



NOMURA
Office Fund

December 12, 2013

For Immediate Release

Nomura Real Estate Office Fund, Inc.
Yoshiyuki Ito, Executive Director
(Securities Code: 8959)

Asset Management Company:
Nomura Real Estate Asset Management Co., Ltd.
Yasuaki Fukui, President and Chief Executive Officer
Inquiries:
Tadanori Irie, Chief Investment Officer, NOF
TEL: +81-3-3365-0507

Nomura Office Fund Announces Financial Results for the Fiscal Period Ended October 31, 2013

[Nomura Real Estate Office Fund, Inc.](http://www.nre-of.co.jp/english/) (“Nomura Office Fund”, “NOF” or the “Fund” hereafter) (TSE: 8959) (URL: <http://www.nre-of.co.jp/english/>), announces its financial results for the twentieth fiscal period (May 1, 2013 to October 31, 2013).

1. Outline of Financial Results for the Fiscal Period Ending October 31, 2013

(Omit fractions under one million yen)

(1) Operating Results (Ratio of increases and decreases in comparison with the previous period)

	Operating Revenues		Operating Profits		Ordinary Income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Period Ended						
October 31, 2013	12,378	(-2.3)	5,127	(-7.5)	3,636	(-9.7)
April 30, 2013	12,673	(-0.2)	5,544	(1.1)	4,027	(2.9)

	Net Income		Net Income per Unit	ROE (Return on Equity)(Note 1)	ROA (Return on Assets) (Note 2)	Ordinary Income to Operating Revenues Ratio
	Millions of yen	(%)	yen	%	%	%
Period Ended						
October 31, 2013	3,635	(-9.7)	10,413	1.8	0.9	29.4
April 30, 2013	4,026	(2.9)	13,195	2.1	1.0	31.8

(Note 1) ROE is equal to a fiscal period's Net Income / {(Net Assets at the beginning of the period + Net Assets at the end of the period) / 2} × 100.

As for October 31, 2013, Net Assets were time-adjusted due to the additional issuance of investment units.

(Note 2) ROA is equal to a fiscal period's Ordinary Income / {(Total Assets at the beginning of the period + Total Assets at the end of the period) / 2} × 100.

As for October 31, 2013, the Total Assets were time-adjusted due to the additional issuance of investment units.

(2) Distributions

	Cash Distributions per Unit (Note1)	Total Cash Distributions	Distributions in Excess of Net Income per Unit	Distributions in Excess of Net Income	Payout Ratio (Note2)	Distributions to Net Asset Ratio
	yen	Millions of yen	yen	Millions of yen	%	%
Period Ended						
October 31, 2013	10,000	3,725	0	0	102.4	1.7
April 30, 2013	12,412	3,787	0	0	94.0	2.0

(Note 1) Payout ratio is calculated as follows since new investment units were issued through public offering and the number of investment units issued and outstanding was changed during the 20th fiscal period (rounded off to the first decimal place):

Payout ratio = Total Cash Distributions (excluding distribution in excess of earnings) ÷ Net income × 100

(Note 2) Cash Distributions per Unit for the period ended October 31, 2013 is calculated by dividing the amount after adding the reversal of the provision of reserve for reduction entry (¥89 million) to inappropriate retained earnings by the number of investment units issued and outstanding. Cash Distributions per Unit for the period ended April 30, 2013 is calculated by dividing the amount after deducting the provision of reserve for reduction entry (¥239 million) to inappropriate retained earnings by the number of investment units issued and outstanding.

