



NOMURA
Office Fund

For Immediate Release

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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, 2012

[Nomura Real Estate Office Fund, Inc.](http://www.nre-of.co.jp/english/) (“Nomura Office Fund”, “NOF” or the “Fund” hereafter) (TOKYO:8959) (URL: <http://www.nre-of.co.jp/english/>), announces its financial results for the seventeenth fiscal period (November 1, 2011 to April 30, 2012).

1. Outline of Financial Results for the Fiscal Period Ending April 30, 2012

(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, 2012	12,441	(-8.8)	5,529	(-11.1)	3,903	(-15.7)
October 31, 2011	13,637	(4.0)	6,219	(1.2)	4,628	(2.8)

	Net Income		Net Income per Unit	ROE (Return on Equity)	ROA (Return on Assets)	Ordinary Income to Operating Revenues Ratio
	Millions of yen	(%)	yen	%	%	%
Period Ended						
April 30, 2012	3,902	(-15.7)	12,789	2.1	1.0	31.4
October 31, 2011	4,627	(4.5)	15,164	2.4	1.2	33.9

(2) Distributions

	Cash Distributions per Unit	Total Cash Distributions	Distributions in Excess of Net Income per Unit	Distributions in Excess of Net Income	Payout Ratio (Note)	Distributions to Net Asset Ratio
	yen	Millions of yen	yen	Millions of yen	%	%
Period Ended						
April 30, 2012	12,790	3,902	0	0	100.0	2.1
October 31, 2011	14,837	4,527	0	0	97.8	2.4

(Note 1) Payout Ratio is rounded off to the first decimal place.

(Note 2) Cash Distributions per Unit for the period ended October 31, 2011 is calculated by dividing the amount after adding the provision of reserve for reduction entry (¥100 million) to unappropriated 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, 2012	397,667	189,458	47.6	620,923
October 31, 2011	400,390	190,082	47.5	622,970

(Reference) Owned Capital: As of April 30, 2012 JPY189,458mln As of October 31, 2011 JPY190,082mln

(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, 2012	4,914	-8,765	-5,773	26,692
October 31, 2011	13,789	-1,502	-7,679	36,317

2. Forecasts of Financial Results for the Fiscal Period Ending October 31, 2012 (From May 1, 2012 to October 31, 2012)

	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>(%)</u>	<u>Millions of yen</u>	<u>(%)</u>	<u>Millions of yen</u>	<u>(%)</u>	<u>Millions of yen</u>	<u>yen</u>	<u>yen</u>	
October 31, 2012	12,608	(1.3)	5,335	(-3.5)	3,754	(-3.8)	3,753	(-3.8)	12,300	0

(Reference) Forecast Net Income per Unit: JPY12,300

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, 2012 305,123
As of October 31, 2011 305,123

- The number of treasury investment units

As of April 30, 2012 0
As of October 31, 2011 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. Net income per unit after adjusting for diluted units is not stated because there are no diluted investment units.

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.

[Exhibit] Assumptions for Forecasts of Financial Results for the Fiscal Period Ending October 31, 2012

Item	Assumptions
Period	<ul style="list-style-type: none"> Eighteenth fiscal period: May 1, 2012 through October 31, 2012
Investment Portfolio	<ul style="list-style-type: none"> The Fund assumes that the investment portfolio consisting of 51 properties owned by the Fund as of the end of the seventeenth fiscal period will remain unchanged up to the end of the eighteenth fiscal period (October 31, 2012). 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 eighteenth fiscal period is based upon the operating revenues from 51 properties owned by the Fund as of end of the seventeenth 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 ¥1,155 million. Outsourcing expenses are estimated at ¥1,421 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 ¥6,526 million (excluding profits on sale of real estate, etc.). Depreciation costs are estimated at ¥1,694 million. The operating expenses other than the rental expenses (including asset custody fees and general administration fees) are estimated at ¥1,190 million.
Non-Operating Expenses	<ul style="list-style-type: none"> Interest payable is estimated at ¥1,426 million. Loan-related expenses are estimated at ¥139 million.
Interest-Bearing Debts	<ul style="list-style-type: none"> The amount of the Fund's interest-bearing debts outstanding as of today is ¥143,900 million of loan and ¥39,500 million of investment corporation bonds. Concerning the borrowings of ¥30,650 million which will mature by the last business day of the eighteenth fiscal period (October 31, 2012), 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 305,123 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 Investment Trusts Association regulations, 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

