



NOMURA
Office Fund

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For Immediate Release

Nomura Real Estate Office Fund, Inc.
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(Securities Code: 8959)

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Nomura Office Fund Announces Financial Results for the Fiscal Period Ended April 30, 2014

[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 twenty-first fiscal period (Nov 1, 2013 to April 30, 2014).

1. Outline of Financial Results for the Fiscal Period Ending April 30, 2014

(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 April 30, 2014	12,260	(-1.0)	5,105	(-0.4)	3,630	(-0.2)
October 31, 2013	12,378	(-2.3)	5,127	(-7.5)	3,636	(-9.7)

	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 April 30, 2014	3,630	(-0.2)	9,743	1.7	0.9	29.6
October 31, 2013	3,635	(-9.7)	10,413	1.8	0.9	29.4

(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 April 30, 2014	10,000	3,725	0	0	102.6	1.7
October 31, 2013	10,000	3,725	0	0	102.4	1.7

(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 April 30, 2014 is calculated by dividing the amount after adding the reversal of the provision of reserve for reduction entry (¥95 million) to inappropriate retained earnings by the number of investment units issued and outstanding. 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.

(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>
April 30, 2014	434,715	215,310	49.5	577,931
October 31, 2013	404,207	215,405	53.3	578,188

(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>
April 30, 2014	5,264	-26,074	24,258	30,501
October 31, 2013	4,326	-11,891	7,294	27,052

2. Forecasts of Financial Results for the Fiscal Period Ending October 31, 2014 (From May 1, 2014 to October 31, 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>
October 31, 2014	13,067 (6.6)	5,386 (5.5)	3,875 (6.7)	3,874 (6.7)	10,400	0

(Reference) Forecast Net Income per Unit: JPY10,400

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 April 30, 2014 372,553
 - As of October 31, 2013 372,553
- The number of treasury investment units
 - As of April 30, 2014 0
 - As of October 31, 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 October 31, 2014

Item	Assumptions
Period	<ul style="list-style-type: none"> Twenty-second fiscal period: May 1, 2014 through October 31, 2014
Investment Portfolio	<ul style="list-style-type: none"> The Fund assumes that the investment portfolio consisting of 54 properties owned by the Fund as of the end of the twenty-first fiscal period will remain unchanged up to the end of the twenty-second fiscal period (October 31, 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-second fiscal period is based upon the operating revenues from 54 properties owned by the Fund as of the end of the twenty-first 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 ¥1,147 million. Outsourcing expenses are estimated at ¥1,484 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 expenses(including depreciation costs) are estimated at ¥6,415 million. Depreciation costs are estimated at ¥1,825 million. The operating expenses other than the rental expenses (including asset management fees, asset custody fees and general administration fees) are estimated at ¥1,265million.
Non-Operating Expenses	<ul style="list-style-type: none"> Interest payable is estimated at ¥1,345 million. Loan-related expenses are estimated at ¥99 million.
Interest-Bearing Debts	<ul style="list-style-type: none"> The amount of the Fund's interest-bearing debts outstanding as of today is ¥152,830 million of loan and ¥39,500 million of investment corporation bonds. Concerning the borrowings of ¥11,950 million which will mature by the last business day of the twenty-second fiscal period (October 31, 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. 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

	20th Period As of Oct. 31, 2013 (¥000)	21th Period As of Apr. 30, 2014 (¥000)
Assets		
Current Assets		
Cash and bank deposits	10,263,757	13,572,629
Cash and bank deposits in trust	16,789,109	16,929,121
Rental Receivables	241,833	213,263
Prepaid expenses	76,950	101,407
Deferred tax assets	11	16
Consumption taxes Receivable	114,640	135,535
Other current assets	331,455	329,267
Total current assets	<u>27,817,757</u>	<u>31,281,241</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	32,215,010	39,775,218
Accumulated depreciation	(4,585,397)	(5,007,259)
Buildings, net	<u>27,629,612</u>	<u>34,767,958</u>
Structures	94,262	97,388
Accumulated depreciation	(41,717)	(45,739)
Structures, net	<u>52,544</u>	<u>51,649</u>
Machinery and equipment	709,633	713,821
Accumulated depreciation	(248,354)	(270,120)
Machinery and equipment, net	<u>461,279</u>	<u>443,700</u>
Tools, furniture and fixtures	20,836	22,979
Accumulated depreciation	(8,281)	(9,542)
Tools, furniture and fixtures, net	<u>12,554</u>	<u>13,437</u>
Land	62,904,814	83,266,030
Buildings in trust	97,319,768	98,088,981
Accumulated depreciation	(22,856,103)	(24,022,163)
Buildings in trust, net	<u>74,463,665</u>	<u>74,066,818</u>
Structures in trust	260,805	260,805
Accumulated depreciation	(189,593)	(194,085)
Structures in trust, net	<u>71,212</u>	<u>66,720</u>
Machinery and equipment in trust	950,092	961,071
Accumulated depreciation	(585,695)	(611,638)
Machinery and equipment in trust, net	<u>364,396</u>	<u>349,433</u>
Tools, furniture and fixtures in trust	379,034	396,336
Accumulated depreciation	(189,279)	(207,248)
Tools, furniture and fixtures in trust, net	<u>189,755</u>	<u>189,088</u>
Land in trust	204,369,361	204,369,361
Leased assets in trust	43,691	43,691
Accumulated depreciation	(3,791)	(7,810)
Leased assets in trust, net	<u>39,900</u>	<u>35,881</u>
Others	52,243	48,551
Total property, plant and equipment	<u>370,611,340</u>	<u>397,668,632</u>
Intangible assets		
Leasehold rights	1,900,904	1,900,904
Leasehold rights in trust	3,232,022	3,232,022
Other intangible assets in trust	805	764
Total intangible assets	<u>5,133,732</u>	<u>5,133,691</u>
Investments and other assets		
Long-term prepaid expenses	158,288	155,084
Security deposits	410,880	410,890
Total investments and other assets	<u>569,168</u>	<u>565,974</u>
Total noncurrent assets	<u>376,314,241</u>	<u>403,368,298</u>
Deferred assets		
Investment corporation bond issuance costs	75,821	66,012
Total deferred assets	<u>75,821</u>	<u>66,012</u>
Total assets	<u>404,207,821</u>	<u>434,715,552</u>