(3) Financial Position

	Total Assets	Net Assets	Capital Adequacy Ratio	Net Assets per Unit
Period Ended	<u>Millions of yen</u>	<u>Millions of yen</u>	<u>%</u>	<u>yen</u>
October 31, 2013	404,207	215,405	53.3	578,188
April 30, 2013	393,914	189,581	48.1	621,329

(4) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Period
Period Ended	<u>Millions of yen</u>	<u>Millions of yen</u>	<u>Millions of yen</u>	<u>Millions of yen</u>
October 31, 2013	4,326	-11,891	7,294	27,052
April 30, 2013	8,935	-1,609	-7,360	27,324

2. Forecasts of Financial Results for the Fiscal Period Ending April 30, 2014 (From November 1, 2013 to April 30, 2014)

	Operating Revenues	Operating Profits	Ordinary Income	Net Income	Cash Distributions per Unit	Distributions in Excess of Net Income per Unit
Period Ending	<u>Millions of yen</u> (%)	<u>Millions of yen</u> (%)	<u>Millions of yen</u> (%)	<u>Millions of yen</u> (%)	<u>yen</u>	<u>yen</u>
April 30, 2014	12,165 (-1.7)	4,959 (-3.3)	3,567 (-1.9)	3,566 (-1.9)	10,000	0

(Reference) Forecast Net Income per Unit: JPY9,573

3. Others

(1) Changes in Accounting Policies

- Changes in accounting policies due to revisions in accounting standards: None
- Changes not mentioned in a. above: None
- Changes in accounting estimate: None
- Retrospective restatement: None

(2) Number of investment units issued

- The number of investment units issued (including treasury investment units)
 - As of October 31, 2013 372,553
 - As of April 30, 2013 305,123
- The number of treasury investment units
 - As of October 31, 2013 0
 - As of April 30, 2013 0

(Note) Net income per unit is calculated by dividing net income by the weighted-average number of units outstanding for the respective six-month period.

Forecast Statements

The forecasts above are based on information currently available to NOF and on a certain condition deemed to be reasonable. The actual results may vary due to many factors. Accordingly, NOF does not guarantee the cash distribution amount identified above.

Assumptions for Forecasts of Financial Results for the Fiscal Period Ending April 30, 2014

Item	Assumptions
Period	<ul style="list-style-type: none"> • Twenty-first fiscal period: November 1, 2013 through April 30, 2014
Investment Portfolio	<ul style="list-style-type: none"> • The Fund assumes that the investment portfolio consisting of 53 properties owned by the Fund as of the end of the twentieth fiscal period will remain unchanged up to the end of the twenty-first fiscal period (April 30, 2014). • In practice, the investment portfolio is subject to potential change.
Operating Revenues	<ul style="list-style-type: none"> • The forecast of operating revenues for the twenty-first fiscal period is based upon the operating revenues from 53 properties owned by the Fund as of the end of the twentieth fiscal period. • The forecasts of the level of the rent and vacancy rates are based on the trend of tenants, competing buildings in the neighborhood, and the recent real estate market trend, etc. • The Fund assumes that there is no rent in arrears and nonpayment of the rent.
Operating Expenses	<ul style="list-style-type: none"> • In general, the property taxes and urban planning taxes imposed on the properties in the tax year (including the date) of transaction are distributed to the seller and the purchaser on a daily pro-rata basis and settled at the time of acquisition, and such taxes are deemed as the acquisition costs, not as expenses. • Property related taxes are calculated as rental expenses, estimated amount of ¥1,116 million. • Outsourcing expenses are estimated at ¥1,436 million. • As for the repair and maintenance, the Asset Management Company (Nomura Real Estate Asset Management Co., Ltd.) estimates the required amounts for the respective properties for each of the fiscal periods based on the medium- and long-term repair plans. However, it is possible that the actual repair expenses for the fiscal periods may differ significantly from the estimates since (i) an unforeseeable event might cause serious damage to a building requiring emergent repair expenditure, (ii) amounts might vary year by year, and (iii) certain types of repair expenses are not required every year. • Rental revenues after deducting the rental expenses (including depreciation costs) is estimated at ¥6,030 million (excluding profits on sale of real estate, etc.). Depreciation costs are estimated at ¥1,680 million. • The operating expenses other than the rental expenses (including asset management fees, asset custody fees and general administration fees) are estimated at ¥1,175million.
Non-Operating Expenses	<ul style="list-style-type: none"> • Interest payable is estimated at ¥1,225 million. • Loan-related expenses are estimated at ¥100million.
Interest-Bearing Debts	<ul style="list-style-type: none"> • The amount of the Fund's interest-bearing debts outstanding as of today is ¥124,850million of loan and ¥39,500 million of investment corporation bonds. • Concerning the borrowings of ¥16,250 million which will mature by the last business day of the twenty-first fiscal period (April 30, 2014), the Fund assumes that the entire amount will be refinanced excluding the scheduled repayment of ¥250 million. • The Fund assumes that there will be no changes in debt amounts other than the above.
Investment Units	<ul style="list-style-type: none"> • The Fund assumes that the number of investment units is 372,553 units outstanding as of today.
Cash Distribution per Unit	<ul style="list-style-type: none"> • Cash distribution per unit is calculated according to the Fund's distribution policy outlined in its Articles of Incorporation. • The Fund will break down and distribute the reserve for reduction entry; the assumed amounts are the 158 million yen in the twenty-first fiscal period (April 30, 2014). • Cash distribution per unit may vary due to various factors, including changes in the investment portfolio, changes in rent income caused by the tenant replacements, and unforeseen repairs.
Distribution in Excess of Net Income per Unit	<ul style="list-style-type: none"> • The Fund does not currently plan any distribution in excess of net income per unit.
Others	<ul style="list-style-type: none"> • The Fund assumes that there will be no amendments in legislation, taxation, Japanese GAAP, listing requirements and the regulations of The Investment Trusts Association, Japan, which affect the above forecasts. • The Fund assumes that there will be no material changes in general economic conditions and real estate markets.