	16 th Period As of Oct. 31, 2011 (¥000)	17 th Period As of Apr. 30, 2012 (¥000)
Assets		
Current Assets		
Cash and bank deposits	20,049,043	10,226,772
Cash and bank deposits in trust	16,268,623	16,465,915
Rental Receivables	542,060	220,998
Prepaid expenses	85,558	92,802
Deferred tax assets	17	14
Consumption taxes receivable	—	157,794
Other current assets	352,758	320,473
Total current assets	37,298,061	27,484,770
Noncurrent assets		
Property, plant and equipment		
Buildings	27,510,622	31,036,112
Accumulated depreciation	(3,082,703)	(3,514,713)
Buildings, net	24,427,918	27,521,398
Structures	73,113	92,224
Accumulated depreciation	(27,149)	(30,660)
Structures, net	45,963	61,563
Machinery and equipment	624,533	696,224
Accumulated depreciation	(158,920)	(183,692)
Machinery and equipment, net	465,612	512,531
Tools, furniture and fixtures	14,633	15,727
Accumulated depreciation	(3,892)	(5,045)
Tools, furniture and fixtures, net	10,741	10,681
Land	57,405,167	61,683,840
Buildings in trust	94,260,120	95,156,330
Accumulated depreciation	(18,629,336)	(19,827,708)
Buildings in trust, net	75,630,783	75,328,622
Structures in trust	274,931	274,931
Accumulated depreciation	(172,202)	(181,498)
Structures in trust, net	102,728	93,432
Machinery and equipment in trust	947,131	947,131
Accumulated depreciation	(516,690)	(546,524)
Machinery and equipment in trust, net	430,441	400,606
Tools, furniture and fixtures in trust	271,827	288,143
Accumulated depreciation	(133,065)	(147,857)
Tools, furniture and fixtures in trust, net	138,762	140,286
Land in trust	201,783,441	201,783,441
Leased assets in trust	30,946	30,946
Accumulated depreciation	(22,892)	(26,283)
Leased assets in trust, net	8,053	4,662
Others	40,394	46,574
Total property, plant and equipment	360,490,008	367,587,642
Intangible assets		
Leasehold rights	1,900,904	1,900,904
Other intangible assets in trust	1,829	1,565
Total intangible assets	1,902,733	1,902,469
Investments and other assets		
Long-term prepaid expenses	171,442	176,608
Security deposits	410,850	410,850
Total investments and other assets	582,292	587,458
Total noncurrent assets	362,975,034	370,077,570
Deferred assets		
Investment corporation bond issuance costs	117,903	105,248
Total deferred assets	117,903	105,248
Total assets	400,390,999	397,667,589

	16 th Period As of Oct. 31, 2011 (¥000)	17 th Period As of Apr. 30, 2012 (¥000)
Liabilities		
Current liabilities		
Trade accounts payable	1,028,305	636,472
Short-term debt	7,900,000	3,900,000
Current portion of investment corporation bonds	5,000,000	—
Current portion of long-term debt	39,000,000	50,000,000
Lease obligations in trust	5,902	4,127
Other accounts payable	1,516,993	998,832
Accrued expenses	790,967	759,986
Accrued income taxes	296	304
Accrued consumption taxes	215,642	—
Rent received in advance	1,864,744	1,894,408
Deposits received	120,515	83,299
Provision for loss on disaster	1,540	—
Total current liabilities	57,444,909	58,277,430
Noncurrent liabilities		
Investment corporation bonds	39,500,000	39,500,000
Long-term debt	93,250,000	90,000,000
Lease obligations in trust	2,783	1,105
Security deposits from tenants	3,882,474	4,217,187
Security deposits in trust from tenants	16,228,116	16,213,849
Total noncurrent liabilities	152,863,374	149,932,142
Total liabilities	210,308,283	208,209,572
Net assets		
Unitholders' equity		
Unitholders' capital	185,455,446	185,455,446
Surplus		
Voluntary reserve		
Reserve for reduction entry	—	100,000
Total voluntary reserve	—	100,000
Unappropriated retained earnings (undisposed loss)	4,627,269	3,902,570
Total surplus	4,627,269	4,002,570
Total unitholders' equity	190,082,716	189,458,017
Total net assets	190,082,716	189,458,017
Total liabilities and net assets	400,390,999	397,667,589

