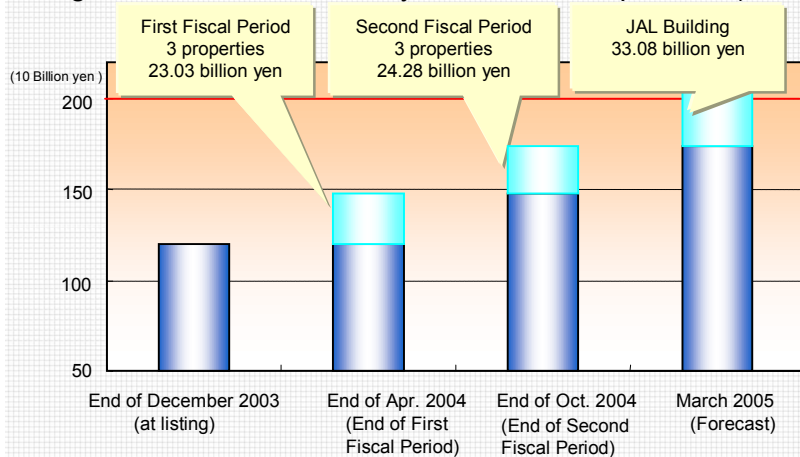
End of October 2004 (end of second fiscal period):  
Total assets: Approx. 173.5 billion yen



March 2005 (third fiscal period):  
JAL Building to be acquired.  
(Acquisition price: 33.08 billion yen )



Target will be achieved one year earlier than planned (forecast).



Note: Amounts in the balloons are based on acquisition price.

## New Targets

1. Development of investment diversity in the portfolio
  - Improvement of stability of portfolio profits
  - Less than 10% for the core properties of "Shinjuku Nomura Bldg." class
2. To become a favorite choice for investors
  - Improvement of liquidity
  - Improvement of stability and recognition
  - Expansion of investor types
  - To 300 billion yen scale (market capitalization)

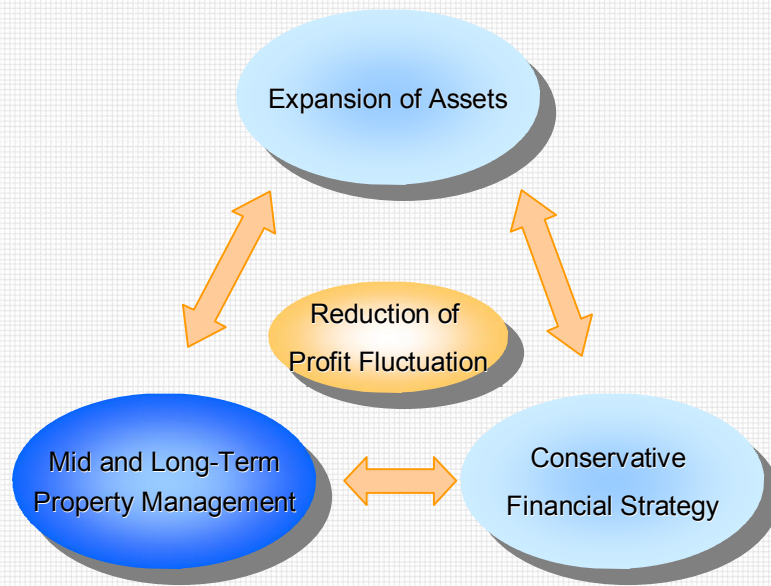


Asset Size Target: Total assets of 500 billion yen  
(The outline target of the Fund)



# Mid- to Long-Term Property Management (Market Conditions)

## Mid- to Long-Term Property Management



- Leasing based on characteristics of each property
- Securing competitiveness of the property
- Reinforcement of efficient management
- Improvement of tenant satisfaction

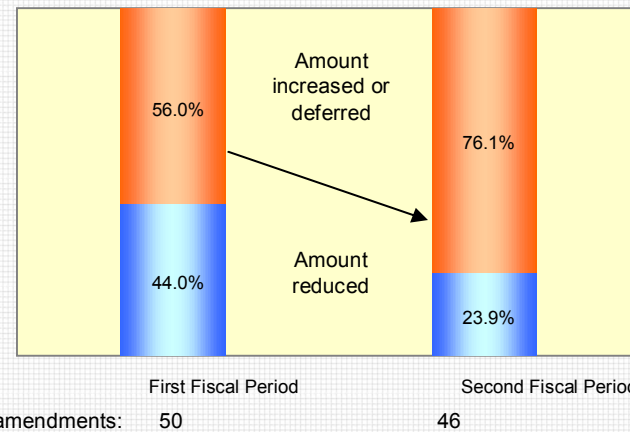


- Reinforcement of profitability
- Improvement of asset value

## Market Conditions

- Significant decrease of rent reduction

Ratio of reduction at the time of contract amendment during the period. (entire portfolio)



