

NOMURA  
Office Fund



# NOMURA OFFICE FUND

Sixteenth Fiscal Period

**Semi-Annual Report** May 1, 2011 ▶ October 31, 2011

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NOMURA REAL ESTATE OFFICE FUND, INC.



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Office Fund

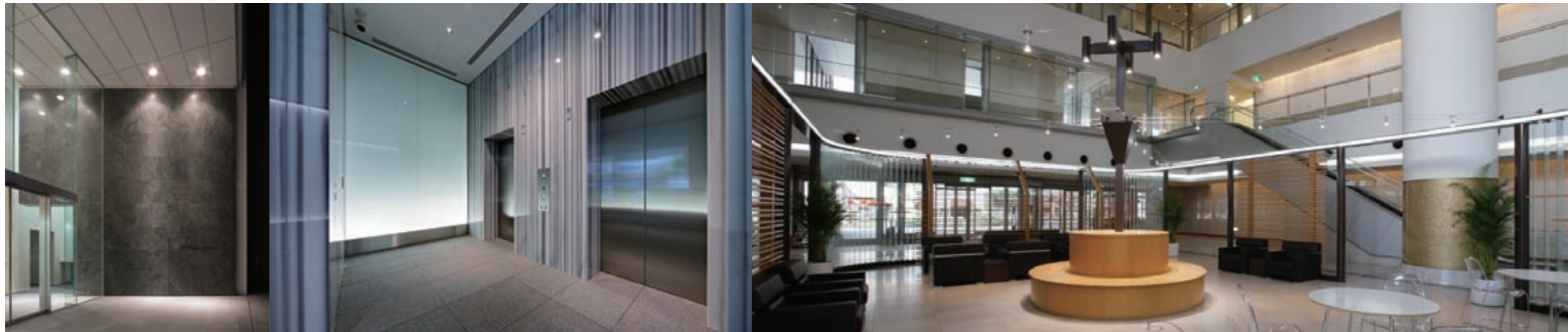
## Profile

Nomura Real Estate Office Fund, Inc. (referred to as “Nomura Office Fund” or the “Company” hereafter) was listed on the Tokyo Stock Exchange on December 4, 2003 as a real estate investment corporation formed to own and invest in office properties, subject to the Law Concerning Investment Trusts and Investment Corporations of Japan. The Company’s basic investment policy is to assure stable rent revenues and steady portfolio growth over the medium- to long-term.

Nomura Real Estate Asset Management Co., Ltd. (referred to as “NREAM” hereafter), a wholly owned subsidiary of Nomura Real Estate Holdings, Inc. is in charge of asset management on behalf of Nomura Office Fund in accordance with the basic investment policy as described above. Through coordination with Nomura Real Estate Holdings, Inc. and other group companies, NREAM aims to achieve these goals and more.

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## To Our Investors

Dear Investors,

We are delighted to be able to present to you the financial results for the sixteenth fiscal period (ended October 31, 2011) and report on our activities during the period herein.

This period, we booked operating revenues of ¥13,637 million, current profits of ¥4,628 million, and net income of ¥4,627 million. Cash distribution per unit was ¥14,837.

The Japanese economy has shown signs of recovery, although uncertainty in the future outlook has not been sufficiently reduced due, among others, to the downside risks in overseas economies and the pace of recovery continues to be slow.

In the office leasing market, occupancy rates continue to improve albeit slightly and asking rents appear to have hit bottom. However, full-fledged recovery is not expected to start for some time.

In the real estate sales market, for some time after the Great East Japan Earthquake, the transaction volume was subdued with cases of postponed or cancelled transactions. However, the transaction volume has started to recover as a result of price adjustments and improved availability of debt financing for real estate transactions, although opportunities for acquiring large prime properties were very limited with few actual transactions of such properties.

Under these circumstances, we actively engaged in tenant leasing activities during this fiscal period in order to improve the portfolio occupancy rate. As a result, we completed leasing out of NRE Tennozu Building whose occupancy rate had been declining, thereby improving the portfolio occupancy rate to 96.4% as of the end of this fiscal period. Also during this fiscal period, as part of our property replacement strategy, we transferred NOF Toyo-cho Building, Central Kyobashi Building and Sunworld Yotsuya Building and decided to acquire PMO Hatchobori and PMO Higashi-nihonbashi, which are office properties developed by Nomura Real Estate Development Co., Ltd.

In terms of financing, the Company continues to maintain close relationships with financial institutions to secure as stable financing as before, ensuring healthy financial conditions on an ongoing basis.

The Company will continue to strive for stable asset management in the next fiscal period and thereafter from the mid- to long-term perspectives so as to respond to the needs of our investors for high-quality wealth creation.

Lastly, we would like to thank you again for your patronage in the past periods, and would like to ask for your continued support for the years to come.



*Yuichi Maruko*

Yuichi Maruko  
Executive Director  
Nomura Real Estate Office Fund, Inc.

## Highlights of the Sixteenth Fiscal Period

### Sixteenth period results

Cash distribution per unit **¥14,837**

Operating revenues **¥13,637 million**

Operating profits **¥6,219 million**

Net income **¥4,627 million**

NOI return of portfolio **4.4%**

### Portfolio

Number of properties **48 properties**

Total leasable floor space **399,625.36m<sup>2</sup>**

Total number of tenants **753**

Total acquisition price **¥367,729 million**

Average occupancy rate **96.4%**

### Finance

Ratio of long-term debts **71.9%**

Average remaining duration of long-term fixed debts **3.9 years**

Ratio of fixed-rate debts **89.0%**

Weighted average of interest rate of all the debts **1.61%**

### CHANGES IN UNIT PRICE AND MARKET CAPITALIZATION



# Management Strategies

## Basic policies and three management policies for growth

Basic policies: "Secure stable mid- to long-term income" and "Steady portfolio growth"

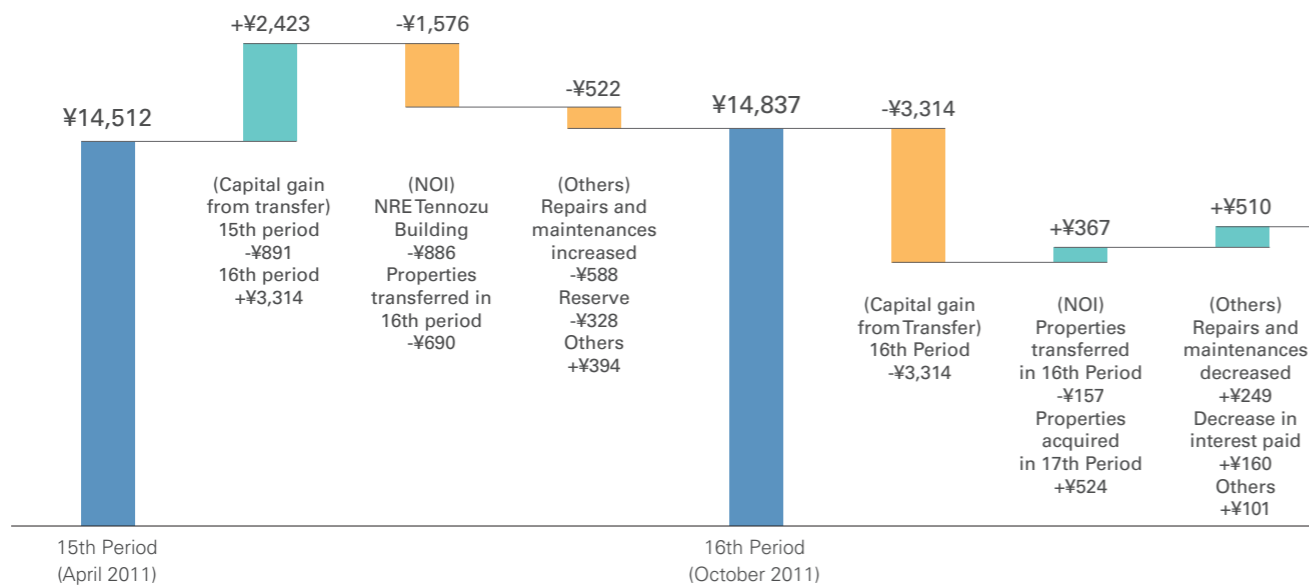
Specific Management Strategies	Objective/Activities
Promote asset size expansion through new acquisitions	Promote risk diversification of the portfolio and expansion of earnings basis
Asset management with mid- to long-term vision	Increase and stabilize profitability of the portfolio
Maintain conservative financial strategy	Correspond to interest-rate hikes, maintain and diversify fund raising capacity

## Activity summary for this period

Recognizing the significance of this fiscal period and the 17th fiscal period as the final stage toward earnings stabilization, the Company has taken various measures to address significant challenges it is facing.

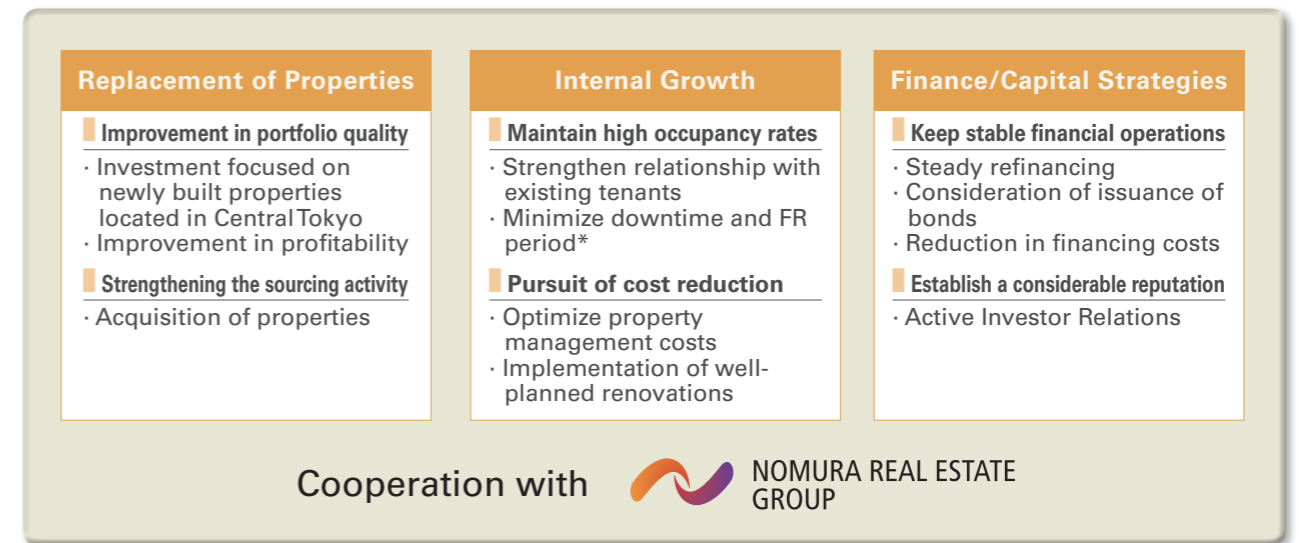
<b>Property acquisition with available capacity</b> Strengthened portfolio by promotion of property replacement (Transferred 3 properties, determined acquisition of 2 properties)	<b>Further improvement in occupancy</b> Continued active leasing activities Occupancy rate: 93.8% (15th period) → 96.4% (16th period)
<b>Leasing out of NRE Tennozu Building</b> Completed leasing by obtaining a major tenant Occupancy rate: 62.9% (15th period) → 100.0% (16th period)	<b>Stable financial operations</b> Average interest-rate: 1.65% (15th period) → 1.61% (16th period) Interests paid: ¥1,135 million (15th period) → ¥1,097 million (16th period)

## Change in Cash Distributions



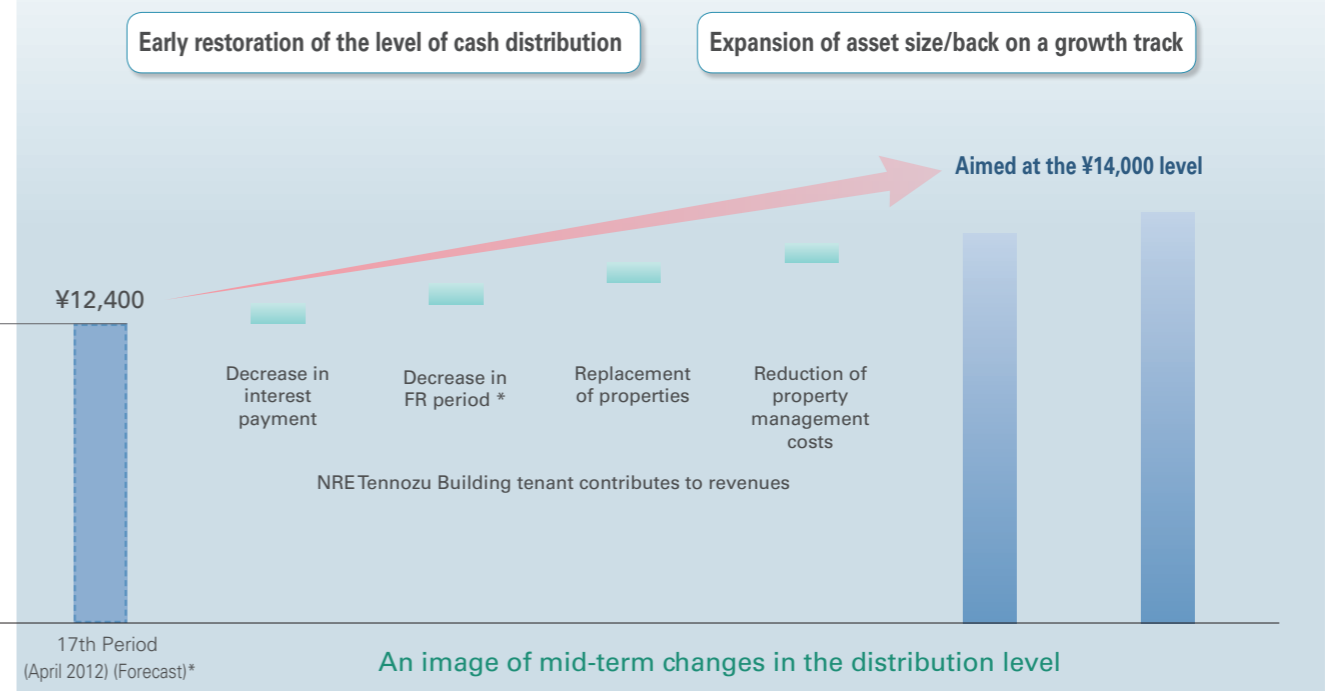
## Management Strategies in and after 17th Period

The Company strives to restore the level of cash distributions, expand its asset size, and be back on a growth track by implementing measures based on strategies mentioned below.



## Early recovery of cash distributions

We will strive to achieve early recovery of cash distribution levels by continuing cost reduction efforts targeted at interest expense, outsourcing expense, etc., in addition to the contribution to earnings through obtaining a large tenant for NRE Tennozu Building and the full-term operation of the newly acquired properties, thereby aiming at expansion of asset size and recovery to our asset growth.



\* FR (free rent) means the practice of relieving a tenant from its obligation to pay rent for a certain period.

\* The amount of expected cash distributions for the 17th fiscal period was calculated as of December 15, 2011 based on certain assumptions.

# Management Strategies

## Promotion of property replacement

During this fiscal period, we promoted property replacement toward further strengthening the quality of our portfolio by selling properties whose operating efficiency had been declining and acquiring properties with higher competitiveness. As a result, we transferred three properties (total transfer price: ¥9.1 billion) and decided to acquire two properties (total acquisition price: ¥3.9 billion). We will further promote such replacement in and after the 17th fiscal period.

**Transfer: ¥9,135 million**

	Building age	Transfer price	Transfer date
NOF Toyo-cho Building	22.0 years	¥5,805 million	May 10, 2011
Central Kyobashi Building	13.1 years	¥2,650 million	August 30, 2011
Sunworld Yotsuya Building	20.0 years	¥680 million	July 22, 2011

Average Building age 19.1 years    Decline in management efficiency

**Acquisition: ¥3,910 million**



**PMO Hatchobori**

Location: Chuo-ku, Tokyo  
 Building Age: 2.4 years  
 Acquisition Price: ¥2,430 million  
 Date of Agreement: Aug. 30, 2011  
 Acquisition Date: Nov. 1, 2011 (17th Period)





**PMO Higashi-nihonbashi**

Location: Chuo-ku, Tokyo  
 Building Age: 2.0 years  
 Acquisition Price: ¥1,480 million  
 Date of Agreement: Aug. 30, 2011  
 Acquisition Date: Nov. 1, 2011 (17th Period)





Average Building age 2.3 years    Located in Central Tokyo with quality specifications

Prompt acquisition of properties / Continuing consideration of property replacement

\* Building age is calculated using the last day of this fiscal period (October 31, 2011) as the base date and the average building age is calculated as an acquisition price-weighted average.  
 \* Regarding NOF Toyo-cho Building, the Company transferred 33% of the quasi-co-ownership interest in each of the two beneficial interests in the 15th period (December 8, 2010) and 67% in the 16th period (May 10, 2011).

## Completion of the leasing out of NRE Tennozu Building

Since April 2011, the occupancy rate of NRE Tennozu Building had declined to 62.9% due to partial evacuation of Japan Airlines Co., Ltd. However, it has recovered to 100% since the end of October as a result of the lease agreement entered with a large tenant on July 27 after completing necessary renovation for accepting multiple tenants as well as retail space renovation.

- Approximately 60 corporations have been to the property tour by utilizing the wide network of Nomura Real Estate Development Co., Ltd.
- Executed the lease agreement with 5 companies

**The occupancy rate recovered to 100% since October 31, 2011**

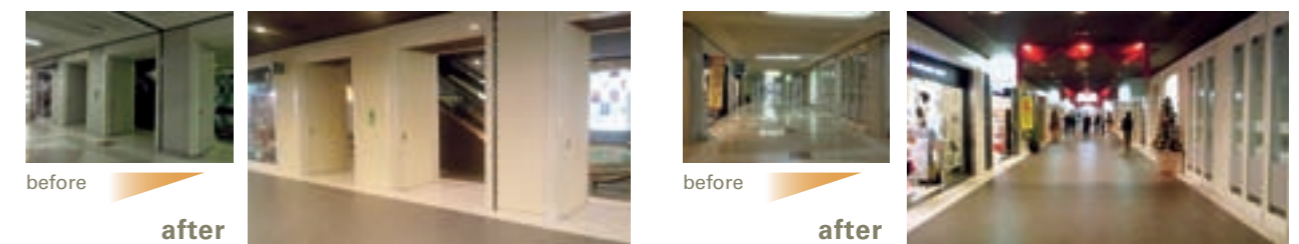
**Summary of the tenant**

Tenant Name: Canon Marketing Japan Inc.  
 Leased Floor Space: 17,777m<sup>2</sup> (5,378 tsubo) \*  
 Start of the lease period: October 31, 2011

\* The leased space of the entire building

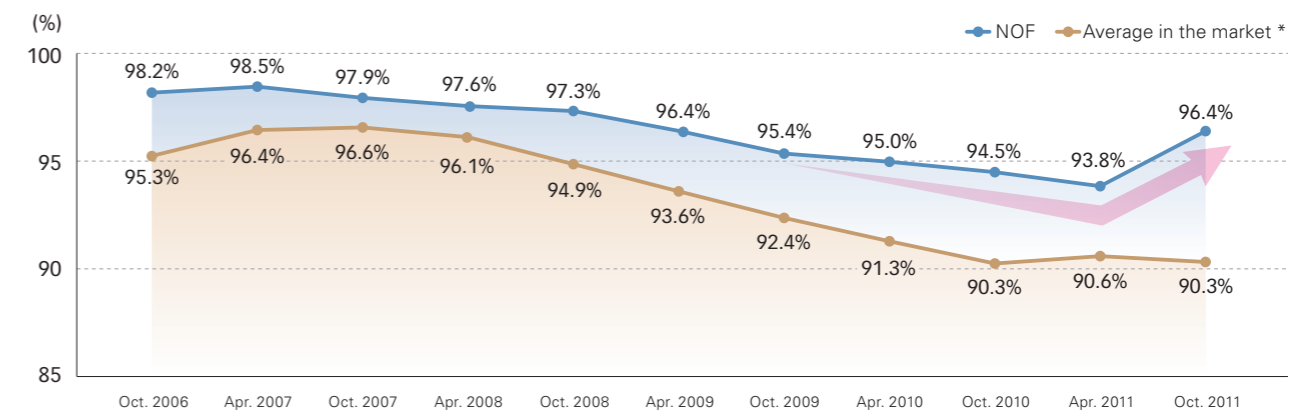
## Enhancement of property competitiveness through renovation (Shinjuku Nomura Building)

We strive to maintain and improve occupancy rates by strategically conducting renovation works for the purpose of, among others, strengthening our tenant leasing capability through differentiation from competing properties in the neighborhood and enhancing tenant satisfaction.