4. Financial Statements

(1) Balance Sheets

	19 th Period As of Apr. 30, 2013 (¥000)	20 th Period As of Oct. 31, 2013 (¥000)
Assets		
Current Assets		
Cash and bank deposits	10,570,955	10,263,757
Cash and bank deposits in trust	16,753,613	16,789,109
Rental Receivables	207,075	241,833
Prepaid expenses	86,893	76,950
Deferred tax assets	20	11
Consumption taxes Receivable	—	114,640
Other current assets	326,015	331,455
Total current assets	27,944,573	27,817,757
Noncurrent assets		
Property, plant and equipment		
Buildings	31,179,074	32,215,010
Accumulated depreciation	(4,245,881)	(4,585,397)
Buildings, net	26,933,192	27,629,612
Structures	92,224	94,262
Accumulated depreciation	(37,974)	(41,717)
Structures, net	54,250	52,544
Machinery and equipment	706,907	709,633
Accumulated depreciation	(226,653)	(248,354)
Machinery and equipment, net	480,254	461,279
Tools, furniture and fixtures	19,387	20,836
Accumulated depreciation	(7,106)	(8,281)
Tools, furniture and fixtures, net	12,280	12,554
Land	61,683,840	62,904,814
Buildings in trust	94,157,264	97,319,768
Accumulated depreciation	(21,647,659)	(22,856,103)
Buildings in trust, net	72,509,604	74,463,665
Structures in trust	260,370	260,805
Accumulated depreciation	(185,134)	(189,593)
Structures in trust, net	75,235	71,212
Machinery and equipment in trust	915,784	950,092
Accumulated depreciation	(558,192)	(585,695)
Machinery and equipment in trust, net	357,591	364,396
Tools, furniture and fixtures in trust	331,351	379,034
Accumulated depreciation	(173,487)	(189,279)
Tools, furniture and fixtures in trust, net	157,864	189,755
Land in trust	201,040,928	204,369,361
Leased assets in trust	57,100	43,691
Accumulated depreciation	(23,352)	(3,791)
Leased assets in trust, net	33,747	39,900
Others	63,002	52,243
Total property, plant and equipment	363,401,792	370,611,340
Intangible assets		
Leasehold rights	1,900,904	1,900,904
Leasehold rights in trust	—	3,232,022
Other intangible assets in trust	1,037	805
Total intangible assets	1,901,942	5,133,732
Investments and other assets		
Long-term prepaid expenses	169,665	158,288
Security deposits	410,880	410,880
Total investments and other assets	580,545	569,168
Total noncurrent assets	365,884,280	376,314,241
Deferred assets		
Investment corporation bond issuance costs	85,630	75,821
Total deferred assets	85,630	75,821
Total assets	393,914,483	404,207,821