- New contract rent increased in the second fiscal period

- Increase of new contract rent for Shinjuku Nomura Bldg. (weighted average rent)

First fiscal period: + 4.7%

(No. of newly contracted rents: 5 in the first fiscal period, 7 in the second fiscal period)

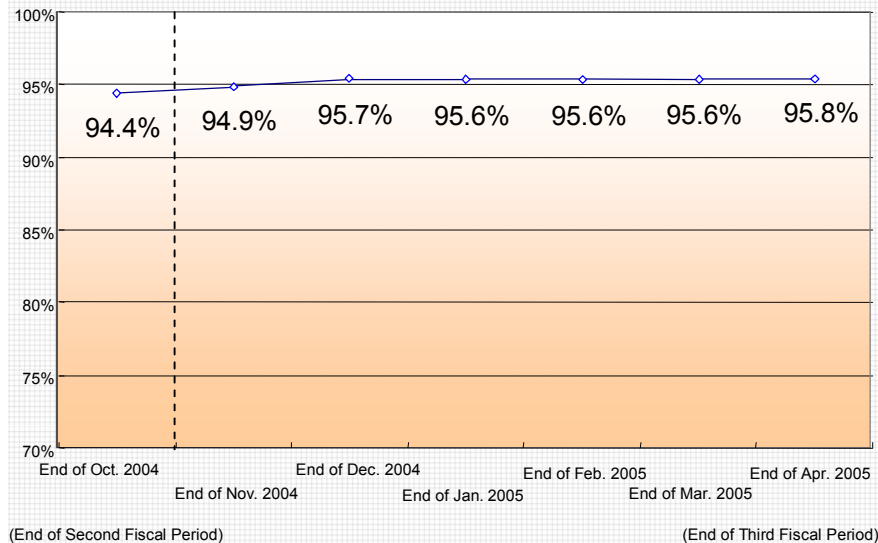
- No. of all other new contracts: 3 in the first fiscal period, increased to 15 in the second fiscal period



## Mid- to Long-Term Property Management (Leasing Policy)

### Portfolio Occupancy Rate

Forecast for the third fiscal period (Nov. 2004 – Apr. 2005)  
(Based on 18 properties at the beginning of the third fiscal period)



Transition at approx. 95% level is expected.

Note: The above values are forecasts based on conclusion or notification for termination of current contracts as of Dec. 22, 2004 and do not guarantee future occupancy rates.