## Improvement of the portfolio occupancy rate

We focused on filling the vacancy at the earliest opportunity and enhancing tenant satisfaction as we regarded the maintenance and improvement of occupancy rates as the highest priority. As a result, the portfolio occupancy rate improved to 96.4%.



\* Calculated by NREAM based on the Office Market Report published by CBRE K. K.

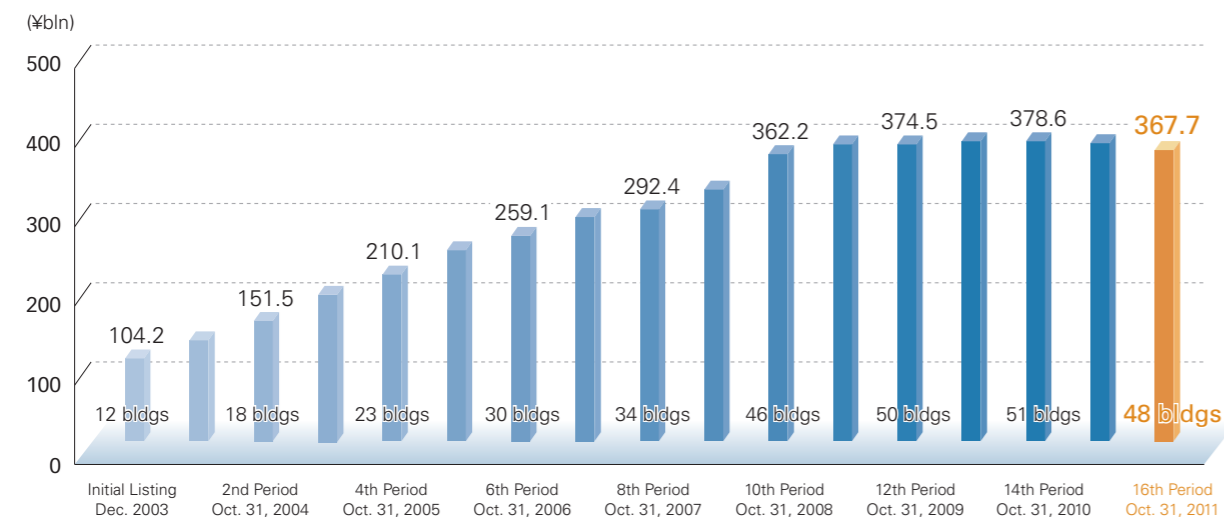
# Portfolio Highlights

## Well Diversified Portfolio

Nomura Office Fund has invested in properties focusing on the geographic diversification and diversification within each property in order to reduce risk of income fluctuation. The average occupancy rate at the end of the sixteenth fiscal period: 96.4%.

### CHANGES IN SIZE OF PORTFOLIO

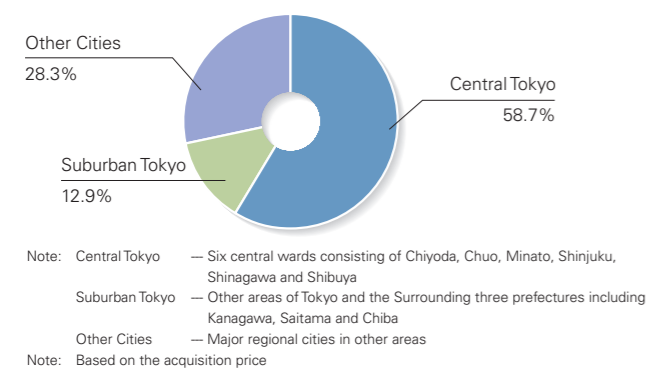
As indicated below, diversification of the portfolio which has steadily increased since listing.



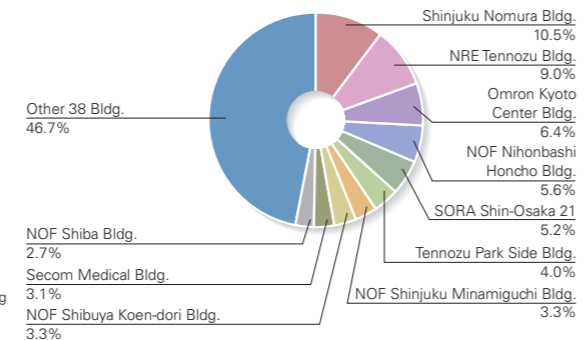
### DIVERSIFICATION BY AREA AND PROPERTY

The area and property diversification as of the end of the sixteenth fiscal period are as follows.

#### Area Diversification

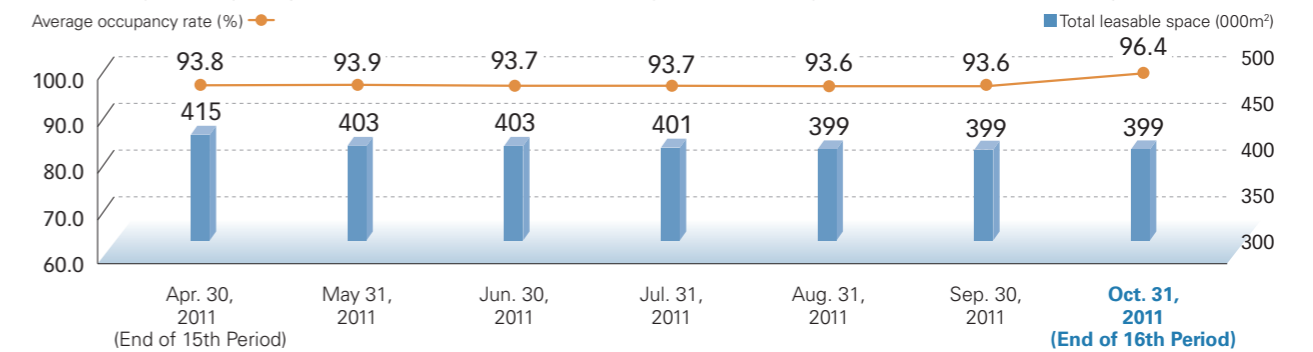


#### Property Diversification (Top 10 Properties and other)



### CHANGES IN OCCUPANCY RATE (AVERAGE)

The average occupancy rate maintained stable and high level throughout the sixteenth fiscal period.



### MAJOR TENANTS

Top 10 tenants in the leased space as of the end of the sixteenth fiscal period are as follows.

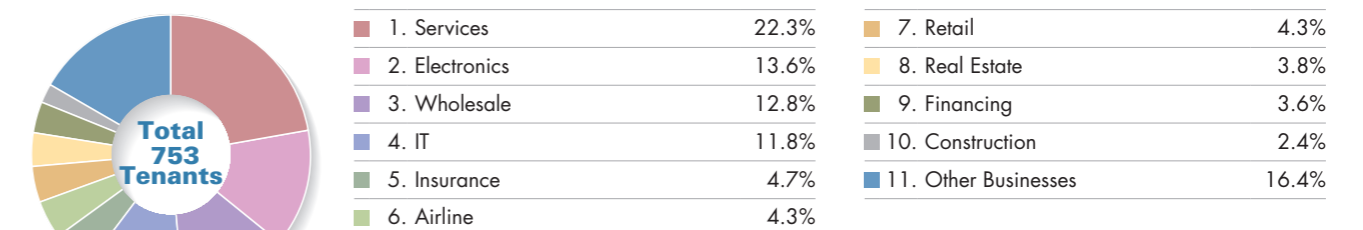
Tenant	Industry	Property	Expiry of contract	Leased space (m <sup>2</sup> )	Weight in portfolio (%)	Weight from previous period (%)
1 OMRON Corporation	Electronic Devices	OMRON Kyoto Center Bldg.	Mar. 29, 2021	34,616.84	9.0	(8.9)
2 Japan Airlines Co., Ltd.	Airline	NRE Tennozu Bldg.	Mar. 31, 2015	15,082.43	3.9	(3.9)
3 SECOM Co., Ltd.	Services	Secom Medical Bldg. NOF Sendai Aoba-dori Bldg.	Feb. 28, 2025 Dec. 31, 2012	8,821.24 755.69	2.3 0.2	(2.3) (0.2)
4 JCB Co., Ltd.	Financing	JCB Sapporo Higashi Bldg.	Feb. 07, 2018	9,062.04	2.4	(2.3)
5 Canon Marketing Japan Inc.	Wholesale	NRE Tennozu Bldg.	(Note 1)	9,047.93	2.4	-
6 Nomura Facilities Co., Ltd.	Real Estate	Shinjuku Nomura Bldg.	May 31, 2014	574.11	0.2	(0.2)
		NOF Utsunomiya Bldg.	Dec. 31, 2011	1,140.85	0.3	(0.3)
		NRE Yotsubashi Bldg.	Nov. 30, 2011	1,847.63	0.5	(0.5)
7 Nomura Real Estate Development Co., Ltd.	Real Estate	NRE Hiroshima Bldg.	Oct. 31, 2011	2,834.48	0.7	(0.7)
		Shinjuku Nomura Bldg.	Nov. 30, 2013	4,474.05	1.2	(1.2)
8 KYORIN Holdings, Inc.	Wholesale	NRE Yotsubashi Bldg.	Nov. 30, 2013	1,266.19	0.3	(0.3)
		NOF Surugadai Plaza Bldg.	Mar. 31, 2013	4,160.94	1.1	(1.1)
9 DAIDO Life Insurance Company	Insurance	NOF Nihonbashi Honcho Bldg.	Nov. 30, 2012	3,172.50	0.8	(0.8)
		NRE Ueno Bldg.	Mar. 31, 2012	807.64	0.2	(0.2)
10 SOMPO JAPAN INSURANCE INC.	Insurance	Shinjuku Nomura Bldg.	May 31, 2013	3,636.96	1.0	(1.2)
		NRE Hiroshima Bldg.	Apr. 30, 2013	283.02	0.1	(0.1)
Total				101,584.54	26.4	

Note 1: Not disclosed due to compelling reasons.

Note 2: "Industry" stated in the above table is each end tenant's industry.

### DIVERSIFICATION IN TENANTS' BUSINESS

The ratio of diversification in tenants' business by space as of the end of the sixteenth fiscal period is as follows.



## Financial Status

# Carried Out Steady Refinancing

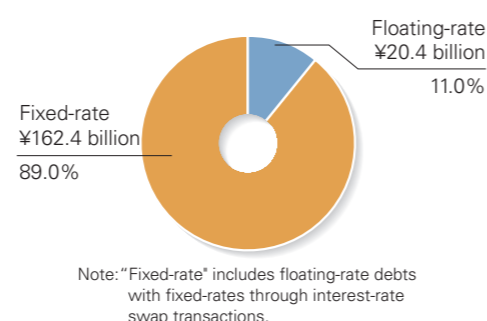
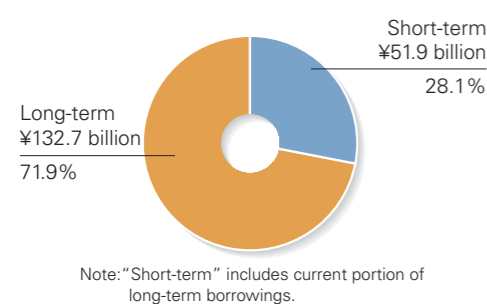
Nomura Office Fund has the basic financial policy for the purpose of securing financial stability and avoiding future interest rate risks. Outstanding interest-bearing debt as of the end of the sixteenth fiscal period is ¥184.6 billion.

### PROMOTION OF LONG-TERM FIXED-RATE INTEREST-BEARING DEBT (as of the end of the sixteenth fiscal period)

The Company has secured financial stability through promotion of long-term, fixed-rate interest-bearing debt to prepare for the future interest rate hikes.

■ Ratio of long-term and short-term interest-bearing debts

■ Ratio of fixed and floating interest-bearing debts

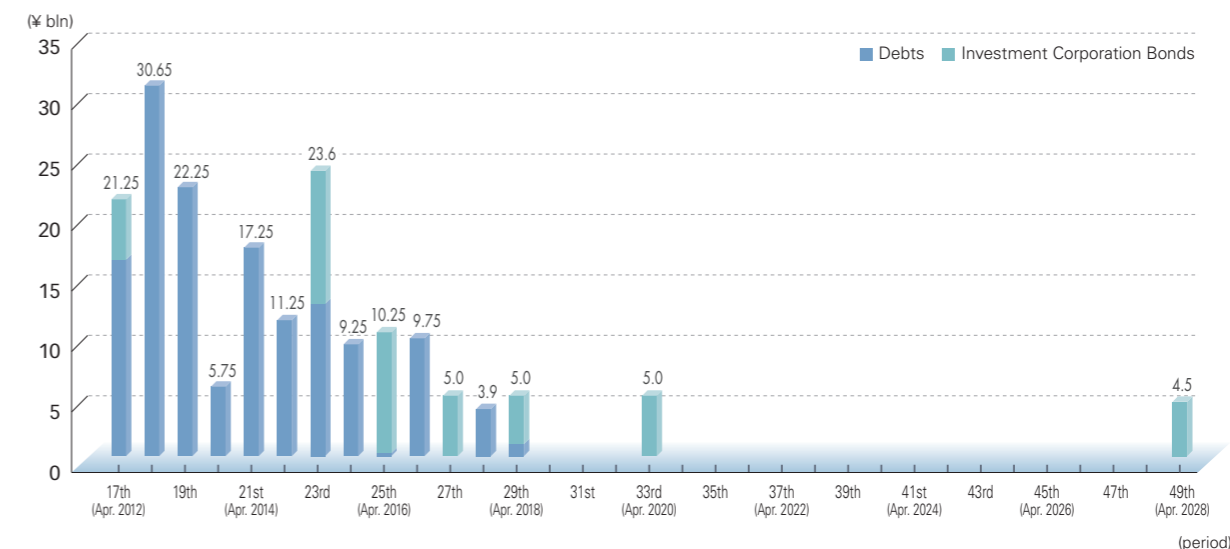


### LIST OF LENDERS

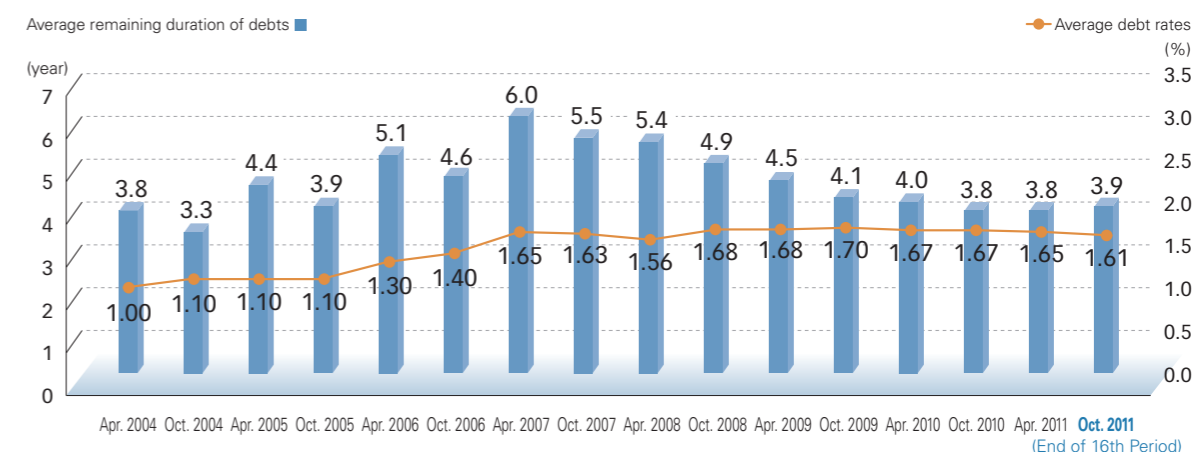
The number of lenders as of the end of the sixteenth fiscal period is 32 financial institutions.

