



Moody's upgrades Nomura Real Estate Office Fund to A2 from A3

Tokyo, November 17, 2006 -- Moody's Investors Service has upgraded to A2 from A3 the issuer rating and senior unsecured long-term debt rating of Nomura Real Estate Office Fund, Inc. (NOF). This concludes the review initiated on July 25, 2006. The rating outlook is stable.

The upgrade reflects Moody's view that [1] NOF's portfolio has grown diversified accordingly with its external growth, [2] during its growth phase, NOF has maintained a conservative financial policy in its efforts to de-leverage through public offerings, and [3] the company has accomplished a leading position in the Japanese Real Estate Investment Trust (J-REIT) market.

As of end-October 2006, NOF had achieved six months earlier than scheduled the portfolio growth target (JPY 200 billion by April 2006) that it set in July 2004, when Moody's assigned its issuer rating. Also as of end-October, its portfolio had reached 30 properties and JPY 259.1 billion based on purchase price – the fourth largest among listed J-REITs – allowing it to enjoy scale advantages.

Accordingly, the portfolio has grown more diversified, with the top three properties making up 35.7% of the portfolio, and the top property – Shinjuku Nomura Building – at 14.9%. Consequently, Moody's concern at the time of rating assignment regarding concentration in the top three properties has been mitigated. Furthermore, by taking such measures to strengthen competitiveness as renovating the Shinjuku Nomura Building, NOF is attracting more tenants and stabilizing cash flow. It has set a new external growth target of JPY 500 billion, but has not set an annual acquisition target amount or any timing for the overall growth target to be attained.

As per its financial policy, NOF has conservatively controlled its leverage through three public offerings. It has also borrowed an increasing number of fixed income loans, and agreed with lenders to establish a commitment line for the repayment of debts, to mitigate financial and interest rate risks.

Moody's has confirmed that NOF's investment strategy is to pursue sustainable growth, but that it will not be bound by any specific pace of growth. NOF plans to adapt to changes in the property investment environment through careful selection of properties and to continue to establish a portfolio that will generate stable cash flow in the medium to long term. Moody's expects NOF to maintain its conservative financial policy and reasonable financial flexibility.

Nomura Real Estate Office Fund, Inc. is a Japanese Real Estate Investment Trust listed in December 2003 that focuses on investing in and managing office buildings. Its revenues totaled approximately JPY 9.8 billion in the fiscal half-year ended April 2006.

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