(2) Statements of Income and Retained Earnings

	16 th Period from May 1, 2011 to Oct. 31, 2011 (¥000)	17 th Period from Nov. 1, 2011 to Apr. 30, 2012 (¥000)
Operating revenues		
Real estate rental revenues	11,223,340	11,245,514
Other rental revenues	1,296,836	1,195,990
Gain on sales of real estate	1,116,899	—
Total operating revenues	13,637,076	12,441,505
Operating expenses		
Real estate rental expenses	6,110,487	5,726,470
Loss on sales of real estate	105,767	—
Asset management fees	990,285	1,001,972
Asset custody fees	28,902	28,764
Administrative service fees	64,912	64,278
Directors' compensations	12,000	12,000
Other operating expenses	105,415	78,973
Total operating expenses	7,417,771	6,912,459
Operating profit	6,219,305	5,529,045
Non-operating revenues		
Interest income	3,369	3,091
Penalty income	26,497	42,158
Compensation for restoration costs	101,792	—
Others	3,242	12,473
Total non-operating revenues	134,901	57,722
Non-operating expenses		
Interest expenses	1,097,074	1,044,037
Interest expense on investment corporation bonds	429,978	419,019
Amortization of investment corporation bond issuance costs	13,224	12,655
Loan arrangement fees	112,153	121,780
Others	73,706	85,939
Total non-operating expenses	1,726,137	1,683,432
Ordinary income	4,628,069	3,903,336
Income before income taxes	4,628,069	3,903,336
Income taxes-current	974	922
Income taxes-deferred	7	3
Total income taxes	981	925
Net income	4,627,087	3,902,410
Retained earnings brought forward	181	159
Unappropriated retained earnings (undisposed loss)	4,627,269	3,902,570

(3) Statements of Changes in Net Assets

	16 th Period from May 1, 2011 to Oct. 31, 2011 (¥000)	17 th Period from Nov. 1, 2011 to Apr. 30, 2012 (¥000)
Unitholders' equity		
Unitholders' capital		
Balance at the beginning of current period	185,455,446	185,455,446
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	185,455,446	185,455,446
Surplus		
Voluntary reserve		
Reserve for reduction entry		
Balance at the beginning of current period	—	—
Changes of items during the period		
Provision of reserve for reduction entry	—	100,000
Total changes of items during the period	—	100,000
Balance at the end of current period	—	100,000
Total voluntary reserve		
Balance at the beginning of current period	—	—
Changes of items during the period		
Provision of reserve for reduction entry	—	100,000
Total changes of items during the period	—	100,000
Balance at the end of current period	—	100,000
Unappropriated retained earnings (undisposed loss)		
Balance at the beginning of current period	4,428,126	4,627,269
Changes of items during the period		
Provision of reserve for reduction entry	—	(100,000)
Dividends from surplus	(4,427,944)	(4,527,109)
Net income	4,627,087	3,902,410
Total changes of items during the period	199,142	(724,699)
Balance at the end of current period	4,627,269	3,902,570
Total surplus		
Balance at the beginning of current period	4,428,126	4,627,269
Changes of items during the period		
Provision of reserve for reduction entry	—	—
Dividends from surplus	(4,427,944)	(4,527,109)
Net income	4,627,087	3,902,410
Total changes of items during the period	199,142	(624,699)
Balance at the end of current period	4,627,269	4,002,570
Total unitholders' equity		
Balance at the beginning of current period	189,883,573	190,082,716
Changes of items during the period		
Dividends from surplus	(4,427,944)	(4,527,109)
Net income	4,627,087	3,902,410
Total changes of items during the period	199,142	(624,699)
Balance at the end of current period	190,082,716	189,458,017
Total net assets		
Balance at the beginning of current period	189,883,573	190,082,716
Changes of items during the period		
Dividends from surplus	(4,427,944)	(4,527,109)
Net income	4,627,087	3,902,410
Total changes of items during the period	199,142	(624,699)
Balance at the end of current period	190,082,716	189,458,017