Lender	Total Amount of Debt Remaining (¥mln)	Lender	Total Amount of Debt Remaining (¥mln)	Lender	Total Amount of Debt Remaining (¥mln)
Bank of Tokyo-Mitsubishi UFJ	21,400	Bank of Fukuoka	3,500	Hyakujushi Bank	1,500
Sumitomo Mitsui Banking	19,900	Norinchukin Bank	3,000	Yamanashi Chuo Bank	1,000
Development Bank of Japan	15,000	Taiyo Life Insurance	3,000	Chiba Bank	1,000
Mitsubishi UFJ Trust and Banking	11,050	Chuo Mitsui Trust and Banking	2,000	Keiyo Bank	1,000
Sumitomo Trust & Banking	9,900	Hachijuni Bank	2,000	Mitsui Life Insurance	1,000
Mizuho Corporate Bank	6,400	Daido Life Insurance	2,000	Mitsui Sumitomo Insurance	1,000
The Dai-ichi Life Insurance Company	5,000	Zenkyoren	2,000	Sompo Japan Insurance	1,000
Sumitomo Life Insurance Company	5,000	Mizuho Trust & Banking	2,000	The 77 Bank	1,000
Nomura Trust and Banking	4,000	Shinkin Central Bank	2,000	Resona Bank	1,000
Chugoku Bank	4,000	Nishi-Nippon City Bank	2,000	Aozora Bank	500
Iyo Bank	3,500	Hiroshima Bank	1,500	Total borrowings	140,150
		(Reference)	Investment Corporation Bonds		44,500

### DIVERSITY OF REPAYMENT DATES (as of the end of the sixteenth fiscal period)



### CHANGES IN AVERAGE DURATION OF LONG-TERM FIXED-RATE DEBTS AND WEIGHTED AVERAGE OF INTEREST RATE OF THE DEBTS



### CREDIT RATINGS (as of the end of the sixteenth fiscal period)

Rating Company	Rating	Outlook
Rating and Investment Information, Inc.	AA-: Issuer rating	Stable
Standard & Poor's Ratings Japan K.K.	A-: Long-term corporate credit rating	Stable
Moody's Japan K.K.	A2: Issuer rating	Negative

# Summary of Portfolio Properties



MAP No.	Name of Property	Location	Leasable Floor Space (m <sup>2</sup> )	Date Acquired	Acquisition Price (¥mln)	Ratio (%)
<b>Central Tokyo</b>						
01	Shinjuku Nomura Building	Shinjuku-ku, Tokyo	31,500.89	Dec. 8, 2003	38,730	10.5
02	NRE Tennozu Building	Shinagawa-ku, Tokyo	25,127.12	Mar. 18, 2005	33,080	9.0
03	NOF Nihonbashi Honcho Building	Chuo-ku, Tokyo	19,157.05	Dec. 5, 2003	20,600	5.6
04	Tennozu Park Side Building	Shinagawa-ku, Tokyo	18,051.60	Feb. 27, 2004	14,800	4.0
05	NOF Shinjuku Minamiguchi Building	Shibuya-ku, Tokyo	6,706.46	Jun. 25, 2008	12,300	3.3
06	NOF Shibuya Koen-dori Building	Shibuya-ku, Tokyo	3,420.16	Sep. 28, 2004	12,000	3.3
07	Secom Medical Building	Chiyoda-ku, Tokyo	8,821.24	Sep. 1, 2006	11,500	3.1
08	NOF Shiba Building	Minato-ku, Tokyo	8,165.10	May 25, 2004	10,000	2.7
09	Nishi-Shinjuku Showa Building	Shinjuku-ku, Tokyo	5,670.84	Nov. 30, 2005	8,800	2.4
10	NRE Shibuya Dogenzaka Building	Shibuya-ku, Tokyo	3,436.67	Sep. 26, 2008	7,660	2.1
11	NOF Tameike Building	Minato-ku, Tokyo	4,715.20	Sep. 29, 2005	7,400	2.0
12	Iwamoto-cho Toyo Building	Chiyoda-ku, Tokyo	4,117.26	Jun. 25, 2008	6,020	1.6
13	NOF Shinagawa Konan Building	Shinagawa-ku, Tokyo	7,667.55	Dec. 8, 2003	5,500	1.5
14	NOF Surugadai Plaza Building	Chiyoda-ku, Tokyo	4,160.94	Feb. 27, 2004	5,150	1.4
15	PMO Nihonbashi Honcho	Chuo-ku, Tokyo	2,450.06	Nov. 5, 2008	5,000	1.4
16	NRE Higashi-nihonbashi Building	Chuo-ku, Tokyo	4,554.98	Jan. 14, 2009	4,060	1.1
17	Hatchobori NF Building	Chuo-ku, Tokyo	2,854.83	Aug. 10, 2007	3,160	0.9
18	NOF Kanda Iwamoto-cho Building	Chiyoda-ku, Tokyo	4,076.38	Feb. 26, 2004	3,080	0.8
19	NOF Takanawa Building	Shinagawa-ku, Tokyo	3,361.48	Feb. 27, 2009	3,010	0.8
20	NOF Minami Shinjuku Building	Shibuya-ku, Tokyo	2,464.71	Jun. 25, 2004	2,280	0.6

MAP No.	Name of Property	Location	Leasable Floor Space (m <sup>2</sup> )	Date Acquired	Acquisition Price (¥mln)	Ratio (%)
21	Central Shintomicho Building	Chuo-ku, Tokyo	2,465.86	Jun. 25, 2008	1,750	0.5
<b>Total Central Tokyo (21 Properties)</b>			<b>172,946.38</b>		<b>215,880</b>	<b>58.7</b>
<b>Suburban Tokyo</b>						
22	NRE Ueno Building	Taito-ku, Tokyo	4,869.81	Jan. 14, 2009	7,830	2.1
23	NOF Technoport Kamata Center Building	Ota-ku, Tokyo	13,652.45	Dec. 5, 2003	6,416	1.7
24	Toho Edogawabashi Building	Bunkyo-ku, Tokyo	2,058.97	Mar. 28, 2008	2,080	0.6
25	Toshin Meguro Building	Meguro-ku, Tokyo	1,610.07	Jun. 25, 2008	1,340	0.4
26	Crystal Park Building	Musashino City, Tokyo	3,900.85	Feb. 28, 2006	3,700	1.0
27	NOF Kichijoji Honcho Building	Musashino City, Tokyo	1,936.40	Jan. 14, 2009	1,800	0.5
28	Faret Tachikawa Center Square	Tachikawa City, Tokyo	6,851.48	Dec. 5, 2003	3,290	0.9
29	NOF Kawasaki Higashiguchi Building	Kawasaki City, Kanagawa	8,266.67	Jun. 30, 2005	9,500	2.6
30	NOF Yokohama Nishiguchi Building	Yokohama City, Kanagawa	6,817.76	May 12, 2005	5,050	1.4
31	NOF Shin-Yokohama Building	Yokohama City, Kanagawa	8,074.83	Dec. 5, 2003	3,600	1.0
32	Yokohama Odori Koen Building	Yokohama City, Kanagawa	4,234.19	Sep. 28, 2007	2,993	0.8
<b>Total Suburban Tokyo (11 Properties)</b>			<b>62,273.48</b>		<b>47,599</b>	<b>12.9</b>
<b>Other Cities</b>						
33	Sapporo North Plaza	Sapporo City, Hokkaido	13,601.62	Jun. 1, 2006	6,820	1.9
34	NRE Sapporo Building	Sapporo City, Hokkaido	6,559.34	Nov. 5, 2008	5,300	1.4
35	JCB Sapporo Higashi Building	Sapporo City, Hokkaido	9,062.04	Feb. 8, 2008	3,700	1.0
36	NOF Sendai Aoba-dori Building	Sendai City, Miyagi	6,043.28	Nov. 30, 2005	3,200	0.9
37	NOF Utsunomiya Building	Utsunomiya City, Tochigi	5,887.39	Dec. 5, 2003	2,970	0.8
38	NOF Nagoya Fushimi Building	Nagoya City, Aichi	3,282.90	Dec. 25, 2009	4,050	1.1
39	NOF Nagoya Yanagibashi Building	Nagoya City, Aichi	4,655.74	Sep. 29, 2005	3,550	1.0
40	Omron Kyoto Center Building	Kyoto City, Kyoto	34,616.84	Mar. 20, 2007	23,700	6.4
41	SORA Shin-Osaka 21	Osaka City, Osaka	21,298.26	Apr. 25, 2008	19,251	5.2
42	NRE Osaka Building	Osaka City, Osaka	16,977.79	Dec. 5, 2003	6,410	1.7
43	NRE Nishi-Umeda Building	Osaka City, Osaka	5,213.02	Sep. 26, 2008	5,660	1.5
44	NRE Yotsubashi Building	Osaka City, Osaka	11,558.68	Dec. 5, 2003	3,940	1.1
45	NOF Kobe Kaigan Building	Kobe City, Hyogo	6,425.16	Dec. 5, 2003	3,280	0.9
46	NRE Hiroshima Building	Hiroshima City, Hiroshima	7,901.40	Dec. 5, 2003	1,930	0.5
47	NOF Hakata Ekimae Building	Fukuoka City, Fukuoka	7,504.28	Jun. 27, 2008	6,750	1.8
48	NOF Tenjin-Minami Building	Fukuoka City, Fukuoka	3,817.76	Mar. 27, 2009	3,739	1.0
<b>Total Other Cities (16 Properties)</b>			<b>164,405.50</b>		<b>104,250</b>	<b>28.3</b>
<b>Grand Total (48 Properties)</b>			<b>399,625.36</b>		<b>367,729</b>	<b>100.0</b>

Note: The Company owns "Secom Medical Building", "NRE Shibuya Dogenzaka Building", "PMO Nihonbashi Honcho", "NRE Higashi-nihonbashi Building", "NOF Takanawa Building", "NRE Ueno Building", "Toho Edogawabashi Building", "Crystal Park Building", "Yokohama Odori Koen Building", "NRE Sapporo Building", "JCB Sapporo Higashi Building", "NOF Nagoya Fushimi Building", "SORA Shin-Osaka 21" and "NRE Nishi-Umeda Building" as real estate, and other properties in the form of beneficial interest in real estate trusts.

Note: "Ratio" refers to the ratio of each asset based on acquisition price to the entire portfolio (total of 48 properties). As the figures in the above table have been rounded to the first decimal place, the total may not be 100.0%.

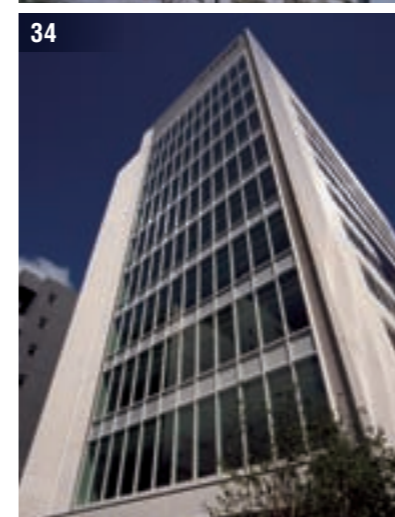
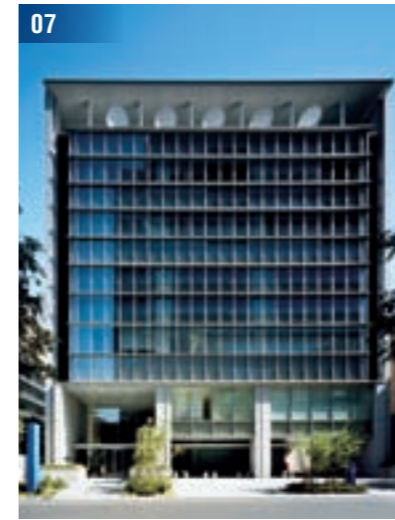
Note: Shinjuku Nomura Building is held through the quasi co-ownership of beneficial interest in real estate trust. The Company holds 50.1% of the quasi co-ownership. Total leasable floor space and acquisition price in the above table indicates the figures related to the quasi co-ownership.

Note: The Company transferred a part of the land of NOF Technoport Kamata Center Building (co-owned area) on August 31, 2007. The acquisition price on the list is the amount subtracting a book price of the asset to be transferred (13 million yen) from the acquisition price before the transfer (6,430 million yen). The number of amount below unit is truncated.

Note: The leasable floor space of NRE Tennozu Building is the leasable floor space of the entire building multiplied by the percentage of the common area held through the co-ownership of beneficial interest.



# Major Properties



**01 | Shinjuku Nomura Building**

1-26-2 Nishi-Shinjuku Shinjuku-ku Tokyo

**02 | NRE Tennozu Building**

2-4-11 Higashi-Shinagawa Shinagawa-ku Tokyo

**22 | NRE Ueno Building**

1-14-4 Higashi-Ueno Taito-ku Tokyo

**40 | Omron Kyoto Center Building**

801 Minami Fudodo-cho, Horikawa Higashi-iru, Shiokoji-dori Simogyo-ku Kyoto City Kyoto

**07 | Secom Medical Building**

7-7 Nibancho Chiyoda-ku Tokyo

**28 | Faret Tachikawa Center Square**

2-36-2 Akebono-cho Tachikawa City Tokyo

**34 | NRE Sapporo Building**

2-15-1 Kitashichijyo-Nishi Kita-ku Sapporo City Hokkaido

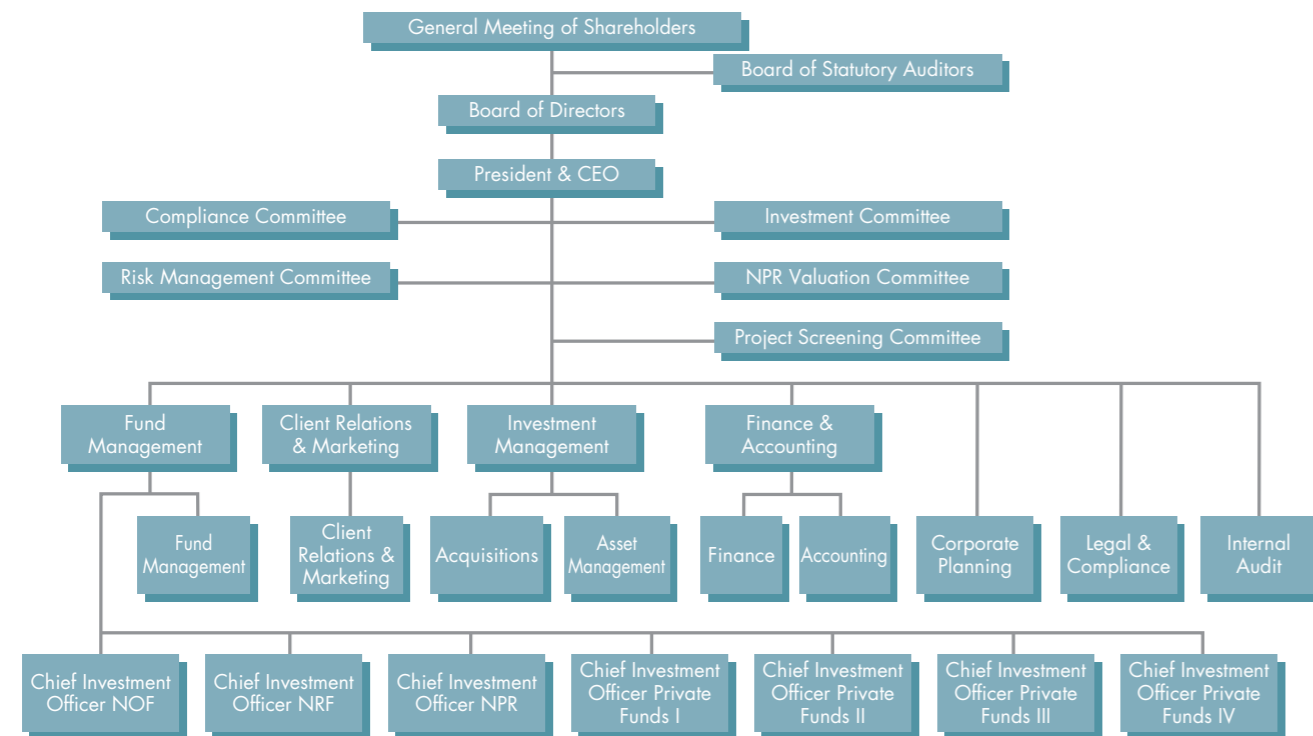
**41 | SORA Shin-Osaka 21**

2-1-3 Nishi-Miyahara Yodogawa-ku Osaka City Osaka

As of October 1, 2011, Nomura Real Estate Asset Management Co., Ltd. (NREAM) was merged with Nomura Real Estate Investment Management Co., Ltd. (NREIM) and Nomura Real Estate Capital Management Co., Ltd. (NRECM), with a change of its Japanese trade name from Nomura Fudosan Toshin to Nomura Fudosan Toshi Komon. We believe that the Company can benefit from various synergy effects from this merger as well as the ability to quickly respond to changes in the real estate and financial markets, the enhancement of expertise and experience necessary for real estate investment, and the ability to provide asset management services through one of the largest real estate asset management companies in Japan.

Company: Nomura Real Estate Asset Management Co., Ltd.  
 Capital: ¥300 million (as of October 31, 2011)  
 Shareholder: Nomura Real Estate Holdings, Inc. (100%)  
 Incorporation: January 24, 2003

## Organization of the asset management company



## Profile of Chief Investment Officer

### NOF Chief Investment Officer Kenji Tsuga

**Apr. 1990** Entered NRED

**Dec. 1996** Distribution Sales Dept.

**Mar. 2001** Distribution Business Dept.

**Oct. 2001** East21 Branch Manager, Nomura Real Estate Urban Net Co., Ltd.

**Oct. 2004** Corporate Planning Dept., Nomura Real Estate Holdings, Inc.

**Oct. 2006** Public Relations/IR Dept.

**Apr. 2011** General Manager, Office Management Division, NREAM

**Oct. 2011** NOF Chief Investment Officer, NREAM (current position)



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# Asset Management Report

## 1. CHANGES IN KEY INDICATORS

		16th Period from May 1, 2011 to Oct. 31, 2011	15th Period from Nov. 1, 2010 to Apr. 30, 2011	14th Period from May 1, 2010 to Oct. 31, 2010	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009
Operating Revenues	(¥ mln)	13,637	13,117	13,364	13,686	14,203
of which Real Estate Rental Revenues	(¥ mln)	12,520	12,846	13,364	13,686	14,203
Operating Expenses	(¥ mln)	7,417	6,973	7,141	6,938	7,065
of which Real Estate Rental Expenses	(¥ mln)	6,110	5,741	5,883	5,667	5,761
Operating Profits	(¥ mln)	6,219	6,144	6,223	6,747	7,138
Current Profits	(¥ mln)	4,628	4,503	4,480	5,035	5,339
Net Income	(¥ mln)	4,627	4,428	4,479	5,034	5,338
Total Assets	(¥ mln)	400,390	404,069	407,703	410,127	408,312
(Changes from Previous Period)	(%)	(△0.9)	(△0.9)	(△0.6)	(+0.4)	(△0.3)
Interest-Bearing Debts	(¥ mln)	184,650	187,900	191,230	191,980	188,730
Net Assets	(¥ mln)	190,082	189,883	189,934	190,490	190,793
(Changes from Previous Period)	(%)	(+0.1)	(△0.0)	(△0.3)	(△0.2)	(△0.0)
Unitholders' Capital	(¥ mln)	185,455	185,455	185,455	185,455	185,455
Number of Units Issued	(Units)	305,123	305,123	305,123	305,123	305,123
Net Assets per Unit	(¥)	622,970	622,318	622,486	624,306	625,301
Total Cash Distribution	(¥ mln)	4,527	4,427	4,479	5,034	5,338
Cash Distribution per Unit	(¥)	14,837	14,512	14,681	16,500	17,496
of which Cash Distribution of Profits	(¥)	14,837	14,512	14,681	16,500	17,496
of which Cash Distribution in excess of Profits	(¥)	-	-	-	-	-
ROA (Return on Assets) (Note 1)	(%)	1.2	1.1	1.1	1.2	1.3
Annualized ROA (Note 2)	(%)	2.3	2.2	2.2	2.5	2.6
ROE (Return on Equity) (Note 3)	(%)	2.4	2.3	2.4	2.6	2.8
Annualized ROE (Note 2)	(%)	4.8	4.7	4.7	5.3	5.5
Capital Adequacy Ratio (Note 4)	(%)	47.5	47.0	46.6	46.4	46.7
(Changes from Previous Period)	(%)	(+0.5)	(+0.4)	(+0.2)	(△0.3)	(+0.1)
LTV (Loan-to-Value) (Note 5)	(%)	46.1	46.5	46.9	46.8	46.2
Number of Operating Days	(days)	184	181	184	181	184
Payout Ratio (Note 6)	(%)	97.8	99.9	100.0	99.9	99.9
Number of Properties Held	(bldgs)	48	51	51	51	50
Total Leasable Floor Space	(m <sup>2</sup> )	399,625.36	415,936.86	438,918.56	439,139.15	435,901.82
Number of Tenants	(tenants)	753	746	704	686	666
Occupancy Rate	(%)	96.4	93.8	94.5	95.0	95.4
Depreciation	(¥ mln)	1,732	1,861	1,876	1,865	1,835
Capital Expenditures	(¥ mln)	1,088	750	597	692	779
NOI (Net Operating Income) (Note 7)	(¥ mln)	8,142	8,965	9,357	9,884	10,278
FFO (Funds from Operation) (Note 8)	(¥ mln)	5,362	6,029	6,363	6,908	7,180
FFO per Unit (Note 9)	(¥)	17,573	19,761	20,855	22,640	23,534

Note 1: "ROA (Return on Assets)" = Current Profits / ((Total Assets at the beginning of the period + Total Assets at the end of the period) / 2) x 100

Note 2: "ROA" and "ROE" are annualized using the following number of operating days. 12th Period: 184 days, 13th period: 181 days, 14th Period: 184 days, 15th Period: 181 days, and 16th Period: 184 days.