	19 th Period As of Apr. 30, 2013 (¥000)	20 th Period As of Oct. 31, 2013 (¥000)
Liabilities		
Current liabilities		
Trade accounts payable	922,741	949,472
Current portion of long-term debt	24,000,000	28,200,000
Lease obligations in trust	8,148	8,439
Other accounts payable	1,488,513	1,055,426
Accrued expenses	584,953	593,924
Accrued income taxes	477	265
Accrued consumption taxes	196,747	—
Rent received in advance	1,832,404	1,751,651
Deposits received	519,339	170,623
Total current liabilities	29,553,325	32,729,803
Noncurrent liabilities		
Investment corporation bonds	39,500,000	39,500,000
Long-term debt	115,700,000	96,650,000
Lease obligations in trust	27,415	33,388
Security deposits from tenants	4,077,558	4,176,225
Security deposits in trust from tenants	15,474,253	15,712,680
Total noncurrent liabilities	174,779,226	156,072,295
Total liabilities	204,332,551	188,802,099
Net assets		
Unitholders' equity		
Unitholders' capital	185,455,446	211,430,494
Surplus		
Voluntary reserve		
Reserve for reduction entry	100,000	339,120
Total voluntary reserve	100,000	339,120
Unappropriated retained earnings (undisposed loss)	4,026,484	3,636,107
Total surplus	4,126,484	3,975,227
Total unitholders' equity	189,581,931	215,405,721
Total net assets	189,581,931	215,405,721
Total liabilities and net assets	393,914,483	404,207,821

(2) Statements of Income and Retained Earnings

	19 th Period from Nov 1, 2012 to Apr. 30, 2013 (¥000)	20 th Period from May 1, 2013 to Oct. 31, 2013 (¥000)
Operating revenues		
Real estate rental revenues	11,189,423	10,898,220
Other rental revenues	1,245,038	1,479,947
Gain on sales of real estate	239,120	—
Total operating revenues	12,673,582	12,378,167
Operating expenses		
Real estate rental expenses	5,967,797	6,080,501
Asset management fees	974,346	983,961
Asset custody fees	28,651	28,521
Administrative service fees	64,335	65,884
Directors' compensations	8,000	7,200
Other operating expenses	85,702	84,516
Total operating expenses	7,128,834	7,250,586
Operating profit	5,544,747	5,127,582
Non-operating revenues		
Interest income	2,656	2,841
Insurance income	8,294	—
Reversal of cash distributions payable	6,536	5,065
Others	75	897
Total non-operating revenues	17,563	8,804
Non-operating expenses		
Interest expenses	902,901	864,625
Interest expense on investment corporation bonds	386,591	392,608
Amortization of investment corporation bond issuance costs	9,808	9,808
Loan arrangement fees	103,203	82,394
Investment units issuance costs	—	47,254
Others	132,413	102,915
Total non-operating expenses	1,534,918	1,499,606
Ordinary income	4,027,392	3,636,780
Income before income taxes	4,027,392	3,636,780
Income taxes-current	1,016	842
Income taxes-deferred	(14)	8
Total income taxes	1,002	850
Net income	4,026,390	3,635,929
Retained earnings brought forward	94	177
Unappropriated retained earnings (undisposed loss)	4,026,484	3,636,106