### Leasing Policy

Basic policy: Mid- to long-term maximization of performance

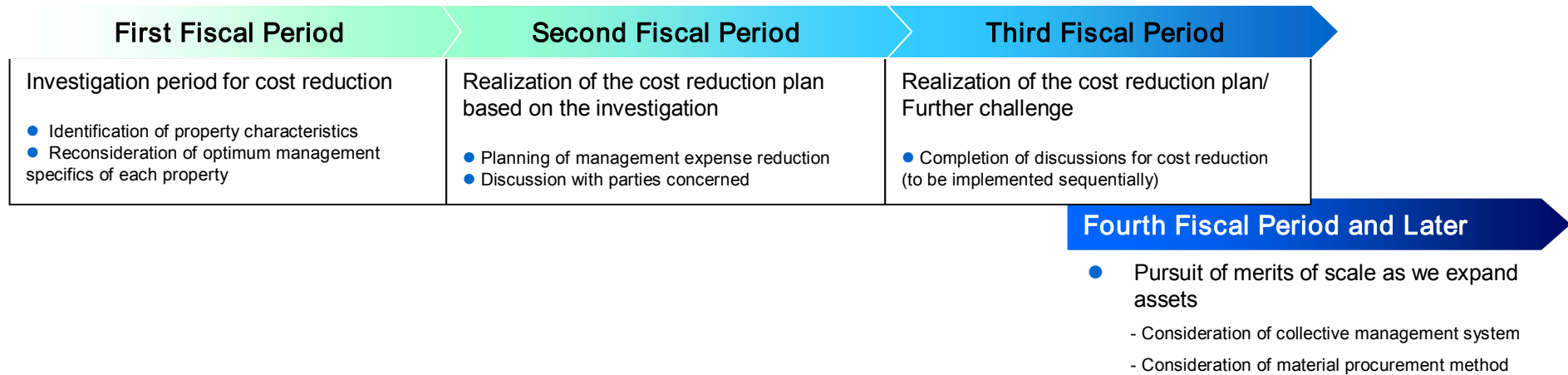
Property	Operating Rate at the End of Nov.	Leasing Policy
Seibu Shinkin Bank Shibuya Bldg.	80.3 %	Renewal work for lower floors (B1 / 1F) are scheduled (third fiscal period) → Attract tenants to maximize performance
Technoport Kamata B	84.9 %	Renewal work done to correspond with the special needs of the back office → Aggressive attraction of new tenants
Nomura Osaka Bldg.	85.3 %	Vacancies and rent level of neighborhood buildings (of the same scale) are recovering. → Start attracting new tenants
Isuzu Shiba Bldg.	88.2 %	Average floor area: 381 tsubo (an advantage of this building) → Place priority on attracting large tenants
Kanda Iwamoto-cho Tosei Building	88.2 %	(Early lease up)

\* The above 5 properties have the lowest occupancy rate.



# Mid- to Long-Term Property Management (Efficient Management)

## Realization of Moderate Operating Management Expenses



## Reduction Targets (Negotiation Status to Date)

Target value (Contract details will be changed in the third fiscal period.)	Negotiation Status to Date (Decisions Made)
Maintenance expenses: 5%	Maintenance expenses: 4.0%
Utilities: 2% (Basic price excluding volume-dependent price)	Utilities: 1.7% (Basic price excluding volume-dependent price)
2.5% reduction of rental expenses including other expenses (excluding depreciation)	2.0% reduction of rental expenses including other expenses. (excluding depreciation)
Note: Based on 15 properties at the time when the target was set (end of first fiscal period)	



# Mid- to Long-Term Property Management for (Renewal Policy)

## Concept of Renewals

Basic Policy : Mid- to long-term securement of competitiveness

Maintenance of functions

Improvement of functions

Improvement of Comfort / Luxury Feeling

Shinjuku Nomura Bldg. (Part of commercial areas)  
Seiwa Shinjuku Bldg. (Entrance, etc.)  
Nomura Osaka Bldg. (Entrance, etc.)

## Major Works to Be Commenced in Third Fiscal Period

Property	Work Detail	Estimate
Shinjuku Nomura Bldg.	Renewal of commercial area and common area, renewal of common area on standard floors (third fiscal period)	240 mil yen * 174 mil yen
Itopia Nihonbashi Bldg.	Installment of individually-controlled air conditioning system in rooms for rent, and renewals of storm drain	* 70 mil yen 20 mil yen
Seibu Shinkin Bank Shibuya Bldg.	Renewal of B1 and 1F	* 280 mil yen
Seiwa Shinjuku Bldg.	Renewal of common area interior on the 1 <sup>st</sup> floor	* 18 mil yen
Nomura Osaka Bldg.	Renewal of common area interior	42 mil yen
Nomura Hiroshima Bldg	Anti-seismic reinforcement	240 mil yen
<b>Total</b>		<b>1,084 mil yen</b>

Note: Including works to be completed in the fourth fiscal period.  
Note: Amounts indicated with \* are already reserved initial CAPEX.