(4) Statements of Cash Distributions

	16 th Period from May 1, 2011 to Oct. 31, 2011 (¥)	17 th Period from Nov. 1, 2011 to Apr. 30, 2012 (¥)
I. Unappropriated retained earnings	4,627,269,355	3,902,570,138
II. Total cash distributions	4,527,109,951	3,902,523,170
(cash distributions per unit)	(14,837)	(12,790)
III. Voluntary reserve		
Provision of reserve for reduction entry	100,000,000	—
VI. Retained earnings brought forward	159,404	46,968

Method for calculating distribution amount	<p>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) 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 ¥4,527,109,951.</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 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 ¥3,902,523,170.</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

	16 th Period from May 1, 2011 to Oct. 31, 2011 (¥000)	17 th Period from Nov. 1, 2011 to Apr. 30, 2012 (¥000)
Cash flows from operating activities		
Income before income taxes	4,628,069	3,903,336
Depreciation	1,732,901	1,717,655
Amortization of long-term prepaid expenses	7,185	10,425
Amortization of investment corporation bond issuance costs	13,224	12,655
(Decrease) in provision for loss on disaster	(46,795)	(1,540)
Interest income	(3,369)	(3,091)
Interest expenses	1,527,053	1,463,057
Loss on disposal of property and equipment	764	2,707
(Increase)Decrease in rental receivables	(362,512)	321,062
(Increase) in consumption taxes receivable	—	(157,794)
Increase (Decrease) in trade accounts payable	410,035	(391,832)
(Decrease) in other accounts payable	(558,230)	(256,954)
Increase (Decrease) in accrued consumption taxes	49,276	(215,642)
(Decrease) Increase in rent received in advance	(64,736)	29,664
Increase (Decrease) in deposits received	37,087	(37,216)
Decrease in tangible fixed assets in trust due to sales	8,101,016	—
Others, net	(117,175)	9,449
Subtotal	15,353,793	6,405,939
Interest received	3,369	3,091
Interest paid	(1,566,498)	(1,494,038)
Income taxes paid	(1,048)	(914)
Net cash provided by operating activities	13,789,616	4,914,078
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(82,405)	(7,976,696)
Payments for purchases of property, plant and equipment in trust	(783,342)	(1,108,951)
Reimbursement of security deposits to tenants	(72,899)	(114,331)
Proceeds from security deposits from tenants	74,359	449,044
Reimbursement of security deposits in trust to tenants	(1,346,801)	(620,009)
Proceeds from security deposits in trust from tenants	708,944	605,742
Net cash used in investing activities	(1,502,143)	(8,765,201)
Cash flows from financing activities		
Proceeds from short-term debt	2,900,000	1,000,000
Repayment of short-term debt	(4,800,000)	(5,000,000)
Proceeds from long-term debt	17,900,000	19,000,000
Repayment of long-term debt	(19,250,000)	(11,250,000)
Redemption of investment corporation bonds	—	(5,000,000)
Distributions to unitholders	(4,429,007)	(4,523,855)
Net cash used in financing activities	(7,679,007)	(5,773,855)
Net Increase (Decrease) in cash and cash equivalents	4,608,465	(9,624,979)
Cash and cash equivalents at beginning of period	31,709,201	36,317,666
Cash and cash equivalents at end of period	36,317,666	26,692,687

Disclaimer

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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.

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