Note 3: "ROE (Return on Equity)" = Net Income / ((Net Assets at the beginning of the period + Net Assets at the end of the period) / 2) x 100

Note 4: "Capital Adequacy Ratio" = Net Assets / Total Assets x 100

Note 5: "LTV (Loan-to-Value)" = Interest-Bearing Debts / Total Assets x 100

Note 6: Rounded off to the first decimal place.

Note 7: "NOI (Net Operating Income)" = Real Estate Rental Revenues - Real Estate Rental Expenses + Depreciation

Note 8: "FFO (Funds from Operation)" = Net Income + Depreciation + Amortization of Investment Corporation Bonds Issuance Costs - Real Estate Sale Profit/Loss

Note 9: "FFO per Unit" = FFO / Number of Units Issued

## 2. OUTLINE OF INVESTMENTS IN THE SIXTEENTH FISCAL PERIOD

Nomura Real Estate Office Fund, Inc., incorporated on August 7, 2003 under the Law Concerning Investment Trusts and Investment Corporations of Japan, listed the unit certificates in the Real Estate Investment Trust (REIT) Market of the Tokyo Stock Exchange on December 4, 2003 (TSE code 8959). The Company's basic investment policy is to assure stable income from, and steady growth of, investment assets over the mid- to long-term. In accordance with this policy, we invest in properties mostly for office use in three largest conurbations and other major cities, or in property-backed securities that are backed by such properties.

Note: The Law Concerning Investment Trusts and Investment Corporations of Japan (Law No. 198 of 1951) is referred to as the "Investment Trust Law" hereinafter.

The term "unit certificates" are the securities issued by the Company and may be referred to as "investment units" or "units" hereinafter.

The term "investment assets" refers to those assets that belong to the Company.

Unless otherwise stated, for the purpose of this report, the concept of "property(ies)" is construed to include leasehold and superficies.

The term "property(ies)" refers to those assets defined in Section 27, Paragraph 1, Article (1) and (2), and "property-backed securities" refers to those assets defined in Section 27, Paragraph 1, Article (3) respectively of the Articles of Incorporation of the Company.

The terms "property(ies)" and "property-backed securities" are collectively referred to as "property-related assets" hereinafter.

The properties and underlying properties of the property-related assets are collectively referred to as the "investment properties".

### (1) Market Environments

Since the Great East Japan Earthquake in March 2011, uncertainty in the future outlook of the Japanese economy has persisted due, among others, to restrictions on power supply exemplified by the implementation of planned rolling blackouts following the accidents at Fukushima Daiichi Nuclear Power Plant and the increased sense of insecurity arising from these accidents. However, consumer confidence has gradually started to improve as the supply chain continues to be restored, production recovered, and demand fueled by restoration. Nevertheless, the pace of recovery continues to be slow due to the existence of downside risks such as the concerns about slower-than-expected recovery in overseas economies and volatile exchange rates and stock prices.

#### (a) Office Leasing Market

In the office leasing market, occupancy rates continue to improve albeit slightly and asking rents appear to be hitting bottom. However, downward pressure on rents from tenants continues to be strong. Meanwhile, corporate tenants are increasingly focusing on such building specifications as earthquake resistance and the availability of emergency power supply when selecting their office space since the Great East Japan Earthquake.

In central Tokyo, the supply-demand balance for large buildings capable of meeting the needs of corporate tenants for office consolidation is improving. In local cities except for Osaka where there is substantial new supply, the markets are steadily improving toward recovery.

#### (b) Real Estate Sales Market

The volume of office building sales information temporarily dipped after the Great East Japan Earthquake, but has been recovering since summer 2011. Since high net worth individuals and business corporations generally maintained strong investment appetite, investment in small and medium size properties was relatively active, while the volume of sales information on large prime properties was very limited, with a few actual transactions other than those between J-REITs and their sponsor entities.

### (2) Status of Managements for the Sixteenth Fiscal Period

Abiding by its basic policy of acquiring only properties that would generate stable returns over the mid- to long-term, the Company continues to invest in and manage properties that offer outstanding competitiveness in terms of both location and basic building features, and stable cash flows.

The Company's total assets under management ("portfolio") as of the end of the 16th fiscal period (October 31, 2011) was 48 properties (total leasable floor space: 399,625.36 m<sup>2</sup>) totaling 367.7 billion yen (total acquisition price).

The property management environment remained difficult due to the market conditions described in "(1) Market Environment (a) Office Leasing Market." Seeking to maintain or increase occupancy rates, the Company took the initiative in attracting prospective tenants, while taking measures to enhance customer satisfaction of existing tenants. In renewing leases, the Company negotiated terms focusing on minimizing declines in rent levels, while considering individual deviations from market rents, sizes of leased areas, and leasing periods.

As a result, the average portfolio occupancy rate recovered to 96.4% at the end of the period, particularly owing to the successful leasing out of NRE Tennozu Building, in which a substantial vacancy had occurred on March 31, 2011.

We also promoted the replacement of properties in the portfolio for the purpose of improving the overall quality of the portfolio. Specifically, we sold three properties while deciding to acquire two relatively new properties located in central Tokyo during this fiscal period.

In addition, making the most of the Nomura Real Estate Group's (Note) know-how, we also succeeded in keeping earnings stable by management specifications on an individual property basis and taking other steps to reduce asset management expenses.

Note: "Nomura Real Estate Group" refers to a corporate group consisting of the consolidated subsidiaries of Nomura Real Estate Holdings, Inc. (referred to as Nomura Real Estate Holdings hereinafter) including Nomura Real Estate Development Co., Ltd. (referred to as "NRED" hereinafter) but excluding Nomura Real Estate Asset Management Co., Ltd. (referred to as the Asset Management Company hereinafter).

### (3) Status of Funding

Concerning funding through interest-bearing debts, the Company has the basic financial policy of funding through promotion of long-term, diversified and fixed interest rate debts, for the purpose of securing financial stability and avoiding future interest rate risk. Based on this policy, the Company has implemented funding through long-term debts and issuance of investment corporation bonds, while establishing a total of 40 billion yen of commitment line for the purpose of flexible funding at the time of property acquisition and reduction of refinancing risks, from the perspective of securing stable funding base.

During the period under review, a total of 20.8 billion yen was borrowed as part of repayment funds for existing debts. As a result, outstanding interest-bearing debt as of the end of the 16th fiscal period came to 184.6 billion yen (including investment corporation bonds of 44.5 billion yen).

## 3. STATUS OF CAPITAL

No changes in the number of units issued have been made during the sixteenth fiscal period. Changes in the number of units issued and unitholders' capital until the sixteenth fiscal period are as follows.

Date	Type of Issue	Number of Units Issued (Unit)		Unitholders' Capital (¥ mln)	
		Change	Balance	Change	Balance
Aug. 7, 2003	Initial private placement (Note 1)	400	400	200	200
Dec. 4, 2003	Public offering (Note 2)	148,200	148,600	71,506	71,706
May 19, 2004	Public offering (Note 3)	35,000	183,600	19,866	91,572
Jun. 16, 2004	Third-party allotment (Note 4)	1,050	184,650	595	92,168
May 1, 2005	Public offering (Note 5)	44,000	228,650	31,496	123,665
May 24, 2005	Third-party allotment (Note 6)	1,320	229,970	944	124,610
May 25, 2006	Public offering (Note 7)	34,800	264,770	31,143	155,753
Jun. 23, 2006	Third-party allotment (Note 8)	1,133	265,903	1,013	156,767
May 27, 2008	Public offering (Note 9)	37,000	302,903	27,064	183,831
Jun. 24, 2008	Third-party allotment (Note 10)	2,220	305,123	1,623	185,455

Note 1: Initial private placement at the offer price of ¥500,000 per unit to incorporate the Company.

Note 2: Public offering at the offer price of ¥500,000 (issue price of ¥482,500) to finance acquisition of new properties.

Note 3: Public offering at the offer price of ¥588,000 (issue price of ¥567,600) to finance acquisition of new properties and to repay borrowings.

Note 4: Third-party allotment to Nomura Securities Co., Ltd. at the offer price of ¥567,600 following the public offering on May 19, 2004.

Note 5: Public offering at the offer price of ¥740,782 (issue price of ¥715,837) to finance acquisition of new properties and to repay borrowings.

Note 6: Third-party allotment to Nomura Securities Co., Ltd. at the offer price of ¥715,837 following the public offering on May 1, 2005.

Note 7: Public offering at the offer price of ¥926,100 (issue price of ¥894,915) to finance acquisition of new properties and to repay borrowings.

Note 8: Third-party allotment to Nomura Securities Co., Ltd. at the offer price of ¥894,915 following the public offering on May 25, 2006.

Note 9: Public offering at the offer price of ¥756,560 (issue price of ¥731,470) to redeem the short-term investment corporation bonds and to repay short-term borrowings.

Note 10: Third-party allotment to Nomura Securities Co., Ltd. at the offer price of ¥731,470 following the public offering on May 27, 2008.

### [Changes in Price at the Tokyo Stock Exchange]

Changes in prices of the Company's investment units listed on the Tokyo Stock Exchange are as follows.

		16th Period from May 1, 2011 to Oct. 31, 2011	15th Period from Nov. 1, 2010 to Apr. 30, 2011	14th Period from May 1, 2010 to Oct. 31, 2010	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009
High	(¥)	595,000	604,000	536,000	588,000	683,000
Low	(¥)	418,000	433,000	412,000	465,000	495,000

## 4. CASH DISTRIBUTION

The Company 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 the Special Taxation Measures Law (Law No. 26 of 1957) to have maximum cash distribution amount treated as deductible dividends, the Company distributed the entire unappropriated retained earnings except for fractional amounts smaller than one yen per each investment unit. As a result, the amount of cash distribution per unit for this fiscal period was ¥14,837.

		16th Period from May 1, 2011 to Oct. 31, 2011	15th Period from Nov. 1, 2010 to Apr. 30, 2011	14th Period from May 1, 2010 to Oct. 31, 2010	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009
Retained Earnings	(¥000)	4,627,269	4,428,126	4,479,515	5,034,679	5,338,534
Accumulated earnings	(¥000)	100,159	181	4	149	102
Total cash distribution	(¥000)	4,527,109	4,427,944	4,479,510	5,034,529	5,338,432
(Cash distribution per unit)	(¥)	(14,837)	(14,512)	(14,681)	(16,500)	(17,496)
of which distribution of profits	(¥000)	4,527,109	4,427,944	4,479,510	5,034,529	5,338,432
(Distribution of profits per unit)	(¥)	(14,837)	(14,512)	(14,681)	(16,500)	(17,496)
of which refund of capital	(¥000)	-	-	-	-	-
(Refund of capital per unit)	(¥)	(-)	(-)	(-)	(-)	(-)

## 5. INVESTMENT POLICY AND FUTURE ISSUES

### (1) Investment Environments

As mentioned in "2. Outline of Investments in the 16th Fiscal Period (1) Market Environments," the future outlook of the Japanese economy is still uncertain over the mid- to long-term despite some positive factors due to downside risks in the global economy, risk of further appreciation of yen and persistent deflation concerns, in addition to the effect of the Great East Japan Earthquake that occurred in March 2011.

Under these circumstances, we believe that it is important to continue to focus on maintenance of funding capacities through conservative financial management, and flexible property management that minimizes the decrease in portfolio profitability under the current office leasing market, while paying close attention to movements in expected yield and property liquidity in the real estate investment market.

### (2) Investment Policy and Future Issues

With such environments in mind, the Company will employ the following investment policies to ensure stable income from, and steady growth of the portfolio over the mid- to long-term.

#### (a) Property Management in a Mid- to Long-Term View

In addition to enhancement of property management to satisfy the requirements of existing tenants, proper recognition of the property features and leasing market environments will help us market the potential tenants more organically. We will maintain and uplift the occupancy rate and level of rents in pursuit of sustainable and improved profitability of portfolio, namely internal growth of portfolio, over the mid-to long-term.

By putting the know-how of Nomura Real Estate Group together, we seek to design the most suitable specifications of how to manage and maintain each property in the most effective way, which in turn will ensure stable inflow of revenues.

In order to ensure stable revenues over the mid- to long-term, we will carry out strategic refurbishment and renovation works to maintain and/or improve features of the properties, establishing their uniqueness and increasing their competitiveness.

#### (b) Enlargement of Portfolio by Acquisition of New Properties

The Company has set in motion several strategic measures; that is, targeting the expansion of asset size up to ¥500 billion in the medium term in order to achieve higher revenue (i.e. external growth); replacing our property portfolio to enhance its quality; ensuring the portfolio is well-balanced and diversified to minimize fluctuation risks in revenue; and maximizing the advantage of scale to reduce operational costs.

In order for us to make right investments in properties of good value, we will ensure to collect information on properties for sale in an early stage, and conduct an in-depth due diligence to assess the potential risks involved in such investments. As part of our efforts to carry out this investment policy, we will work to find investment opportunities through further expansion of our own sourcing network as well as cooperation with other companies of Nomura Real Estate Group, and to make appropriate investment decisions based on our market research capabilities and technical expertise.

In making an investment decision, we adhere to strict criteria to select the best properties that can bring stable revenues to the entire portfolio in light of mid- and long-term perspectives.

#### (c) Continuation of Conservative Financial Policy

In order to assure stable financing capability and increase creditworthiness in the market over the mid- to long-term, we will pay particular attention to debt finance. We will seek to continuously keep the LTV low by using more long-term funding at fixed-rates, diversifying the repayment dates, and increasing the number of institutions we bank with.

We will closely monitor the conditions of financial markets, and carefully deliberate and choose the best means of funding, including the usage of commitment lines, issuance of investment corporation bonds and short-term investment corporation bonds from a wide range of available sources of funding to ensure a well-balanced structure of interest-bearing debts.

## 6. IMPORTANT EVENTS SUBSEQUENT TO THE SIXTEENTH FISCAL PERIOD

There is no relevant matter under this subject.

(Reference)

The Company has acquired "PMO Hatchobori" and "PMO Higashi-nihonbashi" on November 1, 2011.

Type of Asset	Real Estate	Real Estate
Property Name	PMO Hatchobori	PMO Higashi-nihonbashi
	(Registry)	(Registry)
Location (Note 1)	3-1-8 Hatchobori, Chuo-ku, Tokyo (Street)	2-30-5, Higashi Nihonbashi, Chuo-ku, Tokyo (Street)
	3-22-13 Hatchobori, Chuo-ku, Tokyo	2-15-4, Higashi Nihonbashi, Chuo-ku, Tokyo
Structure (Note 1)	S/SRC, B1/9F	S, 9F
Area (Land) (Note 1)	386.70 m <sup>2</sup>	343.16 m <sup>2</sup>
Area (Building) (Note 1)	2,930.15 m <sup>2</sup>	2,376.40 m <sup>2</sup>
Type of Ownership	(Land) Ownership (Building) Ownership	(Land) Ownership (Building) Ownership
Completion Date (Note 1)	May 22, 2009	October 14, 2009
Acquisition Price (Note 2)	¥2,430 million	¥1,480 million
Date of Agreement	August 30, 2011 (date of agreement on purchase and sale of real estate)	August 30, 2011 (date of agreement on purchase and sale of real estate)
Date of Acquisition	November 1, 2011 (date of delivery of real estate)	November 1, 2011 (date of delivery of real estate)
Seller	Nomura Real Estate Development Co., Ltd.	Nomura Real Estate Development Co., Ltd.
Financing	Fund on hand	Fund on hand

In addition, the Company executed the agreement on purchase and sale of real estate regarding "PMO Akihabara" on December 2, 2011.

Type of Asset	Real Estate
Property Name	PMO Akihabara
	(Registry)
Location (Note 1)	3-13-5 Iwamoto-cho, Chiyoda-ku, Tokyo (Street)
	3-11-6 Iwamoto-cho, Chiyoda-ku, Tokyo
Structure (Note 1)	S, 8F
Area (Land) (Note 1)	730.46 m <sup>2</sup>
Area (Building) (Note 1)	3,896.26 m <sup>2</sup>
Type of Ownership	(Land) Ownership (Building) Ownership
Completion Date (Note 1)	January 29, 2010
Scheduled Acquisition Price (Note 2)	¥3,790 million
Date of Agreement	December 2, 2011 (date of agreement on purchase and sale of real estate)
Date of Acquisition	January 13, 2012 (date of delivery of real estate)
Seller	Nomura Real Estate Development Co., Ltd.
Financing	Fund on hand

Note 1: "Location (Registry)", "Structure", "Area (Land)", "Area (Building)", and "Completion Date" are based on the information in the real estate registry.

Note 2: Miscellaneous expenses regarding the acquisition (intermediary commissions, taxes and duties, etc.) are not included.

## Profile of the Company

### 1. STATUS OF UNITHOLDERS' CAPITAL

		16th Period (as of Oct. 31, 2011)	15th Period (as of Apr. 30, 2011)	14th Period (as of Oct. 31, 2010)	13th Period (as of Apr. 30, 2010)	12th Period (as of Oct. 31, 2009)
Maximum number of units allowed to issue	(Unit)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued	(Unit)	305,123	305,123	305,123	305,123	305,123
Amount of unitholders' capital	(¥ mln)	185,455	185,455	185,455	185,455	185,455
Number of unitholders		12,864	12,185	13,100	12,970	12,565

### 2. MATTERS CONCERNING THE INVESTMENT UNITS

The 10 largest unitholders as of October 31, 2011 were as follows.

Name	Number of Units Held (Unit)	Portion in the Total Units Issued (%)
Japan Trustee Services Bank, Ltd. (Trust Accounts)	58,112	19.05
The Nomura Trust and Banking Co., Ltd. (Trust Accounts)	23,038	7.55
Trust & Custody Services Bank, Ltd. (Securities Trust Accounts)	17,909	5.87
Nomura Real Estate Development Co., Ltd.	15,287	5.01
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	9,249	3.03
Nomura Bank (Luxembourg) S.A.	8,118	2.66
The Senshu Ikeda Bank, Ltd.	7,606	2.49
Kawasaki Gakuen	7,000	2.29
American Life Insurance Company	3,700	1.21
The Hachijuni Bank, Ltd.	3,680	1.21
Total	153,699	50.37

### 3. BREAKDOWN OF UNITHOLDERS

The breakdown of unitholders as of October 31, 2011 was as follows.

	Number of Unitholders	Portion (%)	Number of Units per Unitholder	Portion (%)
Private and other investors	12,227	95.0	36,458	11.9
Financial institutions (Including sales agents for financial instruments firm)	148	1.2	173,728	56.9
Other domestic corporate investors	207	1.6	30,654	10.0
Foreign corporate investors, etc.	282	2.2	64,283	21.1
Total	12,864	100.0	305,123	100.0

#### 4. DIRECTORS AND AUDITOR

(1) Name of directors and an auditor in the sixteenth fiscal period are as follows (Note 1).