## Renewal Works of Second Fiscal Period (Isuzu Shiba Bldg.)



Before Renewal

Entrance Hall



After Renewal



Before Renewal

Standard Floor EV Hall



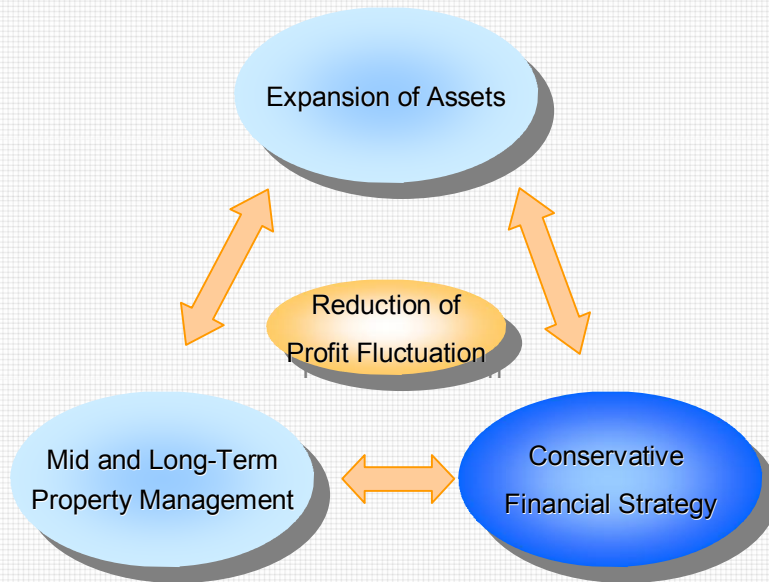
After Renewal





# Conservative Financial Strategy (Market Conditions / Basic Policy)

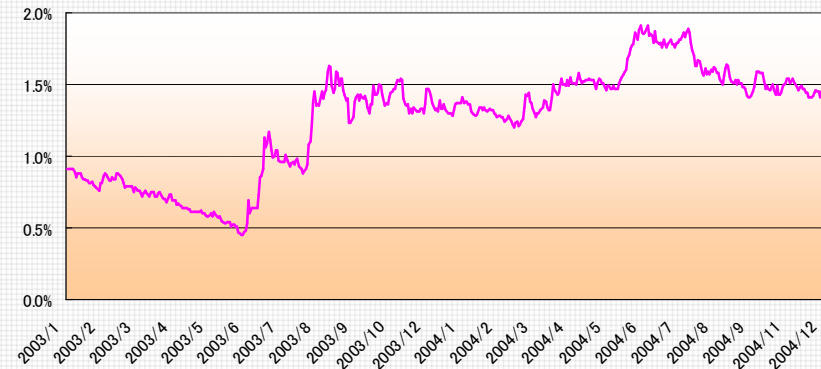
## Conservative Financial Strategy



- Conservative LTV level
- Securing stability and flexibility
- Realization of continuous funding

## Market Conditions

Transition of long-term interest rate (return of 10-year national security) (Jan. 2003 – Dec. 2004)



Transition at approx. 1.5% - 1.8% level is expected.

## Basic Financial Policy

Longer borrowing period / promotion of fixed interest rate



Selection of the optimum procurement method from a wide range of choices including issuance of corporate bonds.



# Conservative Financial Strategy (Financial Status)

## Securement of Stability and Flexibility

- LTV level (ratio of interest-bearing debt, based on total assets)

Results at the end of the second fiscal period: 37.2%

(▲4.1% compared to the end of the first fiscal period)



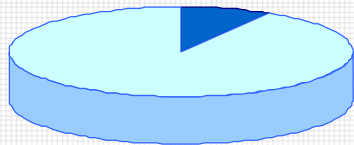
Continuation of conservative management

- Ratio of long-term debt and fixed interest rate (end of Dec. 2004)

Short-term / long-term ratio

Long-term debt  
59.0 billion yen  
(91.5%)

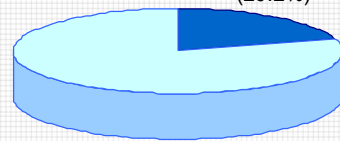
Short-term debt  
5.5 billion yen  
(8.5%)



Variable / fixed ratio

Fixed interest rate\*  
51.5 billion yen  
(79.8%)

Float interest rate  
13.0 billion yen  
(20.2%)

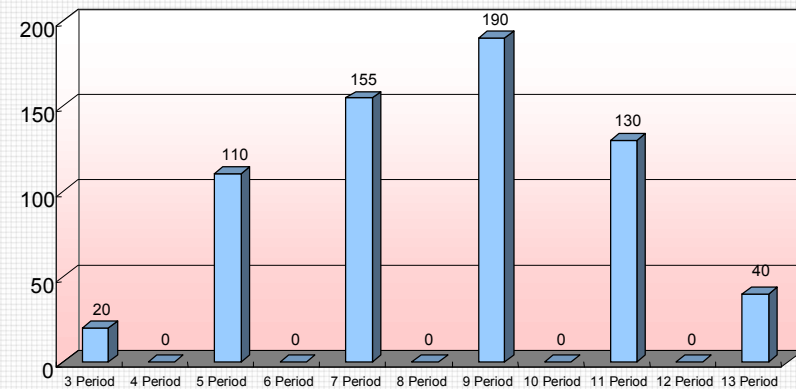


\* Including fixed rates by interest rate swap.