(3) Statements of Changes in Net Assets

	19 th Period from Nov 1, 2012 to Apr. 30, 2013 (¥000)	20 th Period from May 1, 2013 to Oct. 31, 2013 (¥000)
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	185,455,446	185,455,446
Changes of items during the period		
Issuance of investment units	—	25,975,047
Total changes of items during the period	—	25,975,047
Balance at the end of current period	185,455,446	211,430,494
Surplus		
Voluntary reserve		
Reserve for reduction entry		
Balance at the beginning of current period	100,000	100,000
Changes of items during the period		
Provision of reserve for reduction entry	—	239,120
Total changes of items during the period	—	239,120
Balance at the end of current period	100,000	339,120
Total voluntary reserve		
Balance at the beginning of current period	100,000	100,000
Changes of items during the period		
Provision of reserve for reduction entry	—	239,120
Total changes of items during the period	—	239,120
Balance at the end of current period	100,000	339,120
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	3,912,991	4,026,484
Changes of items during the period		
Provision of reserve for reduction entry	—	(239,120)
Dividends from surplus	(3,912,897)	(3,787,186)
Net income	4,026,390	3,635,929
Total changes of items during the period	113,493	(390,377)
Balance at the end of current period	4,026,484	3,636,107
Total surplus		
Balance at the beginning of current period	4,012,991	4,126,484
Changes of items during the period		
Dividends from surplus	(3,912,897)	(3,787,186)
Net income	4,026,390	3,635,929
Total changes of items during the period	113,493	(151,257)
Balance at the end of current period	4,126,484	3,975,227
Total unitholders' equity		
Balance at the beginning of current period	189,468,438	189,581,931
Changes of items during the period		
Issuance of investment units	—	25,975,047
Dividends from surplus	(3,912,897)	(3,787,186)
Net income	4,026,390	3,635,929
Total changes of items during the period	113,493	25,823,790
Balance at the end of current period	189,581,931	215,405,721
Total net assets		
Balance at the beginning of current period	189,468,438	189,581,931
Changes of items during the period		
Issuance of investment units	—	25,975,047
Dividends from surplus	(3,912,897)	(3,787,186)
Net income	4,026,390	3,635,929
Total changes of items during the period	113,493	25,823,790
Balance at the end of current period	189,581,931	215,405,721

(4) Statements of Cash Distributions

	19 th Period from Nov 1, 2012 to Apr. 30, 2013 (¥)	20 th Period from May 1, 2013 to Oct. 31, 2013 (¥)
I. Unappropriated retained earnings	4,026,484,621	3,636,107,436
II. Reversal of voluntary reserve		
Reversal of reserve for reduction entry	—	89,422,564
III. Total cash distributions	3,787,186,676	3,725,530,000
(cash distributions per unit)	(12,412)	(10,000)
VI. Voluntary reserve		
Provision of reserve for reduction entry	239,120,122	—
V. Retained earnings brought forward	177,823	—

Method for calculating distribution amount	<p>I The Fund decided to accumulate compression reserves utilizing Article 66-2 of the Special Taxation Measures Law within the limit of taxable income in the period. In addition, in order to qualify for special tax treatment under Article 67-15 of Special Taxation Measures Law (Law No. 26 of 1957), the Fund decided to have maximum cash distribution amount treated as deductible dividends, the Fund distributed the entire unappropriated retained earnings except for fractional amounts smaller than one yen per each investment unit. As a result, the total amount of cash distribution for this fiscal period was ¥3,787,186,676.</p> <p>Furthermore, the Fund shall not distribute cash in excess of earnings as stipulated in Article 34 Item 2 of its articles of incorporation.</p>	<p>In order to qualify for special tax treatment under Article 67-15 of Special Taxation Measures Law (Law No. 26 of 1957), the Fund decided to have maximum cash distribution amount treated as deductible dividends, the Fund distributed the entire unappropriated retained earnings and partial reversal of compression reserves. As a result, the total amount of cash distribution for this fiscal period was ¥3,725,530,000.</p> <p>Furthermore, the Fund shall not distribute cash in excess of earnings as stipulated in Article 34 Item 2 of its articles of incorporation.</p>
--	---	---