Title	Name	Other Major Title (s)	Total Amount of Fees Paid during the 16th Period (¥000)
Executive Director	Yuichi Maruko (Note 2)	Corporate Auditor, MEGALOS Co., Ltd.	2,400
Supervisory Director	Shuhei Yoshida (Note 2)	Representative Lawyer, Yoshida Shuhei Law Office Supervisory Director, Nomura Real Estate Residential Fund, Inc.	2,400
Supervisory Director	Eitoku Aikawa (Note 2)	Advisor, Fair Appraisers, K.K. Supervisory Director, Nomura Real Estate Residential Fund, Inc.	2,400
Supervisory Director	Saneaki Ichijo (Note 2)	Partner, Anderson Mori & Tomotsune Law Firm	2,400
Supervisory Director	Naohito Miya (Note 2)	Manager of Miya Naohito Certified Tax Accountant Firm Senior Representative Partner, Futaba Audit Corporation	2,400
Accounting Auditor	Ernst & Young ShinNihon LLC –		14,500

Note 1: No Executive Directors or Supervisory Directors are in possession of the Company's investment units either under their own or other person's name other than Mr. Yuichi Maruko, who possesses two units of the Company's investment units as of October 31, 2011. Executive Directors and Supervisory Directors might serve as directors of other companies, but there are no mutual business interests whatsoever between such companies and the Company.

Note 2: Reappointed as directors of the Company as of August 8, 2011, based on the resolution of the Fifth General Unitholders' Meeting held on July 28, 2011.

Note 3: At the Fifth General Unitholders' Meeting held on July 28, 2011, Mr. Kenji Tsuga, NOF Chief Investment Officer of the Asset Management Company, Nomura Real Estate Asset Management Co., Ltd., has been appointed as substitute Executive Director, to provide against vacancy of the Executive Director's position or lack of statutory quorum.

(2) Policy on Determination of Dismissal and Denial of Reappointment of Accounting Auditors

In case an item listed under Article 105, Paragraph 1 of the Investment Trust Law becomes applicable to the accounting auditor, and the Board of Directors determines that there is no likelihood of improvement, the Board of Directors shall dismiss the accounting auditor by unanimous vote of all board members.

In addition, if the Board of Directors determines that the accounting auditor is inappropriate for the position having given thorough consideration to its business execution and other various reasons, the Board of Directors shall dismiss or deny reappointment of the accounting auditor, and present an agenda for appointment of a new accounting auditor at the General Unitholders' Meeting.

#### 5. ASSET MANAGEMENT COMPANY, CUSTODIANS AND ADMINISTRATORS

Asset Management Company, custodians and administrators as of October 31, 2011 are as follows:

Business	Company Name (s)
Asset Management Company	Nomura Real Estate Asset Management Co., Ltd.
Custodian of assets	Mitsubishi UFJ Trust and Banking Corporation
Custodian of unitholders' register	Mitsubishi UFJ Trust and Banking Corporation (Note 1), The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2), Sumitomo Mitsui Banking Corporation (Note 2)
Manager of special accounts	Mitsubishi UFJ Trust and Banking Corporation
Administrative agent (accounting, etc.)	Mitsubishi UFJ Trust and Banking Corporation
Administrative agent (investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd.
Administrative agent (short-term investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Note 1: Administers preparation, retention and other tasks related to the Unitholders' Register.

Note 2: Administers preparation, retention and other tasks related to the Investment Company Bond Register.

## Status of Investment Assets of the Company

#### 1. COMPOSITION OF ASSETS

Type of Assets	Area (Note 1)	16th Period (as of Oct. 31, 2011)		15th Period (as of Apr. 30, 2011)	
		Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)	Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)
Real estate	Central Tokyo	30,646	7.7	30,718	7.6
	Suburban Tokyo	16,359	4.1	16,348	4.0
	Other Regional Cities	37,250	9.3	37,467	9.3
Real estate in trust	Central Tokyo	183,147	45.7	186,533	46.2
	Suburban Tokyo	30,180	7.5	35,029	8.7
	Other Regional Cities	64,806	16.2	65,038	16.1
Subtotal		362,390	90.5	371,136	91.8
Cash, deposits and other assets		38,000	9.5	32,932	8.2
Grand Total		400,390	100.0	404,069	100.0

Note 1: "Central Tokyo" refers to Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya Wards; "Suburban Tokyo" refers to Tokyo excluding the Central Tokyo area, Kanagawa, Saitama and Chiba; "Other Regional Cities" refers to areas other than Central Tokyo and Suburban Tokyo. The same applies hereafter.

Note 2: Total amount is taken from the balance sheet. (Real Estate and Real Estate in Trust represent the total book value after depreciation.)

Note 3: The percentage figures may not necessarily add up to 100.0 due to rounding to the nearest first decimal place.

#### 2. BRIEF OF MAJOR PROPERTIES OWNED

The major components of assets (the 10 largest properties by book value) as of October 31, 2011 are as follows.

Name of Property	Book Value (¥ mln)	Leasable Floor Space (m <sup>2</sup> ) (Note 1)	Leased Space (m <sup>2</sup> ) (Note 2)	Occupancy Rate (%)	Portion of Rental Revenues (%)	Primary Use
Shinjuku Nomura Bldg.	39,605	31,500.89	29,840.44	94.7	13.0	Office
NRE Tennozu Bldg.	32,610	25,127.12	25,127.12	100.0	(Note 3)	Office
Omron Kyoto Center Bldg.	22,309	34,616.84	34,616.84	100.0	(Note 3)	Office
NOF Nihonbashi Honcho Bldg.	20,577	19,157.05	18,498.25	96.6	6.0	Office
SORA Shin-Osaka 21	18,759	21,298.26	20,166.23	94.7	4.5	Office
Tennozu Park Side Bldg.	12,647	18,051.60	17,553.47	97.2	5.0	Office
NOF Shibuya Koen-dori Bldg.	12,575	3,420.16	3,420.16	100.0	2.7	Office
NOF Shinjuku Minamiguchi Bldg.	12,373	6,706.46	6,706.46	100.0	2.4	Office
Secom Medical Bldg.	11,104	8,821.24	8,821.24	100.0	(Note 3)	Medical Office (Note 4)
NOF Shiba Bldg.	10,027	8,165.10	6,904.69	84.6	2.3	Office
Total	192,592	176,864.72	171,654.90	97.1	48.2 (Note 5)	

Note 1: "Leasable Floor Space" refers to the total leasable space for each asset including offices and shops (for properties owned in compartments, this generally refers to exclusively owned area; however, common spaces will be included if they are being leased. For Shinjuku Nomura Building, the area calculated by multiplying the overall leasable floor space by the quasi co-ownership ratio of the beneficial interest in real estate trust owned by the Company, as of October 31, 2011. For NRE Tennozu Building, includes the area calculated by multiplying the overall common space by the co-ownership ratio for the common spaces prescribed in the terms of management of the building owned by the Company through the trustee.), at a certain time. Leasable floor space is calculated not based on the total floor space stated on the registry book, but based on the area stated on the building completion drawing, etc. included in the lease agreement. As such, it may differ from and exceed the total floor space stated on the registry book.

Note 2: "Leased Space" refers to the area included in the leasable floor space of each asset and is actually leased based on a lease agreement (provided, however, it is limited to office and shop spaces (where the entire leased floor space is being leased as a whole, the total area of the leased floor space.), and does not include leased parking spaces. For Shinjuku Nomura Building, the area calculated by multiplying the overall leased space by the quasi co-ownership ratio of the beneficial interest in real estate trust owned by the Company, as of October 31, 2011. For NRE Tennozu Building includes the area calculated by multiplying the overall common space by the co-ownership ratio for the common spaces (as prescribed in the terms of management of the building) owned by the Company through the trustee.).

Note 3: Not disclosed due to compelling reasons.

Note 4: Although this property is currently registered as "clinic/parking" on the registry book, it was originally designed to be used as offices. The Company's Articles of Incorporation allows us to invest in the non-office properties given that they can easily be converted into offices.

Note 5: "Total" for "Portion of Rental Revenues" column include rental revenues for properties which do not disclose "Portion of Rental Revenues" due to unavoidable reasons.

### 3. DETAILS OF PORTFOLIO PROPERTIES

Name of Property	Location (Postal Address)	Type of Ownership	Appraisal Value as of Oct. 31, 2011 (¥ mln) (Note 1)	Book Value (¥ mln) (Note 2)
<b>Central Tokyo</b>				
Shinjuku Nomura Bldg. (Note 3)	1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest in Real Estate Trust	45,500	39,605
NRE Tennozu Bldg.	2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	22,200	32,610
NOF Nihonbashi Honcho Bldg.	2-7-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	21,900	20,577
Tennozu Park Side Bldg.	2-5-8 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	16,200	12,647
NOF Shinjuku Minamiguchi Bldg.	2-4-9 Yoyogi, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	9,560	12,373
NOF Shibuya Koen-dori Bldg.	20-17 Udagawa-cho, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	11,800	12,575
Secom Medical Bldg.	7-7 Niban-cho, Chiyoda-ku, Tokyo (Note 4)	Real Estate	10,700	11,104
NOF Shiba Bldg.	4-2-3 Shiba, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	8,560	10,027
Nishi-Shinjuku Showa Bldg.	1-13-12 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest in Real Estate Trust	8,050	8,699
NRE Shibuya Dogenzaka Bldg.	2-16-4 Dogenzaka, Shibuya-ku, Tokyo	Real Estate	5,960	7,592
NOF Tameike Bldg.	1-1-14 Akasaka, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,580	7,545
Iwamoto-cho Toyo Bldg.	3-1-2 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,250	5,915
NOF Shinagawa Kounan Bldg.	1-2-5 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	5,270	5,367
NOF Surugadai Plaza Bldg.	2-5-12 Kanda Surugadai, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,350	4,910
PMO Nihonbashi Honcho	4-12-20 Nihonbashi Honcho, Chuo-ku, Tokyo	Real Estate	4,260	4,870
NRE Higashi-nihonbashi Bldg.	1-1-7 Higashi-nihonbashi, Chuo-ku, Tokyo	Real Estate	3,480	4,048
Hatchobori NF Bldg.	2-21-6 Hatchobori, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,590	3,159
NOF Kanda Iwamoto-cho Bldg.	3-8-16 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	3,960	3,072
NOF Takanawa Bldg.	2-20-4 Higashi Gotanda, Shinagawa-ku, Tokyo	Real Estate	2,590	3,030
NOF Minami-Shinjuku Bldg.	5-32-7 Sendagaya, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,220	2,293
Central Shintomicho Bldg.	3-5-10 Minato, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	1,430	1,763
Subtotal			203,410	213,793
<b>Suburban Tokyo</b>				
NRE Ueno Bldg.	1-14-4, Higashi-Ueno, Taito-Ku, Tokyo	Real Estate	6,510	7,798
NOF Technoport Kamata Center Bldg.	2-16-1 Minami-Kamata, Ota-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,430	6,485
Toho Edogawabashi Bldg.	1-24-8 Sekiguchi Bunkyo-ku, Tokyo	Real Estate	1,430	2,057
Toshin Meguro Bldg.	2-20-28 Shimo Meguro, Meguro-ku, Tokyo	Beneficial Interest in Real Estate Trust	1,210	1,328
Crystal Park Bldg.	1-1-3 Gotenyama, Musashino City, Tokyo	Real Estate	3,190	3,585
NOF Kichijoji Honcho Bldg.	1-10-31, Kichijoji Honcho, Musashino City, Tokyo	Beneficial Interest in Real Estate Trust	1,640	1,802
Faret Tachikawa Center Square	2-36-2 Akebono-cho, Tachikawa City, Tokyo	Beneficial Interest in Real Estate Trust	3,960	2,896
NOF Kawasaki Higashiguchi Bldg.	3-1 Ekimae Honcho, Kawasaki-ku, Kawasaki City, Kanagawa (Note 4)	Beneficial Interest in Real Estate Trust	8,360	9,368
NOF Yokohama Nishiguchi Bldg.	1-11-11 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	4,970	4,990
NOF Shin-Yokohama Bldg.	2-15-16 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	2,830	3,309
Yokohama Odori Koen Bldg.	2-4-1 Horai-cho, Naka-ku, Yokohama City, Kanagawa (Note 4)	Real Estate	1,930	2,917
Subtotal			42,460	46,539
<b>Other Cities</b>				
Sapporo North Plaza	4-2-2 Kitaichijo-nishi, Chuo-ku, Sapporo City, Hokkaido (Note 4)	Beneficial Interest in Real Estate Trust	5,590	7,652
NRE Sapporo Bldg.	2-15-1, Kitashichijo-Nishi, Kita-ku, Sapporo City, Hokkaido	Real Estate	4,680	5,053
JCB Sapporo Higashi Bldg.	1-1 Minamiichijo-Nishi Chuo-ku, Sapporo City (Note 4)	Real Estate	3,220	3,616
NOF Sendai Aoba-dori Bldg.	2-1-2 Ichiban-cho, Aoba-ku, Sendai City, Miyagi	Beneficial Interest in Real Estate Trust	2,070	3,147
NOF Utsunomiya Bldg.	2-1-1 Baba-dori, Utsunomiya City, Tochigi	Beneficial Interest in Real Estate Trust	2,500	2,394
NOF Nagoya Fushimi Bldg.	2-9-27 Nishiki, Naka-ku, Nagoya City, Aichi	Real Estate	2,300	4,138
NOF Nagoya Yanagibashi Bldg.	1-16-28 Meieki-Minami, Nakamura-ku, Nagoya City, Aichi	Beneficial Interest in Real Estate Trust	2,420	3,628
Omron Kyoto Center Bldg.	801 Minami Fudodo-cho, Horikawa Higashi-iru, Shiokoji-dori, Shimogyo-ku, Kyoto City, Kyoto (Note 4)	Beneficial Interest in Real Estate Trust	19,100	22,309
SORA Shin-Osaka 21	2-1-3 Nishi-Miyahara, Yodogawa-ku, Osaka City	Real Estate	13,000	18,759
NRE Osaka Bldg.	1-8-15 Azuchi-cho, Chuo-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	7,050	6,290
NRE Nishi-Umeda Bldg.	2-1-22, Umeda, Kita-Ku, Osaka City, Osaka	Real Estate	3,240	5,682
NRE Yotsubashi Bldg.	1-4-4 Awaza, Nishi-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	4,240	3,715
NOF Kobe Kaigan Bldg.	3 Kaigan-dori, Chuo-ku, Kobe City, Hyogo (Note 4)	Beneficial Interest in Real Estate Trust	2,430	2,806
NRE Hiroshima Bldg.	2-23 Tatemachi, Naka-ku, Hiroshima City, Hiroshima	Beneficial Interest in Real Estate Trust	2,340	2,582
NOF Hakata Ekimae Bldg.	1-15-20 Hakata Ekimae, Hakata-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	4,380	6,602

NOF Tenjin-Minami Bldg.	3-6-15 Watanabe Dori, Chuo-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	2,260	3,677
Subtotal			80,820	102,057
Grand Total			326,690	362,390

Note 1: "Appraisal Value as of Oct. 31, 2011" stands for the prices appraised by the estate surveyors in accordance with the provisions of the Company's Articles of Incorporation and the "Rules Concerning Calculations of Investment Corporations" (Cabinet Office Regulation No. 47 of 2006). The appraisal prices are calculated by Japan Real Estate Institution, Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal, Co., Ltd., Japan Valuers Co., Ltd., Appraisal Firm A-Square Co., Ltd., or Morii Appraisal & Investment Consulting Inc., using the capitalization approach, with the end of the sixteenth fiscal period, i.e. October 31, 2011, being taken as the point of evaluation.

Note 2: "Book Value" stands for the aggregate purchase price of lands, buildings, structures, machinery and equipments, tools and fixtures, leased assets, construction in progress, and leaseholds owned directly or held in trust, less depreciation including expenses associated with these purchases.

Note 3: The Company's stake in this property is quasi co-ownership of 50.1% of entirety. The appraisal value and book value as of October 31, 2011 accounted solely for the quasi co-ownership.

Note 4: Residential indication of the property is not available yet.

Note 5: The Company has acquired "PMO Hatchobori" and "PMO Higashi-nihonbashi" on November 1, 2011. Appraisal values of the properties as of October 31, 2011 are ¥2,490 million and ¥1,520 million, respectively.

Name of Property	16th Period (from May 1, 2011 to Oct. 31, 2011)				15th Period (from Nov. 1, 2010 to Apr. 30, 2011)			
	at Period End		Rental Revenues during the Period (¥ mln)	Portion of Rental Revenues (%)	at Period End		Rental Revenues during the Period (¥ mln)	Portion of Rental Revenues (%)
	Number of Tenants (Note 1)	Occupancy Rate (%)			Number of Tenants (Note 1)	Occupancy Rate (%)		
<b>Central Tokyo</b>								
Shinjuku Nomura Bldg.	95	94.7	1,624	13.0	92	95.6	1,705	13.3
NRE Tennozu Bldg.	6	100.0	(Note 2)	(Note 2)	2	62.9	(Note 2)	(Note 2)
NOF Nihonbashi Honcho Bldg.	14	96.6	749	6.0	14	98.6	752	5.9
Tennozu Park Side Bldg.	15	97.2	629	5.0	14	89.1	636	5.0
NOF Shinjuku Minamiguchi Bldg.	14	100.0	304	2.4	14	100.0	297	2.3
NOF Shibuya Koen-dori Bldg.	3	100.0	332	2.7	3	100.0	325	2.5
Secom Medical Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
NOF Shiba Bldg.	7	84.6	286	2.3	9	100.0	304	2.4
Nishi-Shinjuku Showa Bldg.	19	97.1	287	2.3	20	100.0	296	2.3
NRE Shibuya Dogenzaka Bldg.	7	88.4	162	1.3	7	100.0	176	1.4
NOF Tameike Bldg.	11	95.6	204	1.6	12	100.0	207	1.6
Iwamoto-cho Toyo Bldg.	7	100.0	122	1.0	6	88.3	139	1.1
NOF Shinagawa Kounan Bldg.	5	94.0	216	1.7	5	100.0	217	1.7
NOF Surugadai Plaza Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
PMO Nihonbashi Honcho	7	100.0	115	0.9	7	100.0	133	1.0
NRE Higashi-nihonbashi Bldg.	6	100.0	143	1.1	6	100.0	118	0.9
Hatchobori NF Bldg.	7	100.0	89	0.7	6	100.0	101	0.8
NOF Kanda Iwamoto-cho Bldg.	8	100.0	140	1.1	8	100.0	135	1.1
NOF Takanawa Bldg.	16	100.0	111	0.9	16	100.0	108	0.8
Central Kyobashi Bldg. (Note 3)	-	-	53	0.4	8	100.0	83	0.6
NOF Minami-Shinjuku Bldg.	4	100.0	93	0.7	4	100.0	92	0.7
Central Shintomicho Bldg.	6	100.0	54	0.4	6	100.0	56	0.4
Sunworld Yotsuya Bldg. (Note 3)	-	-	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
Subtotal	259	96.9	6,938	55.4	262	92.4	7,174	55.9
<b>Suburban Tokyo</b>								
NRE Ueno Bldg.	10	100.0	224	1.8	10	100.0	214	1.7
NOF Toyo-cho Bldg. (Note 3)	-	-	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
Technoport Kamata Center Bldg.	12	92.7	345	2.8	13	94.3	348	2.7
Toho Edogawabashi Bldg.	7	100.0	62	0.5	7	100.0	58	0.5
Toshin Meguro Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
Crystal Park Bldg.	12	98.6	102	0.8	10	75.0	101	0.8
NOF Kichijoji Honcho Bldg.	6	90.2	70	0.6	6	90.2	69	0.5
Faret Tachikawa Center Square	17	97.3	218	1.7	18	100.0	220	1.7
NOF Kawasaki Higashiguchi Bldg.	29	98.6	310	2.5	28	97.3	309	2.4
NOF Yokohama Nishiguchi Bldg.	32	100.0	228	1.8	32	100.0	213	1.7
NOF Shin-Yokohama Bldg.	10	100.0	164	1.3	9	95.6	168	1.3
Yokohama Odori Koen Bldg.	16	92.4	92	0.7	16	92.4	92	0.7
Subtotal	152	97.0	1,872	15.0	151	96.2	2,054	16.0
<b>Other Cities</b>								
Sapporo North Plaza	43	96.5	325	2.6	41	94.3	314	2.5
NRE Sapporo Bldg.	6	100.0	204	1.6	6	100.0	203	1.6
JCB Sapporo Higashi Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
NOF Sendai Aoba-dori Bldg.	28	83.6	123	1.0	28	83.6	114	0.9
NOF Utsunomiya Bldg.	23	88.6	155	1.2	24	97.0	146	1.1
NOF Nagoya Fushimi Bldg.	16	89.9	65	0.5	14	93.2	38	0.3
NOF Nagoya Yanagibashi Bldg.	14	92.6	112	0.9	14	92.6	106	0.8
Omron Kyoto Center Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
SORA Shin-Osaka 21	32	94.7	565	4.5	33	95.5	515	4.0
NRE Osaka Bldg.	24	99.2	390	3.1	22	88.7	392	3.1
NRE Nishi-Umeda Bldg.	15	95.4	141	1.1	12	88.1	154	1.2
NRE Yotsubashi Bldg.	20	97.5	291	2.3	20	97.5	299	2.3
NOF Kobe Kaigan Bldg.	34	86.4	158	1.3	34	87.5	173	1.4
NRE Hiroshima Bldg.	17	86.1	176	1.4	16	86.5	174	1.4
EME Hakata Ekimae Bldg.	46	93.0	178	1.4	45	90.4	168	1.3
NOF Tenjin-Minami Bldg.	22	96.9	80	0.6	22	96.9	76	0.6
Subtotal	342	95.6	3,709	29.6	333	94.3	3,616	28.2
Grand Total	753	96.4	12,520	100.0	746	93.8	12,846	100.0

Note 1: In the case a master lease agreement is in place, in which the master tenant of the said lease agreement subleases a part or whole of the leased floor spaces to the end tenants, only the master tenant is counted as the number of tenants. For NRE Tennozu Building and PMO Nihonbashi Honcho, which involves a "pass-through type" master lease agreement where the amount of rent received from the master tenant is the same as the rent received by said master tenant from the end tenant, the total number of end tenants is shown. In the case more than one space within the same building are leased by the same tenant, such spaces are combined to count for just one tenant. However, when the same tenant leased floor spaces in more than one building, such spaces are counted separately for each building as if they are leased by different tenants. As for Shinjuku Nomura Building and NOF Toyo-cho Building, the number of tenants in the entire building is taken into account.