	20th Period As of Oct. 31, 2013 (¥000)	21th Period As of Apr. 30, 2014 (¥000)
Liabilities		
Current liabilities		
Trade accounts payable	949,472	699,642
Current portion of investment corporation bonds	—	11,000,000
Current portion of long-term debt	28,200,000	24,550,000
Lease obligations in trust	8,439	8,651
Other accounts payable	1,055,426	1,093,750
Accrued expenses	593,924	568,789
Accrued income taxes	265	423
Rent received in advance	1,751,651	1,919,124
Deposits received	170,623	116,697
Total current liabilities	32,729,803	39,957,079
Noncurrent liabilities		
Investment corporation bonds	39,500,000	28,500,000
Long-term debt	96,650,000	128,280,000
Lease obligations in trust	33,388	29,907
Security deposits from tenants	4,176,225	6,802,593
Security deposits in trust from tenants	15,712,680	15,835,771
Total noncurrent liabilities	156,072,295	179,448,272
Total liabilities	188,802,099	219,405,352
Net assets		
Unitholders' equity		
Unitholders' capital	211,430,494	211,430,494
Surplus		
Voluntary reserve		
Reserve for reduction entry	339,120	249,697
Total voluntary reserve	339,120	249,697
Unappropriated retained earnings (undisposed loss)	3,636,107	3,630,008
Total surplus	3,975,227	3,879,706
Total unitholders' equity	215,405,721	215,310,200
Total net assets	215,405,721	215,310,200
Total liabilities and net assets	404,207,821	434,715,552

(2) Statements of Income and Retained Earnings

	20th Period from May 1, 2013 to Oct. 31, 2013 (¥000)	21th Period from Nov. 1, 2013 to Apr. 30, 2014 (¥000)
Operating revenues		
Real estate rental revenues	10,898,220	11,044,180
Other rental revenues	1,479,947	1,215,870
Total operating revenues	12,378,167	12,260,050
Operating expenses		
Real estate rental expenses	6,080,501	5,981,270
Asset management fees	983,961	982,383
Asset custody fees	28,521	28,907
Administrative service fees	65,884	68,401
Directors' compensations	7,200	7,200
Other operating expenses	84,516	86,277
Total operating expenses	7,250,586	7,154,440
Operating profit	5,127,582	5,105,609
Non-operating revenues		
Interest income	2,841	2,641
Insurance income	—	6,689
Reversal of cash distributions payable	5,065	2,933
Others	897	1,362
Total non-operating revenues	8,804	13,627
Non-operating expenses		
Interest expenses	864,625	839,877
Interest expense on investment corporation bonds	392,608	386,591
Amortization of investment corporation bond issuance costs	9,808	9,808
Loan arrangement fees	82,394	130,202
Investment units issuance costs	47,254	—
Others	102,915	121,792
Total non-operating expenses	1,499,606	1,488,273
Ordinary income	3,636,780	3,630,963
Income before income taxes	3,636,780	3,630,963
Income taxes-current	842	959
Income taxes-deferred	8	(4)
Total income taxes	850	955
Net income	3,635,929	3,630,008
Retained earnings brought forward	177	—
Unappropriated retained earnings (undisposed loss)	3,636,107	3,630,008

(3) Statements of Changes in Net Assets

Previous period (from May 1, 2013 to October 31, 2013)

(¥000)