(5) Statements of Cash Flows

	19 th Period from Nov 1, 2012 to Apr. 30, 2013 (¥000)	20 th Period from May 1, 2013 to Oct. 31, 2013 (¥000)
Cash flows from operating activities		
Income before income taxes	4,027,392	3,636,780
Depreciation	1,654,767	1,658,262
Amortization of long-term prepaid expenses	11,133	11,339
New unit issuance costs	—	47,254
Amortization of investment corporation bond issuance costs	9,808	9,808
Interest income	(2,656)	(2,841)
Interest expenses	1,289,493	1,257,234
Loss on disposal of property and equipment	18,696	10,885
(Increase)Decrease in rental receivables	52,909	(34,758)
Decrease in consumption taxes receivable	—	(114,640)
Increase (Decrease) in trade accounts payable	(147,954)	26,730
(Decrease) Increase in other accounts payable	314,677	(312,681)
Increase (Decrease) in accrued consumption taxes	(45,919)	(196,747)
(Decrease) in rent received in advance	(42,573)	(80,752)
(Decrease) Increase in deposits received	457,377	(348,715)
Decrease in tangible fixed assets in trust due to sales	2,718,926	—
Others, net	33,812	5,758
Subtotal	10,349,891	5,572,916
Interest received	2,656	2,841
Interest paid	(1,416,428)	(1,248,509)
Income taxes paid	(732)	(1,054)
Net cash provided by operating activities	8,935,387	4,326,194
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(55,253)	(2,227,627)
Payments for purchases of property, plant and equipment in trust	(820,383)	(6,769,401)
Purchase of intangible fixed assets	—	(3,232,022)
Reimbursement of security deposits to tenants	(268,502)	(205,971)
Proceeds from security deposits from tenants	178,697	304,639
Reimbursement of security deposits in trust to tenants	(943,181)	(1,238,617)
Proceeds from security deposits in trust from tenants	299,540	1,477,044
Net cash used in investing activities	(1,609,084)	(11,891,957)
Cash flows from financing activities		
Repayment of short-term debt	(1,000,000)	—
Proceeds from long-term debt	22,500,000	6,000,000
Repayment of long-term debt	(24,950,000)	(20,850,000)
Proceeds from issuance of units	—	25,975,047
Payments of new unit issuance costs	—	(47,254)
Distributions to unitholders	(3,910,440)	(3,783,733)
Net cash used in financing activities	(7,360,440)	7,294,060
Net Increase (Decrease) in cash and cash equivalents	(34,136)	(271,701)
Cash and cash equivalents at beginning of period	27,358,705	27,324,568
Cash and cash equivalents at end of period	27,324,568	27,052,866

Disclaimer

The information above is excerpt of and translated from Brief Report on Closing of Accounting Report (“Kessan Tanshin”) in Japanese released on December 12, 2013. This report was prepared in English solely for the convenience of and reference by readers outside Japan and should not be considered to be a disclosure statement. The original Japanese documents always govern the meaning and interpretation. To confirm complete information, please refer to the original. (Japanese version) <http://www.nre-of.co.jp/site/file/tmp-VtxhP.pdf>

In general, accounting principles and practices used by real estate investment corporations in Japan (“J-REITs”) in preparing its financial statements conform to accounting principles generally accepted in Japan (“Japanese GAAP”). However, they may differ from generally accepted accounting principles applied in certain other countries. Potential investors should consult their own professional advisors for an understanding of the differences between Japanese GAAP and generally accepted accounting principles in the United States (“U.S. GAAP”) or other jurisdictions and how those differences might affect the financial information contained herein.

Estimates for Nomura Office Fund’s future operating results contained in this report are forward-looking statements and are based on information currently available to Nomura Office Fund and its asset management company and are subject to risks and uncertainties. Consequently, these projections should not be relied upon as the sole basis for evaluating NOF. Actual results may differ substantially from the projections depending on a number of factors.

This document has been prepared for the purpose of provision of information only, and should not be construed as an offer, solicitation or commercial conduct of any nature associated with any specific products. Investors wishing to purchase the investment units of Nomura Real Estate Office Fund, Inc. should contact their own securities brokers or dealers.

It is prohibited to make duplication, reproduction, distribution or use of any part or whole of the information contained in this document without express prior written consent.