Note 2: Not disclosed due to compelling reasons.

Note 3: The amount mentioned in "Rental Revenues during the Period" of the 16th period is the amount before each transfer date: NOF Toyo-cho Building (May 10, 2011), Sunworld Yotsuya Building (July 22, 2011), Central Kyobashi Building (August 30, 2011).

Note 4: Subtotal of "Rental Revenues" and "Portion of Rental Revenues" for each area is not disclosed due to compelling reasons.

#### 4. OUTSTANDING AMOUNT AND CURRENT PRICE OF SPECIFIED TRANSACTIONS

The outstanding amount and current price of the specified transactions as of October 31, 2011 are as follows.

Segment	Type of Transaction	Contract Amount (¥ mln) (Note 1)		Current Price (¥ mln) (Note 2)
			Longer than a Year	
Transaction other than market transaction	Interest-rate swap (Receiving floating-rate, paying fixed-rate)	85,750	53,250	△564
<b>Total</b>		<b>85,750</b>	<b>53,250</b>	<b>△564</b>

Note 1: Presented based on notional principal of contract.

Note 2: Evaluated at the price provided by the counterparty based on the prevailing market rate.

#### 5. STATUS OF THE OTHER ASSETS

Other than the Trust Beneficial Interest and Real Estate listed in the table under the title "3. Details of Portfolio Properties", the Company had no other assets to integrate into the portfolio as of October 31, 2011.

#### 6. STATUS OF ASSETS BY COUNTRY AND REGION

As of the end of the sixteenth fiscal period, the real estate and beneficial interest in real estate trust held by the Company by country and region are as follows.

Country	Total Portfolio Amount (Note 1)	Appraisal Value as of Oct. 31, 2011 (Note 2)		Number of Properties
		Portion of Total Portfolio		
Japan	¥362,390 million	¥326,690 million	100.0%	48
<b>Total</b>	<b>¥362,390 million</b>	<b>¥326,690 million</b>	<b>100.0%</b>	<b>48</b>

Note 1: Total portfolio amount stands for the book value after depreciation and amortization.

Note 2: Appraisal value as of Oct. 31, 2011 stands for the value appraised by the real estate appraisers.

## Capital Expenditures

#### 1. PLAN OF CAPITAL EXPENDITURES

The table below lists major capital expenditures in conjunction with the refurbishment and/or renewal works scheduled for the future (finished in part) on the properties held as of October 31, 2011. The estimated cost of works includes the amount to be charged as "expenses" for accounting purposes.

Name of Property (Location)	Description of Works (Purpose)	Estimated Period	Estimated Cost (¥ mln)		
			Total	Paid during 16th Period	Paid before 16th Period
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (middle level (4 units)) (To increase quality) (Note 1)	From: Jan. 2011 To: Jul. 2012	204 (Note 2)	—	—
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of extra-high substation equipment (To increase quality) (Note 1)	From: Feb. 2011 To: Mar. 2017	460 (Note 2)	14	14
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (Low level (4 units for each)) (To increase quality) (Note 1)	From: Sep. 2011 To: Jan. 2013	146 (Note 2)	—	—
NRE Tennozu Bldg. (Shinagawa-ku, Tokyo)	Refurbishment for office space on the 11th floor (To increase revenues) (Note 1)	From: Aug. 2011 To: Nov. 2011	147	—	—
NRE Yotsubashi Bldg. (Nishi-ku, Osaka City)	Renewal of through the wall air-conditioning system (To increase revenues) (Note 1)	From: Oct. 2011 To: Feb. 2012	146	—	—

Note 1: These works have already been implemented as of the date of this report.

Note 2: As for Shinjuku Nomura Building, the posted amount of cost represents 50.1%, our portion of quasi co-ownership, of the total cost of refurbishment of the entire building.

#### 2. CAPITAL EXPENDITURES DURING THE SIXTEENTH FISCAL PERIOD

The table below lists capital expenditures during the sixteenth fiscal period in conjunction with the major works of renovation. During the period, we have conducted engineering works totalling ¥1,520 million: capital expenditures of ¥1,088 million and repair expenses of ¥431 million combined. There are no capital expenditures due to disasters during the sixteenth period.

Name of Property (Location)	Description of Works (Purpose)	Period of Works	Cost of Works (¥ mln)
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (Low/middle level (2 units for each)) (To increase quality)	From: May 2011 To: Oct. 2011	191
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (middle level (1 unit)) (To increase quality)	From: Jan. 2011 To: Sep. 2011	62
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of extra-high substation equipment (To increase quality)	From: Feb. 2011 To: Aug. 2011	13
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renewal of basement common area (To increase revenues)	From: Sep. 2011 To: Oct. 2011	26
NRE Tennozu Bldg. (Shinagawa-ku, Tokyo)	Refurbishment for multi-tenant building (To increase revenues)	From: Mar. 2011 To: May 2011	128
Sapporo North Plaza. (Chuo-ku, Sapporo City)	Refurbishment of the common floor area (To increase revenues)	From: Mar. 2011 To: May 2011	40
NRE Yotsubashi Bldg. (Nishi-ku, Osaka City)	Renewal of through the wall air-conditioning system (To increase revenues)	From: Oct. 2011 To: Oct. 2011	57
Other Properties	Improvement of features	From: May 2011 To: Oct. 2011	568
<b>Total</b>			<b>1,088</b>

#### 3. FUNDS RESERVED FOR THE LONG-TERM REPAIR PLANS

Subject to the long-term schedule for repairs and maintenance set down for each building, the Company has accounted for reserves from the operating cash flow to prepare for large-scale engineering works to be carried out in the future.

	16th Period from May 1, 2011 to Oct. 31, 2011	15th Period from Nov. 1, 2010 to Apr. 30, 2011	14th Period from May 1, 2010 to Oct. 31, 2010	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009
	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln
Balance brought forward from the previous period	620	438	397	436	368
Amount reserved during the period	1,437	890	900	975	1,570
Amount used during the period	970	708	859	1,013	1,502
Balance brought forward to the next period	1,087	620	438	397	436

## Expenses and Liabilities

#### 1. EXPENSES RELATED TO ASSET MANAGEMENT

	16th Period from May 1, 2011 to Oct. 31, 2011	15th Period from Nov. 1, 2010 to Apr. 30, 2011
	¥000	¥000
Asset management fees (Note)	990,285	1,023,046
of which Management Fee I	708,019	705,633
of which Management Fee II	282,265	317,413
of which Management Fee III	—	—
Custodian fees	28,902	29,038
General administrative fees	64,912	65,001
Directors' compensation	12,000	12,000
Other expenses	105,415	102,859
<b>Total</b>	<b>1,201,515</b>	<b>1,231,946</b>

Note: In the Asset Management Agreement between the Company and the Asset Management Company, there is no provision for the acquisition fees, which are payable to the Asset Management Company by the Company on acquisition of a new property, and such fees are non-existent.





### 3. STATUS OF INVESTMENT CORPORATION BONDS

The status of investment corporation bonds issued as of October 31, 2011 is as follows.

Name of Bonds	Issue Date	Balance as of Oct. 30, 2011 (¥ mln)	Balance as of May 1, 2011 (¥ mln)	Interest Rate (%)	Maturity Date	Method of Repayment	Use of Proceeds	Note
First Series Unsecured Investment Corporation Bonds	Mar. 16, 2005	5,000	5,000	1.85	Mar. 16, 2015			(Note 2)
Second Series Unsecured Investment Corporation Bonds	Mar. 16, 2005	5,000	5,000	2.47	Mar. 16, 2020			
Fourth Series Unsecured Investment Corporation Bonds	Nov. 28, 2005	10,000	10,000	2.05	Nov. 30, 2015			
Fifth Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	5,000	5,000	1.61	Mar. 19, 2012	Balloon payment	(Note 1)	
Sixth Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	5,000	5,000	2.21	Mar. 17, 2017			(Note 3)
Seventh Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	4,500	4,500	2.90	Mar. 17, 2028			
Eighth Series Unsecured Investment Corporation Bonds	Nov. 26, 2010	6,000	6,000	0.94	Nov. 26, 2014			
Ninth Series Unsecured Investment Corporation Bonds	Nov. 26, 2010	4,000	4,000	1.52	Nov. 24, 2017			
<b>Total</b>		<b>44,500</b>	<b>44,500</b>					

Note 1: The uses of proceeds are to purchase the property-related assets, pay for the costs, and to repay borrowings.

Note 2: Ranking Pari Passu among the investment corporation bonds for qualified institutional investors only.

Note 3: Ranking Pari Passu among the specified investment corporation bonds.

### 4. STATUS OF SHORT-TERM INVESTMENT CORPORATION BONDS

There are no outstanding short-term investment corporation bonds as of the end of the sixteenth fiscal period.

## Trading During the Sixteenth Fiscal Period

### 1. STATUS OF REAL ESTATES AND ASSET-BACKED SECURITIES TRADING

Type of Asset	Name of Property	Acquisition		Transfer			Gain (Loss) (¥ mln) (Note 2)
		Date	Price (¥ mln) (Note 1)	Date	Price (¥ mln) (Note 1)	Book Value (¥ mln)	
Beneficial Interest in Real Estate Trust	NOF Toyo-cho Bldg.	-	-	May 10, 2011	5,805	4,781	1,008
Beneficial Interest in Real Estate Trust	Sunworld Yotsuya Bldg.	-	-	Jul. 22, 2011	680	783	(105)
Beneficial Interest in Real Estate Trust	Central Kyobashi Bldg.	-	-	Aug. 30, 2011	2,650	2,535	108
<b>Total</b>					<b>9,135</b>	<b>8,101</b>	<b>1,011</b>

Note 1: "Acquisition price" and "Transfer price" do not include various costs (intermediary fees, taxes and duties, etc.) required for acquisition or transfer of the property (the purchase and sale price of the real estate, etc., as indicated in the Transfer Agreement of Trust Beneficial Interest or Real Estate).

Note 2: For transfer, other sales expenses in addition to the above have been incurred, and "Gain (Loss)" is inclusive of this amount.

### 2. STATUS OF OTHER ASSETS

Not applicable. In addition, the Company's assets other than the above mentioned properties and asset-backed securities, are mostly comprised of direct bank deposits and bank deposits in trust.

### 3. PRICE INVESTIGATION

#### (1) Real Estates

Acquisition/Transfer	Type of Asset	Name of Property	Acquisition/Transfer		Appraisal Value (¥ mln)
			Date	Price (¥ mln)	
Transfer	Beneficial Interest in Real Estate Trust	NOF Toyo-cho Bldg.	May 10, 2011	5,805	5,620
Transfer	Beneficial Interest in Real Estate Trust	Sunworld Yotsuya Bldg.	Jul. 22, 2011	680	680
Transfer	Beneficial Interest in Real Estate Trust	Central Kyobashi Bldg.	Aug. 30, 2011	2,650	2,340

Note: The price investigation procedures were conducted by Ernst & Young ShinNihon LLC at the time of acquisition or transfer in accordance with the guidance under "Price Investigation of Specified Assets Held by Investment Trusts and Investment Corporations", Industry Audit Committee Report No. 23 issued by The Japanese Institute of Certified Public Accountants. The Company has received detailed reports including the location and lot number to identify these properties.

Note: "Acquisition price" and "Transfer price" do not include various costs (intermediary fees, taxes and duties, etc.) required for acquisition or transfer of the property (the purchase and sale price of the real estate, etc., as indicated in the Transfer Agreement of Trust Beneficial Interest or Real Estate).

Note: Regarding NOF Toyo-cho Bldg, "Appraisal Value" is appraisal value of the entire building multiplied by 67%, the ratio of the quasi-co-ownership interest held by the Company.

#### (2) Others

With regard to the properties the Company has traded but not included in the above table "(1) Real Estates," the price investigation procedures were conducted by Ernst & Young ShinNihon LLC subject to the requirement by Article 201 of the Investment Trust Law.

For the sixteenth fiscal period (from May 1, 2011 to October 31, 2011), four OTC derivatives transactions were subject to investigation. Ernst & Young ShinNihon LLC was requested to investigate the details of three transactions including the name of counterparty, issues, the number of execution, financial instruments/monetary indicators, put/call options, exercise prices, the period of execution of right, the trading period, etc. The investigation report has been received.

### 4. TRANSACTIONS WITH RELATED PARTIES AND MAJOR SHAREHOLDERS

#### (1) Transactions

Not applicable.

#### (2) Fees Paid to Related Parties and Major Shareholders

Table of fees paid to related parties and major shareholders during the sixteenth fiscal period is as follows.

Name of Related Party and Major Shareholders	Amount Paid (A)	Total Amount Paid (B)	Portion (A) / (B)		
	(¥000)	(¥000)	(%)		
Contract-out fees	Nomura Building Management Co., Ltd. (Note 2)	738,227	1,157,386	63.8	
Property management fees	Nomura Real Estate Development Co., Ltd.	162,469	243,759	66.7	
	Nomura Building Management Co., Ltd.	24,051			9.9
Other expenses	Nomura Real Estate Development Co., Ltd.	62,481	121,012	51.6	
	Nomura Real Estate Urban Net Co., Ltd.	310			0.3
	Nomura Building Management Co., Ltd.	24,049			19.9

Note 1: The term "related parties" refers to related parties of Asset Management Companies as stipulated by Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations and by Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Reports of Investment Trusts and Investment Corporations, issued by the Investment Trusts Association, Japan. The term "major shareholders" refers to major shareholders of Asset Management Companies as defined by Article 29-4, Paragraph 2 of the Financial Instruments and Exchange Act.

Note 2: In addition to the Property Management Agreement, the Company has entrusted Nomura Building Management Co., Ltd. with daily maintenance of building and equipments, the cost of which is included in "Contract-out Fees".

Note 3: Besides the above, the Company has made the following payments for repair works during the sixteenth fiscal period.

Name of Related Party	Amount Paid (¥000)
Nomura Real Estate Development Co., Ltd.	40,294
Nomura Building Management Co., Ltd.	562,072

The management fees paid to the property management companies, which are related parties, are broken down as follows.

Name of Property	Property Management Company	Property Management Fees (¥000) (Note 1) (Note 2)
Shinjuku Nomura Bldg.	Nomura Real Estate Development Co., Ltd.	31,697
NRE Tennozu Bldg.	Nomura Real Estate Development Co., Ltd.	15,663
Tennozu Park Side Bldg.	Nomura Real Estate Development Co., Ltd.	12,573
NOF Shibuya Koen-dori Bldg.	Nomura Real Estate Development Co., Ltd.	5,607
Secom Medical Bldg.	Nomura Real Estate Development Co., Ltd.	3,982
Nishi-Shinjuku Showa Bldg.	Nomura Real Estate Development Co., Ltd.	5,889
NRE Shibuya Dogenzaka Bldg.	Nomura Real Estate Development Co., Ltd.	3,574
NOF Tameike Bldg.	Nomura Real Estate Development Co., Ltd.	5,156
NOF Shinagawa Konan Bldg.	Nomura Real Estate Development Co., Ltd.	4,448
NOF Surugadai Plaza Bldg.	Nomura Real Estate Development Co., Ltd.	5,452
PMO Nihonbashi Honcho	Nomura Real Estate Development Co., Ltd.	3,046
NRE Higashi-nihonbashi Bldg.	Nomura Real Estate Development Co., Ltd.	3,044
Hatchobori NF Bldg.	Nomura Real Estate Development Co., Ltd.	1,873

NOF Minami-Shinjuku Bldg.	Nomura Real Estate Development Co., Ltd.	2,059
NRE Ueno Bldg.	Nomura Real Estate Development Co., Ltd.	4,855
NOF Technoport Kamata Center Bldg.	Nomura Real Estate Development Co., Ltd.	7,494
NOF Kichijoji Honcho Bldg.	Nomura Real Estate Development Co., Ltd.	1,398
Faret Tachikawa Center Square	Nomura Real Estate Development Co., Ltd.	4,372
NOF Yokohama Nishiguchi Bldg.	Nomura Real Estate Development Co., Ltd.	4,978
NOF Shin-Yokohama Bldg.	Nomura Real Estate Development Co., Ltd.	3,919
NRE Sapporo Bldg.	Nomura Real Estate Development Co., Ltd.	4,119
Omron Kyoto Center Bldg.	Nomura Real Estate Development Co., Ltd.	5,066
NRE Osaka Bldg.	Nomura Real Estate Development Co., Ltd.	10,759
NRE Nishi-Umeda Bldg.	Nomura Real Estate Development Co., Ltd.	3,088
NRE Yotsubashi Bldg.	Nomura Real Estate Development Co., Ltd.	8,165
NOF Shinjuku Minamiguchi Bldg.	Nomura Building Management Co., Ltd.	3,847
NOF Takanawa Bldg.	Nomura Building Management Co., Ltd.	2,234
Central Kyobashi Bldg. (Note 3)	Nomura Building Management Co., Ltd.	961
Central Shintomicho Bldg.	Nomura Building Management Co., Ltd.	974
Sunworld Yotsuya Bldg. (Note 4)	Nomura Building Management Co., Ltd.	229
NOF Toyo-cho Bldg. (Note 5)	Nomura Building Management Co., Ltd.	56
Toshin Meguro Bldg.	Nomura Building Management Co., Ltd.	600
NOF Kawasaki Higashiguchi Bldg.	Nomura Building Management Co., Ltd.	6,345
NOF Utsunomiya Bldg.	Nomura Building Management Co., Ltd.	3,840
NOF Nagoya Yanagibashi Bldg.	Nomura Building Management Co., Ltd.	2,136
NRE Hiroshima Bldg.	Nomura Building Management Co., Ltd.	2,824

Note 1: "Property Management Fees" are the aggregated sum of the basic fee and the incentive fee.