	Unitholder' equity						Total net assets
	Unitholder' capital	Surplus				Total unitholder' equity	
		Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Voluntary retained earnings				
Balance at the beginning of current period	185,455,446	100,000	100,000	4,026,484	4,126,484	189,581,931	189,581,931
Changes of items during the period							
Issuance of investment units	25,975,047	—	—	—	—	25,975,047	25,975,047
Provision of reserve for reduction entry	—	239,120	239,120	(239,120)	—	—	—
Dividends from surplus	—	—	—	(3,787,186)	(3,787,186)	(3,787,186)	(3,787,186)
Net income	—	—	—	3,635,929	3,635,929	3,635,929	3,635,929
Total changes of items during the period	25,975,047	239,120	239,120	(390,377)	(151,257)	25,823,790	25,823,790
Balance at the end of current period	211,430,494	339,120	339,120	3,636,107	3,975,227	215,405,721	215,405,721

Current period (from November 1, 2013 to April 30, 2014)

(¥000)

	Unitholder' equity						Total net assets
	Unitholder' capital	Surplus				Total unitholder' equity	
		Voluntary reserve		Unappropriated retained earnings (undisposed loss)	Total surplus		
		Reserve for reduction entry	Voluntary retained earnings				
Balance at the beginning of current period	211,430,494	339,120	339,120	3,636,107	3,975,227	215,405,721	215,405,721
Changes of items during the period							
Reversal of reserve for reduction entry	—	(89,422)	(89,422)	89,422	—	—	—
Dividends from surplus	—	—	—	(3,725,530)	(3,725,530)	(3,725,530)	(3,725,530)
Net income	—	—	—	3,630,008	3,630,008	3,630,008	3,630,008
Total changes of items during the period	—	(89,422)	(89,422)	(6,098)	(95,521)	(95,521)	(95,521)
Balance at the end of current period	211,430,494	249,697	249,697	3,630,008	3,879,706	215,310,200	215,310,200

(4) Statements of Cash Distributions

	20th Period from May 1, 2013 to Oct. 31, 2013 (¥)	21th Period from Nov. 1, 2013 to Apr. 30, 2014 (¥)
I . Unappropriated retained earnings	3,636,107,436	3,630,008,542
II . Reversal of voluntary reserve		
Reversal of reserve for reduction entry	89,422,564	95,521,458
III . Total cash distributions	3,725,530,000	3,725,530,000
(cash distributions per unit)	(10,000)	(10,000)
IV .Retained earnings brought forward	—	—

Method for calculating distribution amount	<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>	<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>
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(5) Statements of Cash Flows

	20th Period from May 1, 2013 to Oct. 31, 2013 (¥000)	21th Period from Nov. 1, 2013 to Apr. 30, 2014 (¥000)
Cash flows from operating activities		
Income before income taxes	3,636,780	3,630,963
Depreciation	1,658,262	1,695,076
Amortization of long-term prepaid expenses	11,339	10,683
New unit issuance costs	47,254	—
Amortization of investment corporation bond issuance costs	9,808	9,808
Interest income	(2,841)	(2,641)
Interest expenses	1,257,234	1,226,469
Loss on disposal of property and equipment	10,885	15,949
(Increase)Decrease in rental receivables	(34,758)	28,569
Decrease in consumption taxes receivable	(114,640)	(20,895)
Increase (Decrease) in trade accounts payable	26,730	(249,829)
(Decrease) Increase in other accounts payable	(312,681)	84,191
Increase (Decrease) in accrued consumption taxes	(196,747)	—
(Decrease) in rent received in advance	(80,752)	167,473
(Decrease) Increase in deposits received	(348,715)	(53,926)
Others, net	5,758	(27,878)
Subtotal	5,572,916	6,514,013
Interest received	2,841	2,641
Interest paid	(1,248,509)	(1,251,358)
Income taxes paid	(1,054)	(801)
Net cash provided by operating activities	4,326,194	5,264,495
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(2,227,627)	(27,971,064)
Payments for purchases of property, plant and equipment in trust	(6,769,401)	(852,849)
Purchase of intangible fixed assets in trust	(3,232,022)	—
Reimbursement of security deposits to tenants	(205,971)	(67,964)
Proceeds from security deposits from tenants	304,639	2,694,332
Reimbursement of security deposits in trust to tenants	(1,238,617)	(443,191)
Proceeds from security deposits in trust from tenants	1,477,044	566,281
Net cash used in investing activities	(11,891,957)	(26,074,455)
Cash flows from financing activities		
Proceeds from long-term debt	6,000,000	44,230,000
Repayment of long-term debt	(20,850,000)	(16,250,000)
Proceeds from issuance of units	25,975,047	—
Payments of new unit issuance costs	(47,254)	—
Distributions to unitholders	(3,783,733)	(3,721,156)
Net cash used in financing activities	7,294,060	24,258,843
Net Increase (Decrease) in cash and cash equivalents	(271,701)	3,448,883
Cash and cash equivalents at beginning of period	27,324,568	27,052,866
Cash and cash equivalents at end of period	27,052,866	30,501,750

Disclaimer

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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.

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