- Loans from Various Financial Institutions / Diversified Maturity Dates (end of Dec. 2004)

- Numbers of Lenders: 19 financial institutions
- Average remaining borrowing period: 2.6 years (2.8 years only for long-term debt)

Diversity of Maturity



- Weighted average interest rate 1.14%



NOMURA  
Office Fund



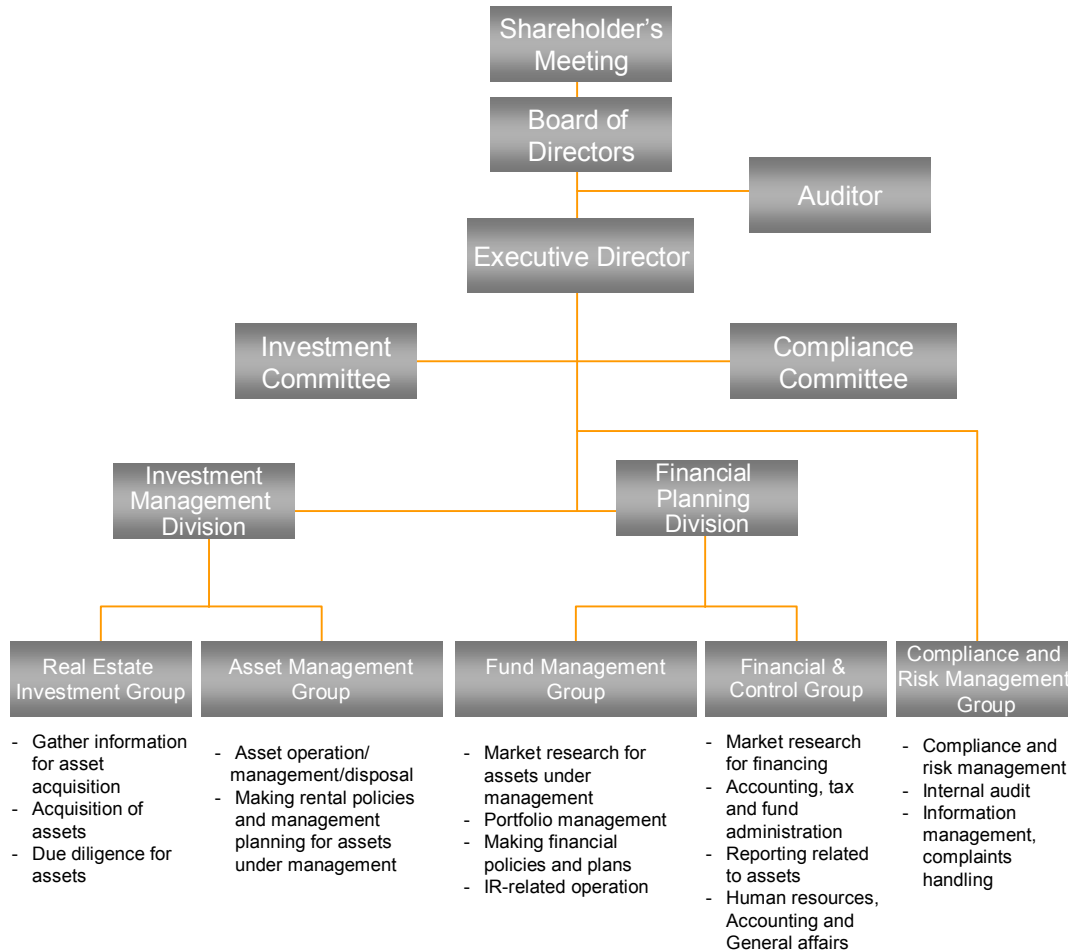
## Appendix

NOMURA REAL ESTATE OFFICE FUND



## Overview of the Management Company

### Organization Chart



### Corporate Data

**【Business Name】**

Nomura Real Estate Asset Management Co., Ltd.