Note 2: Daily maintenance of building and equipments is entrusted to Nomura Building Management, but the fees associated with such works are not included here.

Note 3: Transferred on August 30, 2011.

Note 4: Transferred on July 22, 2011.

Note 5: Transferred on May 10, 2011.

## 5. STATUS OF BUSINESS WITH THE ASSET MANAGEMENT COMPANY OVER ITS SUBSIDIARY BUSINESS

Although Nomura Real Estate Asset Management Co., Ltd., the asset management company of the Company, conducts subsidiary business of Type II Financial Instruments Business, there is no relevant matter under this subject as of October 31, 2011.

## Other Information

### 1. NOTICE

The Fifth General Unitholders' Meeting was held on July 28, 2011. Summary of main items approved at the General Unitholders' Meeting are as follows:

Agenda	Summary
Partial Amendment of the Articles of Incorporation	The Articles of Incorporation were changed for the following reasons: <ul style="list-style-type: none"> <li>To make required amendments in conjunction with the enforcement of the Law concerning the partial amendments of Special Taxation Measures Law (Law No. 26 of 1957) and Order for enforcement of Special Taxation Measures Law (Law No. 43 of 1957).</li> <li>To make required amendments in conjunction with Act on Promotion of Global Warming Countermeasures (Act No.117 of 1998).</li> <li>Other, including deletion of provisions which are already unnecessary and revision of expressions, etc.</li> </ul>
Appointment of an Executive Director	Mr. Yuichi Maruko was appointed as the Executive Director. The term shall be two years from August 8, 2011.
Appointment of a Substitute Executive Director	Mr. Kenji Tsuga was appointed as the Substitute Executive Director.
Appointment of four Supervisory Directors	Mr. Shuhei Yoshida, Mr. Eitoku Aikawa, Mr. Saneaki Ichijo, and Mr. Naohito Miya were appointed as Supervisory Directors. The terms shall be two years from August 8, 2011.

### 2. STATUS OF BENEFICIAL INTEREST IN INVESTMENT TRUSTS ESTABLISHED BY THE COMPANY

Not applicable.

### 3. OTHER MATTERS

For the purpose of this report, the numbers of amount below unit are truncated and the numbers in percentage are rounded to unit unless otherwise mentioned specifically.



PMO Hatchobori

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## Balance Sheets

	Thousands of Yen	
	As of October 31, 2011	As of April 30, 2011
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and bank deposits	¥ 36,317,667	¥ 31,709,202
Rental receivables	542,060	179,547
Other current assets	438,335	435,536
<b>Total current assets</b>	<b>37,298,062</b>	<b>32,324,285</b>
<b>Property and Equipment, at Cost:</b>		
Land	259,188,609	264,672,031
Buildings and structures	122,118,786	124,269,002
Machinery and equipment	1,571,665	1,531,293
Tools, furniture and fixtures	286,461	264,838
Leased assets	30,947	30,947
Construction in progress	40,395	48,467
<b>Subtotal</b>	<b>383,236,863</b>	<b>390,816,578</b>
Less accumulated depreciation	(22,746,855)	(21,580,907)
<b>Net property and equipment</b>	<b>360,490,008</b>	<b>369,235,671</b>
<b>Investments and Other Assets:</b>		
Leasehold rights	1,900,905	1,900,905
Intangible assets	1,829	2,093
Long-term prepaid expenses	171,443	64,259
Security deposits	410,850	410,850
Deferred investment corporation bond issuance costs	117,903	131,128
<b>Total investments and other assets</b>	<b>2,602,930</b>	<b>2,509,235</b>
<b>Total Assets</b>	<b>¥ 400,391,000</b>	<b>¥ 404,069,191</b>

The accompanying notes to financial statements are an integral part of these statements.

	Thousands of Yen	
	As of October 31, 2011	As of April 30, 2011
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	¥ 1,028,306	¥ 618,270
Other accounts payable	1,516,994	1,849,825
Short-term debt	7,900,000	9,800,000
Current portion of investment corporation bonds	5,000,000	5,000,000
Current portion of long-term debt	39,000,000	30,500,000
Accrued expenses	790,967	830,412
Accrued income taxes	297	371
Accrued consumption taxes	215,643	166,366
Rent received in advance	1,864,744	1,929,481
Provision for loss on disaster	1,540	48,336
Other current liabilities	126,419	90,344
<b>Total current liabilities</b>	<b>57,444,910</b>	<b>50,833,405</b>
<b>Long-term Liabilities:</b>		
Investment corporation bonds	39,500,000	39,500,000
Long-term debt	93,250,000	103,100,000
Security deposits from tenants	20,110,591	20,746,988
Other long-term liabilities	2,783	5,224
<b>Total long-term liabilities</b>	<b>152,863,374</b>	<b>163,352,212</b>
<b>Total Liabilities</b>	<b>210,308,284</b>	<b>214,185,617</b>
<b>NET ASSETS</b>		
<b>Unitholders' Equity:</b>		
Unitholders' capital	185,455,447	185,455,447
Retained earnings	4,627,269	4,428,127
<b>Total unitholders' equity</b>	<b>190,082,716</b>	<b>189,883,574</b>
<b>Total Net Assets</b>	<b>190,082,716</b>	<b>189,883,574</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 400,391,000</b>	<b>¥ 404,069,191</b>

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Income and Retained Earnings

	Thousands of Yen	
	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
<i>Operating Revenues and Expenses</i>		
<b>Operating Revenues:</b>		
Real estate rental revenues	¥ 12,520,177	¥ 12,846,039
Gain on sales of real estate	1,116,900	271,900
	<b>13,637,077</b>	<b>13,117,939</b>
<b>Operating Expenses:</b>		
Real estate rental expenses	6,110,488	5,741,473
Loss on sales of real estate	105,767	-
Asset management fees	990,286	1,023,047
Administrative service and custodian fees	93,815	94,040
Bad debts expenses	-	2,325
Other operating expenses	117,415	112,534
	<b>7,417,771</b>	<b>6,973,419</b>
<b>Operating Profit</b>	<b>6,219,306</b>	<b>6,144,520</b>
<i>Non-Operating Revenues and Expenses</i>		
<b>Non-Operating Revenues:</b>		
Interest income	3,370	3,500
Other non-operating revenues	131,531	65,774
	<b>134,901</b>	<b>69,274</b>
<b>Non-Operating Expenses:</b>		
Interest expense	1,097,075	1,135,712
Loan arrangement fees	112,153	91,621
Interest expense on investment corporation bonds	429,978	429,882
Amortization of investment corporation bond issuance costs	13,225	12,127
Other non-operating expenses	73,707	40,750
	<b>1,726,138</b>	<b>1,710,092</b>
<b>Ordinary Income</b>	<b>4,628,069</b>	<b>4,503,702</b>
<b>Extraordinary Loss</b>		
Loss on disaster	-	74,468
	-	74,468
<b>Income before Income Taxes</b>	<b>4,628,069</b>	<b>4,429,234</b>
<b>Income Taxes:</b>		
Current	974	1,123
Deferred	8	(11)
<b>Net Income</b>	<b>4,627,087</b>	<b>4,428,122</b>
Retained earnings brought forward	182	5
<b>Retained Earnings at End of Period</b>	<b>¥ 4,627,269</b>	<b>¥ 4,428,127</b>

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Changes in Net Assets

	Thousands of Yen						
	Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	Deferred Hedge Gains (Losses)	Total Valuation and Translation Adjustments	Total Net Assets
<b>Balance as of April 30, 2011</b>	305,123	¥185,455,447	¥4,428,127	¥189,883,574	-	-	¥189,883,574
Cash distribution paid	-	-	(4,427,945)	(4,427,945)	-	-	(4,427,945)
Net income	-	-	4,627,087	4,627,087	-	-	4,627,087
<b>Balance as of October 31, 2011</b>	<b>305,123</b>	<b>¥185,455,447</b>	<b>¥4,627,269</b>	<b>¥190,082,716</b>	<b>-</b>	<b>-</b>	<b>¥190,082,716</b>

	Thousands of Yen						
	Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	Deferred Hedge Gains (Losses)	Total Valuation and Translation Adjustments	Total Net Assets
<b>Balance as of October 31, 2010</b>	305,123	¥185,455,447	¥4,479,515	¥189,934,962	-	-	¥189,934,962
Cash distribution paid	-	-	(4,479,510)	(4,479,510)	-	-	(4,479,510)
Net income	-	-	4,428,122	4,428,122	-	-	4,428,122
<b>Balance as of April 30, 2011</b>	<b>305,123</b>	<b>¥185,455,447</b>	<b>¥4,428,127</b>	<b>¥189,883,574</b>	<b>-</b>	<b>-</b>	<b>¥189,883,574</b>

The accompanying notes to financial statements are an integral part of these statements.

## Statements of Cash Flows

	Thousands of Yen	
	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
<b>Cash Flows</b>		
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥ 4,628,069	¥ 4,429,234
Depreciation	1,732,902	1,861,399
Amortization of long-term prepaid expenses	7,186	7,003
Amortization of investment corporation bonds issuance costs	13,225	12,127
(Decrease) Increase in provision for loss on disaster	(46,796)	48,336
Interest income	(3,370)	(3,500)
Interest expense	1,527,053	1,565,085
Loss on disposal of property and equipment	764	148
(Increase) Decrease in rental receivables	(362,513)	51,860
Increase (Decrease) in trade accounts payable	410,036	(89,801)
(Decrease) Increase in other accounts payable	(558,231)	740,899
Increase in accrued consumption taxes	49,276	4,876
(Decrease) in rent received in advance	(64,736)	(156,171)
Decrease in tangible fixed assets in trust due to sales	8,101,016	2,322,399
Changes in other current assets/liabilities	(80,087)	(143,618)
<b>Subtotal</b>	<b>15,353,794</b>	<b>10,650,276</b>
Interest received	3,370	3,500
Interest paid	(1,566,498)	(1,614,363)
Income taxes paid	(1,049)	(342)
<b>Net cash provided by operating activities</b>	<b>13,789,617</b>	<b>9,039,071</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from time deposits	-	1,300,000
Payments for purchases of property and equipment	(865,747)	(515,119)
Reimbursement of security deposits to tenants	(1,419,701)	(1,838,544)
Proceeds from security deposits from tenants	783,304	845,225
<b>Net cash used in investing activities</b>	<b>(1,502,144)</b>	<b>(208,438)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term debt	2,900,000	5,000,000
Repayment of short-term debt	(4,800,000)	(5,580,000)
Proceeds from long-term debt	17,900,000	7,500,000
Repayment of long-term debt	(19,250,000)	(10,250,000)
Proceeds from investment corporation bonds	-	10,000,000
Redemption of investment corporation bonds	-	(10,000,000)
Payment of investment corporation bonds issuance costs	-	(66,362)
Distributions to unitholders	(4,429,008)	(4,478,546)
<b>Net cash used in financing activities</b>	<b>(7,679,008)</b>	<b>(7,874,908)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>4,608,465</b>	<b>955,725</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>31,709,202</b>	<b>30,753,477</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥ 36,317,667</b>	<b>¥ 31,709,202</b>

The accompanying notes to financial statements are an integral part of these statements.

## Notes to Financial Statements

### 1. ORGANIZATION

Nomura Real Estate Office Fund, Inc. (the "Company") is a real estate investment corporation formed to own and invest primarily in office properties. The Company is externally managed by a licensed asset management company, Nomura Real Estate Asset Management Co., Ltd. ("NREAM"). NREAM is a wholly-owned subsidiary of Nomura Real Estate Holdings, Inc.

On August 7, 2003, the Company was incorporated under the Law Concerning Investment Trusts and Investment Corporations (the "Investment Trust Law") of Japan. On December 4, 2003, the Company was listed on the Tokyo Stock Exchange as the 9th J-REIT and started operations on the following day. As of October 31, 2011, the Company owned a portfolio of 48 office properties containing an aggregate of approximately 399,625.36 square meters of leasable area and leased office space to 753 tenants.

### 2. BASIS OF PRESENTATION

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), including provisions set forth in the Investment Trust Law of Japan, the Corporation Law of Japan, the Financial Instruments and Exchange Law of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements are a translation of the audited financial statements of the Company, which were prepared in accordance with Japanese GAAP and were presented in the Securities Report of the Company filed with the Kanto Local Finance Bureau. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan. In addition, the notes to financial statements include certain information that might not be required under Japanese GAAP but is presented herein as additional information. Amounts have been rounded to the nearest thousand of yen in the accompanying financial statements and the notes thereto, whereas amounts were truncated in the Japanese financial statements prepared in accordance with Japanese GAAP.

The Company's fiscal period is a six-month period which ends at the end of April or October. The Company does not prepare consolidated financial statements because it has no subsidiaries.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments that are highly liquid, readily convertible to cash, with an insignificant risk of market value fluctuation, and with a maturity of three months or less when purchased.

#### Property and equipment (Except for leased assets)

Property and equipment are stated at cost, which includes the purchase price and related costs for acquisition, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the fixed assets outlined below:

Buildings	3 - 70 years
Structures	2 - 45 years
Machinery and equipment	3 - 15 years
Tools, furniture and fixtures	2 - 18 years

#### Intangible assets (Except for leased assets)

Intangible assets are amortized by the straight-line method.

#### Leased Assets

Depreciation of leased assets under finance lease transactions, excluding those in which the ownership of the leased assets is deemed to be transferred to the lessee, is calculated by the straight-line method, over the lease term with no residual value.

#### Impairment of fixed assets

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of its fixed assets may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the aggregate estimated future cash flows. If a fixed asset is determined to be impaired, it is written down to its recoverable amount and the write-down is recorded as an impairment loss during the period in which it occurs. No impairment losses have been recognized to date.

#### Deferred investment corporation bond issuance costs

Deferred investment corporation bond issuance costs are amortized by the straight-line method over the respective terms of the bonds.

#### Provision for loss on disaster

Provision for loss on disaster is recorded at the amount estimated as of October 31, 2011 to provide for possible repair and recovery costs arising from the Great East Japan Earthquake.

#### Accounting treatment of beneficial interests in real estate

All assets and liabilities held in trust, for which the real estate in possession of the Company was entrusted, and all related earnings and expenses incurred are reflected in the accompanying balance sheets and statements of income and retained earnings, respectively.

#### Revenue recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other income. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts are reasonably estimated.



Unsecured loans from an insurance company due on August 26, 2015	1,000,000	1.31125%	1,000,000	1.31125%
Unsecured loans from banks due on August 26, 2016	3,000,000	1.10100%	—	—
Unsecured loans from banks due on June 10, 2017	3,900,000	1.43500%	—	—
Unsecured loans from a bank due on February 26, 2018	1,000,000	1.84650%	1,000,000	1.84650%
Unsecured loans from a bank due on June 25, 2016 (Note 2)	8,500,000	1.97000%	8,750,000	1.97000%
Total	¥93,250,000		¥103,100,000	

Note 1: The weighted-average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to the nearest fifth decimal place. As for the borrowings, which were hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used to calculate the weighted average of interest.

Note 2: Installments of ¥250 million will be made on the 25th of every sixth month starting on December 25, 2009, with the remaining payment of ¥6,750 million to be repaid on June 25, 2016.

The scheduled repayment amounts of long-term debt for each of the five years after the balance sheet date (excluding the current portion of long-term debt) are as follows.

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
Long-term debt	28,000,000	28,500,000	21,850,000	10,000,000

## 8. INVESTMENT CORPORATION BONDS

### Investment Corporation Bonds

Details of investment corporation bonds outstanding are summarized as follows:

	As of October 31, 2011		As of April 30, 2011	
	Amount (Thousands of Yen)	Weighted-average interest rate	Amount (Thousands of Yen)	Weighted-average interest rate
First Series of Unsecured Investment Corporation Bonds Due on March 16, 2015	¥ 5,000,000	1.85000%	¥ 5,000,000	1.85000%
Second Series of Unsecured Investment Corporation Bonds Due on March 16, 2020	5,000,000	2.47000%	5,000,000	2.47000%
Fourth Series of Unsecured Investment Corporation Bonds Due on November 30, 2015	10,000,000	2.05000%	10,000,000	2.05000%
Fifth Series of Unsecured Investment Corporation Bonds Due on March 19, 2012	5,000,000	1.61000%	5,000,000	1.61000%
Sixth Series of Unsecured Investment Corporation Bonds Due on March 17, 2017	5,000,000	2.21000%	5,000,000	2.21000%
Seventh Series of Unsecured Investment Corporation Bonds Due on March 17, 2028	4,500,000	2.90000%	4,500,000	2.90000%
Eighth Series of Unsecured Investment Corporation Bonds Due on November 26, 2014	6,000,000	0.94000%	6,000,000	0.94000%
Ninth Series of Unsecured Investment Corporation Bonds Due on November 24, 2017	4,000,000	1.52000%	4,000,000	1.52000%
Total	¥44,500,000		¥44,500,000	

The scheduled redemption amounts of investment corporation bonds for each of the five years after the balance sheet date are as follows

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
Investment Corporation Bonds	5,000,000	—	—	11,000,000	10,000,000

## 9. UNITHOLDERS' EQUITY

The Company issues only non-par value investment units in accordance with the Investment Trust Law. The entire amount of the issue price of new units is designated as stated capital. The Company is required to maintain net assets of at least ¥50,000 thousand as set forth in the Investment Trust Law.

## 10. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of October 31, 2011 and April 30, 2011 were as follows:

	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
Net asset values per unit	¥622,970	¥622,318
Net income per unit	¥ 15,164	¥ 14,512

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

Note: The basis for calculating net income per unit is as follows.

	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
Net income (Thousands of Yen)	¥4,627,087	¥4,428,122
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	¥4,627,087	¥4,428,122
Average number of units during the period	305,123	305,123

## 11. RELATED PARTY TRANSACTIONS

Parent Company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

## 12. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 40% for the six-month periods ended October 31, 2011 and April 30, 2011. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Special Taxation Measures Law of Japan. Under this law, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥4,527,110 thousand and ¥4,427,945 thousand for the six-month periods ended October 31, 2011 and April 30, 2011, respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes. The following summarizes the significant differences between the statutory tax rate and the effective tax rate:

	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(38.47)	(39.32)
Other	(0.84)	0.01
Effective tax rate	0.02%	0.02%



### 13. FINANCIAL INSTRUMENTS

#### Overview

##### (1) Policy for Financial Instruments

Upon acquisition of property-related assets, the Company may raise funds through certain financing methods including borrowings, issuance of investment corporation bonds including short-term investment corporation bonds ("investment corporation bonds"), and issuance of investment units. In financing through interest-bearing debt, to secure stable financing capability and reduce future risks of rising interest rates, the Company's investment policy is to secure longer-term, fixed-rate borrowings with well-diversified maturities.

The Company enters into derivative transactions only for the purpose of reducing risk of future interest rate fluctuations and does not engage in speculative transactions.

##### (2) Type and Risk of Financial Instruments and Related Risk Management

Debts and investment corporation bonds are primarily used to fund the acquisition of property-related assets as well as the repayment of debts and redemption of investment corporation bonds. The Company is exposed to liquidity risk of being unable to meet its obligations on scheduled due dates. The Company controls and limits such risk by diversifying not only the financial institutions, but also the type of financing to include the effective use of surplus funds and direct financing from the capital markets such as issuance of investment units. In addition, the Company is exposed to the market risk arising from fluctuations in interest rates on its floating-rate debts. However, the effect of such risk on the operation of the Company is limited by maintaining the LTV ratio at low levels and the ratio of long-term fixed-rate debts to total debt at high levels. Furthermore, the Company may utilize derivative transactions (interest-rate swap transactions) as a hedging instrument to reduce the market risk under floating-rate debts by swapping such floating-rate interest payments for fixed-rate interest payments.

Bank deposits are held as a means of investing surplus funds, and the Company is exposed to the credit risk that financial institutions may default. However, the effect of such risk is limited by diversifying the financial institutions with which surplus funds are deposited.

Security deposits represent funds deposited by tenants, and the Company is exposed to the risk of returning deposits in the event that a tenant terminates the rental contract. However, the effect of such risk is limited by reserving sufficient funds to allow the Company to meet the obligation to return such deposits.

##### (3) Supplementary Explanation on Estimated Fair Value of Financial Instruments

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "19. Derivatives and Hedge Accounting" below do not represent the market risk involved in these derivative transactions.

#### Fair Value of Financial Institutions

For the period from May 1, 2011 to October 31, 2011

The following table summarizes the carrying value and the estimated fair values of financial instruments as of October 31, 2011.

The following table does not include financial instruments whose fair value is extremely difficult to estimate (see Note 3).

	Thousands of Yen		
	Carrying Value (Note 1)	Fair Value (Note 1)	Difference
(i) Cash and bank deposits	20,049,044	20,049,044	-
(ii) Cash and bank deposits in trust	16,268,623	16,268,623	-
(iii) Short-term debt	(7,900,000)	(7,900,000)	-
(iv) Current portion of investment corporation bonds	(5,000,000)	(5,019,520)	19,520
(v) Current portion of long-term debt	(39,000,000)	(39,327,304)	327,304
(vi) Investment corporation bonds	(39,500,000)	(40,438,969)	938,969
(vii) Long-term debt	(93,250,000)	(95,082,670)	1,832,670
(viii) Derivative transactions	-	-	-

Note 1: The numbers in parenthesis indicate liabilities.

Note 2: Method for determining the fair value of financial instruments and derivative transactions

- (i) Cash and bank deposits and (ii) Cash and bank deposits in trust  
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.
- (iii) Short-term debt  
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.
- (iv) Current portion of investment corporation bonds and (vi) Investment corporation bonds  
The fair value of investment corporation bonds issued by the Company is determined based on their market prices.
- (v) Current portion of long-term debt and (vii) Long-term debt  
For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "19. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.
- (viii) Derivative transactions  
Refer to "19. Derivatives and Hedge Accounting".

Note 3: The fair value of security deposits (with a carrying value of ¥3,882,475 thousand) and security deposits in trust (with a carrying value of ¥16,228,116 thousand) that have been deposited from tenants under lease contracts are not disclosed because they do not have any market price and their effective deposit period from the lease inception to tenant's termination of the rental contract cannot be reliably determined, thus making it impossible to reasonably estimate their future cash flows, and therefore, it is considered to be extremely difficult to estimate their fair value.

Note 4: Redemption schedule for cash and bank deposits and cash and bank deposits in trust

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	20,049,044	-	-	-	-	-
Cash and bank deposits in trust	16,268,623	-	-	-	-	-
Total	36,317,667	-	-	-	-	-

Note 5: Redemption schedule for investment corporation bonds and debt

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term debt	7,900,000	-	-	-	-	-
Investment corporation bonds	5,000,000	-	-	11,000,000	10,000,000	18,500,000
Long-term debt	39,000,000	28,000,000	28,500,000	21,850,000	10,000,000	4,900,000
Total	51,900,000	28,000,000	28,500,000	32,850,000	20,000,000	23,400,000

For the period from November 1, 2010 to April 30, 2011

The following table summarizes the carrying value and the estimated fair values of financial instruments as of April 30, 2011. The following table does not include financial instruments whose fair value is extremely difficult to estimate (see Note 3).

	Thousands of Yen		
	Carrying Value (Note 1)	Fair Value (Note 1)	Difference
(i) Cash and bank deposits	13,912,852	13,912,852	-
(ii) Cash and bank deposits in trust	17,796,350	17,796,350	-
(iii) Short-term debt	(9,800,000)	(9,800,000)	-
(iv) Current portion of investment corporation bonds	(5,000,000)	(5,036,435)	36,435
(v) Current portion of long-term debt	(30,500,000)	(30,745,349)	245,349
(vi) Investment corporation bonds	(39,500,000)	(39,795,289)	295,289
(vii) Long-term debt	(103,100,000)	(105,054,319)	1,954,319
(viii) Derivative transactions	-	-	-

Note 1: The numbers in parenthesis indicate liabilities.

Note 2: Method for determining the fair value of financial instruments and derivative transactions

- (i) Cash and bank deposits and (ii) Cash and bank deposits in trust  
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.
- (iii) Short-term debt  
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.
- (iv) Current portion of investment corporation bonds and (vi) Investment corporation bonds  
The fair value of investment corporation bonds issued by the Company is determined based on their market prices.
- (v) Current portion of long-term debt and (vii) Long-term debt  
For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "19. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.
- (viii) Derivative transactions  
Refer to "19. Derivatives and Hedge Accounting".

Note 3: The fair value of security deposits (with a carrying value of ¥3,881,015 thousand) and security deposits in trust (with a carrying value of ¥16,865,973 thousand) that have been deposited from tenants under lease contracts are not disclosed because they do not have any market price and their effective deposit period from the lease inception to tenant's termination of the rental contract cannot be reliably determined, thus making it impossible to reasonably estimate their future cash flows, and therefore, it is considered to be extremely difficult to estimate their fair value.

Note 4: Redemption schedule for cash and bank deposits and cash and bank deposits in trust

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	13,912,852	-	-	-	-	-
Cash and bank deposits in trust	17,796,350	-	-	-	-	-
Total	31,709,202	-	-	-	-	-

Note 5: Redemption schedule for investment corporation bonds and debt

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term debt	9,800,000	-	-	-	-	-
Investment corporation bonds	5,000,000	-	-	11,000,000	10,000,000	18,500,000
Long-term debt	30,500,000	50,000,000	23,000,000	12,850,000	9,500,000	7,750,000
Total	45,300,000	50,000,000	23,000,000	23,850,000	19,500,000	26,250,000

#### 14. INVESTMENT AND RENTAL PROPERTIES

##### For the period from May 1, 2011 to October 31, 2011

The Company owns in its portfolio certain office buildings (including land) for lease located in Tokyo and other areas. The following table summarizes the carrying value and the estimated fair value of these properties as of October 31, 2011.

Thousands of Yen			
Carrying Value		Fair value	
As of October 31, 2011	Change during the period	As of April 30, 2011	As of October 31, 2011
362,390,913	(8,745,662)	371,136,575	326,690,000

Note 1: The Carrying Value represents the acquisition cost less accumulated depreciation.

Note 2: The fair value as of October 31, 2011 represents the sum of the appraisal values estimated by external real estate appraisers.

The real estate rental revenues and expenses for the six-month period ended October 31, 2011 is presented in "16. Breakdown of Real Estate Rental Revenues and Expenses."

##### For the period from November 1, 2010 to April 30, 2011

The Company owns in its portfolio certain office buildings (including land) for lease located in Tokyo and other areas. The following table summarizes the carrying value and the estimated fair value of these properties as of April 30, 2011.

Thousands of Yen			
Carrying Value		Fair value	
As of April 30, 2011	Change during the period	As of October 31, 2010	As of April 30, 2011
371,136,575	(3,433,307)	374,569,882	341,635,000

Note 1: The Carrying Value represents the acquisition cost less accumulated depreciation.

Note 2: The fair value as of April 30, 2011 represents the sum of the appraisal values estimated by external real estate appraisers. However, for NOF Toyo-cho Building, 67% of the quasi-co-ownership held by the Company as of April 30, 2011, the price on the agreement of sale and purchase on December 8, 2010, is used as the fair value.

The real estate rental revenues and expenses for the six-month period ended October 31, 2011 is presented in "16. Breakdown of Real Estate Rental Revenues and Expenses."

#### 15. SEGMENT INFORMATION

##### For the period from May 1, 2011 to October 31, 2011 and from November 1, 2010 to April 30, 2011

###### Segment Information

Since the Company has been engaged in the real estate leasing business as a single segment, segment information has been omitted.

###### Related Information

###### 1. Information about products and services

Since revenues from external customers of products and services within a single segment are more than 90 percent of total operating revenues, information about products and services has been omitted.

###### 2. Information about geographical areas

###### (1) Revenues

Since more than 90 percent of the total operating revenues were generated from external customers in Japan, geographical breakdown of revenues has been omitted.

###### (2) Property and equipment

Since more than 90 percent of the total property and equipment on the balance sheet are located in Japan, geographical breakdown of property and equipment has been omitted.

###### 3. Information about major clients

Since no single external client represents 10 percent or more of the Company's total operating revenues, information about major clients has been omitted.

#### 16. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the six-month period ended October 31, 2011 and April 30, 2011 consist of the following:

Thousands of Yen		
	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
<b>Real estate rental revenues</b>	<b>¥12,520,177</b>	<b>¥12,846,039</b>
Rental revenues	11,223,340	11,724,063
Rental revenues	8,839,500	9,475,685
Common area charges	2,383,840	2,248,378
Other rental revenues	1,296,837	1,121,976
Parking revenues	264,347	258,602
Incidental income	945,233	792,174
Other miscellaneous revenues	87,257	71,200
<b>Real estate rental expenses</b>	<b>6,110,488</b>	<b>5,741,473</b>
Property management costs	1,157,386	1,089,967
Property management fees	243,760	263,254
Property and other taxes	1,211,889	1,211,199
Utility expenses	1,048,075	826,025
Casualty insurance	22,869	23,669
Repairs and maintenance	431,742	242,160
Depreciation	1,732,638	1,861,135
Other rental expenses	262,129	224,064
<b>Real estate rental profits</b>	<b>¥ 6,409,689</b>	<b>¥ 7,104,566</b>

#### 17. BREAKDOWN OF GAIN AND LOSS ON SALES OF REAL ESTATE

Gain and Loss on sales of real estate for the six-month period ended October 31, 2011 and April 30, 2011 consist of the following:

Thousands of Yen		
	For the period from May 1, 2011 to October 31, 2011	For the period from November 1, 2010 to April 30, 2011
<b>Gain on sales of real estate</b>		
Proceeds from sales of real estate	¥8,455,000	¥2,859,000
Cost of sales of real estate	7,317,305	2,322,399
Other related sales expenses	20,795	264,701
Gain on sales of real estate	¥1,116,900	¥ 271,900
<b>Loss on sales of real estate</b>		
Proceeds from sales of real estate	¥ 680,000	—
Cost of sales of real estate	783,711	—
Other related sales expenses	2,056	—
Loss on sales of real estate	¥ 105,767	—

#### 18. LEASES

Finance lease agreements, excluding those in which the ownership of the leased assets is deemed to be transferred to the lessee, are mainly for tools, furniture and fixtures in trust. Depreciation of leased assets under finance lease transactions excluding those in which the ownership of the leased assets is deemed to be transferred to the lessee are calculated by the straight-line method, over the lease period with no residual value.

The Company, as a lessor, enters into lease agreements for which fixed monthly rents are due in advance with a lease term of generally two years for offices. The future minimum rental revenues under existing non-cancelable operating lease agreements as of October 31, 2011 and April 30, 2011 are summarized as follows:

Thousands of Yen		
	As of October 31, 2011	As of April 30, 2011
Due within one year	¥ 4,291,036	¥ 4,229,219
Due after one year	18,689,202	20,524,275
Total	¥22,980,238	¥24,753,494

## 19. DERIVATIVES AND HEDGE ACCOUNTING

### Derivative transactions as of October 31, 2011

- (1) There were no derivative financial instruments not subject to hedge accounting.  
 (2) Derivative financial instruments subject to hedge accounting were as follows:

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
			Due after one year	Thousands of Yen		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	85,750,000	53,250,000	(*)	

\* Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for as one transaction together with their hedged item, long-term debt, the fair value of these derivatives is included in that of related long-term debt (see "13. Financial Instruments (Note 2) (v) Current portion of long-term debt and (vii) Long-term debt" above).

### Derivative transactions as of April 30, 2011

- (1) There were no derivative financial instruments not subject to hedge accounting.  
 (2) Derivative financial instruments subject to hedge accounting were as follows:

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
			Due after one year	Thousands of Yen		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	88,850,000	58,850,000	(*)	

\* Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for as one transaction together with their hedged item, long-term debt, the fair value of these derivatives is included in that of related long-term debt (see "13. Financial Instruments (Note 2) (v) Current portion of long-term debt and (vii) Long-term debt" above).



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## Report of Independent Auditors

The Board of Directors  
 Nomura Real Estate Office Fund, Inc.

We have audited the accompanying financial statements of Nomura Real Estate Office Fund, Inc., which comprise the balance sheets as of October 31, 2011 and April 30, 2011, and the related statements of income and retained earnings, changes in net assets, and cash flows for the six-month periods then ended, all expressed in yen.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating internal control as management determines is necessary to enable to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

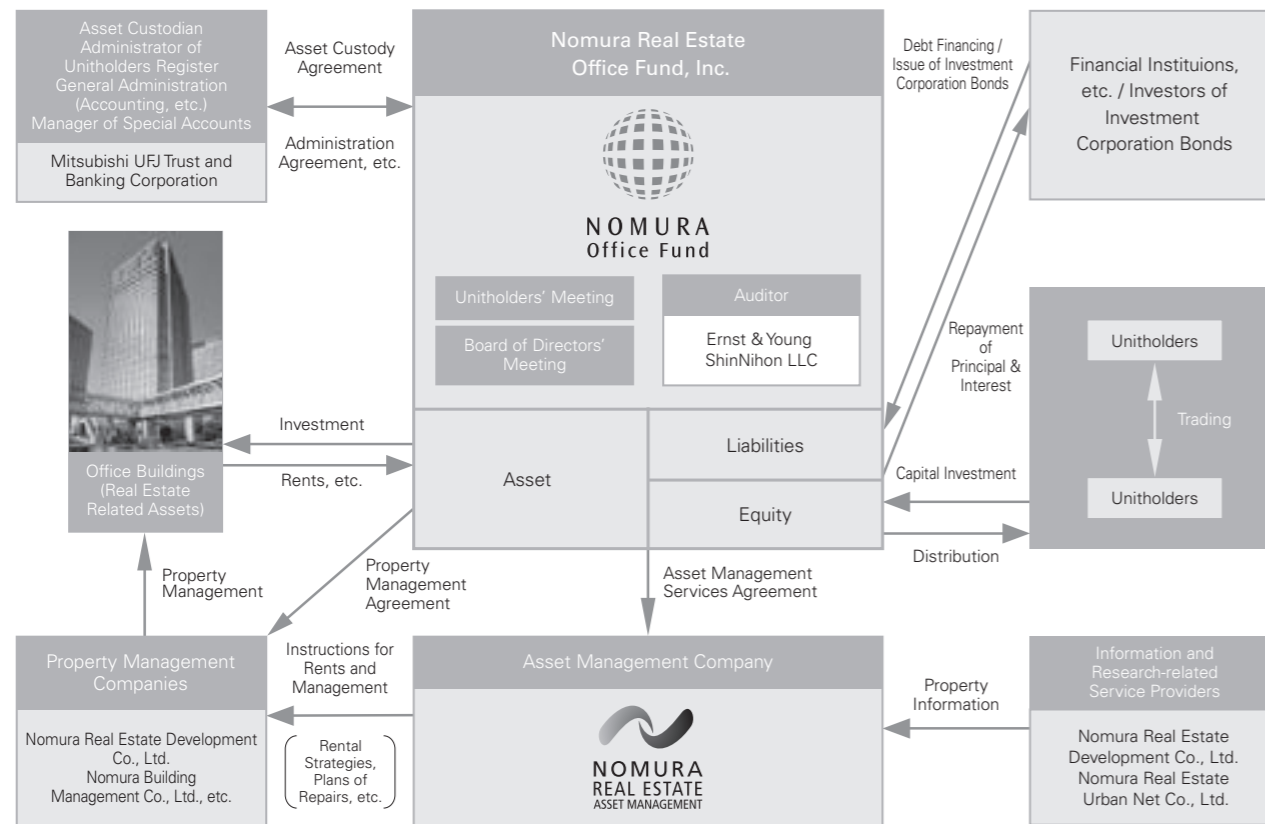
### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Office Fund, Inc. at October 31, 2011 and April 30, 2011, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young Shin Nihon LLC*

January 13, 2012

## Business Structure



## Corporate Data

### Corporate Name

Nomura Real Estate Office Fund, Inc.

### Corporate Office

8-5-1 Nishi Shinjuku Shinjuku-ku, Tokyo  
160-0023, Japan  
<http://www.nre-of.co.jp/english/>

### Date of Incorporation

August 7, 2003

### Stock Listing

Tokyo Stock Exchange (Securities Code: 8959)

### Fiscal Period

Six months ending on April 30 and October 31

### Capital

¥185,455,446,935 (as of October 31, 2011)

### Number of Units Issued

305,123 (as of October 31, 2011)

### Number of Unitholders

12,864 (as of October 31, 2011)

### Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation  
1-4-5 Marunouchi Chiyoda-ku, Tokyo 100-8212, Japan

### Business Office of the Transfer Agent

Corporate Agency Department  
Mitsubishi UFJ Trust and Banking Corporation  
7-10-11 Higashisuna Koto-ku, Tokyo 137-8081, Japan  
Tel: +81-3-5683-5111

### Independent Auditors

Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg. 2-2-3 Uchisaiwai-cho Chiyoda-ku,  
Tokyo 100-0011, Japan

### Investor Relations

For further information, please contact the Asset Management Company:  
Nomura Real Estate Asset Management Co., Ltd.  
8-5-1 Nishi Shinjuku, Shinjuku-ku, Tokyo 160-0023, Japan  
Tel: +81-3-3365-0507

## Website

### Nomura Office Fund's Website

The Company strives to provide accurate and timely disclosure of information by utilizing the website.

- Strength of NOF, Asset Management Policies, Corporate Profile
- Portfolio Summary, Portfolio Data, Occupancy Rates, Major Tenents
- News, Latest Data, Performance, Distributions, Calendar

We continue to provide information timely and strive to enhance the contents of the website.

(URL) <http://www.nre-of.co.jp/english/>



Posting summaries, maps, occupancy rates, etc., of the portfolio

Posting the latest fund data

## Disclaimer

This semiannual report includes translations of certain Japanese documents originally filed under the Securities and Exchange Law of Japan. This report was prepared in English solely for the convenience of and reference by readers outside Japan and should not be considered as a disclosure statement. The original Japanese documents always govern the meaning and interpretation.

In general, accounting principles and practices used by real estate investment corporations in Japan ("J-REITs") in preparing its financial statements conform with 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 semiannual 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 Nomura Office Fund. Actual results may differ substantially from the projections depending on a number of factors.



NOMURA  
Office Fund

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