**【Address】**

8-5-1 Nishi-shinjuku, Shinjuku-ku, Tokyo

**【Incorporation】**

January 24, 2003

**【Paid-in Capital】**

300 million yen

**【Shareholder】**

Nomura Real Estate Holdings Co., Ltd. (100%)

**【Number of Directors】**

18 (excluding non-executive directors)

**【Directors】**

Executive Director Yasutoshi Akiyama

Deputy Executive Director Yuichi Maruko

Director (External) Taka Uematsu

Auditor (External) Hiroyuki Kimura

**【Business Description】**

Real Estate Investment Trust (REIT) asset management business

◆REIT Asset Management License: Prime Minister's Office Approval No. 28

◆Discretionary Representative License: Land, Infrastructure and Transport Minister's Office License No.18

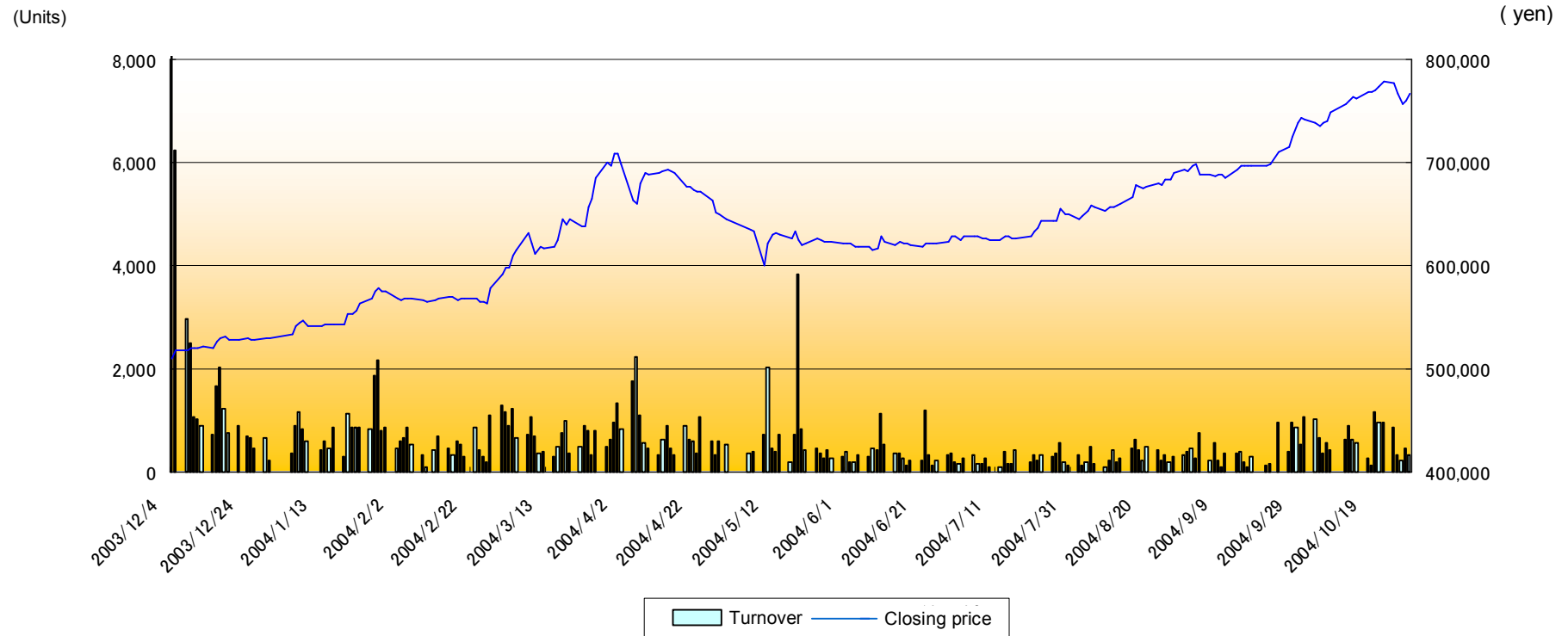
◆Real Estate Broker's License: Tokyo Governor's Office License(1) No. 81679



## Transition of Unit Price

Highest and lowest price in the second fiscal period (May – Oct. 2004)

Highest: 779,000 yen, lowest: 591,000 yen (May 6, 2004 – Oct. 29, 2004, based on transaction value)



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