



NOMURA  
Office Fund

## **Semi-Annual Report**

Eighteenth fiscal period

May 1, 2012 >>> October 31, 2012

# NOMURA REAL ESTATE 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 Act on 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,

I would like to thank all of you for having given Nomura Real Estate Office Fund, Inc. the opportunity to serve you in 2012 and tell you how much we look forward to continuing to be a part of your financial portfolio in the coming year.

Closing of accounts for the 18th fiscal period, which ended October 31, 2012, showed the following results. For the period, NOF achieved operating revenues of 12,701 million yen, ordinary income of 3,913 million yen, and net income of 3,912 million yen. Dividends per share totaled 12,824 yen.

Although it was predicted that the Japanese economy would gradually recover on demand from post-quake projects, prospects have been undermined by the slowing of economic recovery in the U.S., the slowing of growth in China, and the continuing European debt crisis.

The office rental market showed a tendency toward reduced vacancy rates as the supply of newly-built office buildings in central Tokyo settled; however, rents continued showing a gradual downward trend.

Under these circumstances, NOF focused on stabilizing relocation at a low level through improved tenant satisfaction, and placed a priority on maintaining and improving occupancy by working to conclude leasing contracts as soon as units are vacated based on an accurate understanding of characteristics of and market environment surrounding each property. As a result, the occupancy rate at the end of the 18th period was high at 97.0%, showing that portfolio management continues to be effective. NOF also maintains a favorable relationship with financial institutions, which ensures continuing stable fund procurement and the maintenance of sound financial strength.

NOF continues prioritizing stable management over the mid- and long-term to respond to investor need for the building of high-quality assets in and after the next period.

Again, NOF is grateful for the trust you have placed in us and we look forward to serving you in 2013.

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



## Summary of Portfolio Properties

Region	Name	Location	Type of Structure	Leasable Floor Space (m <sup>2</sup> )	Completed	Acquired	Acquisition Price (Millions of Yen)	% of Total
Central Tokyo	Shinjuku Nomura Bldg.	Shinjuku-ku, Tokyo	SRC·RC·S B5/50F	31,500.89	May 1978	Dec. 8, 2003	38,730	10.3
	NRE Tennozu Bldg.	Shinagawa-ku, Tokyo	SRC·RC B2/26F	25,127.12	Jun. 1996	Mar. 18, 2005	33,080	8.8
	NOF Nihonbashi Honcho Bldg.	Chuo-ku, Tokyo	SRC B3/8F	19,157.05	Apr. 1961	Dec. 5, 2003	20,600	5.5
	Tennozu Park Side Bldg.	Shinagawa-ku, Tokyo	S·RC·SRC B2/21F	18,051.60	Jan. 1995	Feb. 27, 2004	14,800	3.9
	NOF Shinjuku Minamiguchi Bldg.	Shibuya-ku, Tokyo	SRC B2/8F	6,710.15	Apr. 1974	Jun. 25, 2008	12,300	3.3
	NOF Shibuya Koen-dori Bldg.	Shibuya-ku, Tokyo	SRC·RC B2/8F	3,420.16	Sep. 1987	Sep. 28, 2004	12,000	3.2
	Secom Medical Bldg.	Chiyoda-ku, Tokyo	S·SRC B1/7F	8,821.24	Feb. 2005	Sep. 1, 2006	11,500	3.1
	NOF Shiba Bldg.	Minato-ku, Tokyo	SRC·S B1/7F	8,165.10	Mar. 1991	May 25, 2004	10,000	2.7
	Nishi-Shinjuku Showa Bldg.	Shinjuku-ku, Tokyo	RC B2/11F	5,686.89	Apr. 1982	Nov. 30, 2005	8,800	2.3
	NRE Shibuya Dogenzaka Bldg.	Shibuya-ku, Tokyo	SRC·RC B2/9F	3,436.67	Mar. 1999	Sep. 26, 2008	7,660	2.0
	NOF Tameike Bldg.	Minato-ku, Tokyo	SRC B1/9F	4,715.20	Aug. 1959	Sep. 29, 2005	7,400	2.0
	Iwamoto-cho Toyo Bldg.	Chiyoda-ku, Tokyo	RC·S B1/9F	4,117.26	Jun. 1993	Jun. 25, 2008	6,020	1.6
	NOF Shinagawa Konan Bldg.	Shinagawa-ku, Tokyo	SRC B1/8F	7,667.55	Nov. 1987	Dec. 8, 2003	5,500	1.5
	NOF Surugadai Plaza Bldg.	Chiyoda-ku, Tokyo	S·RC B1/8F	4,160.94	Apr. 1997	Feb. 27, 2004	5,150	1.4
	PMO Nihonbashi Honcho	Chuo-ku, Tokyo	S·SRC B1/9F	2,450.06	Jun. 2008	Nov. 5, 2008	5,000	1.3
	NRE Higashi-nihonbashi Bldg.	Chuo-ku, Tokyo	S·SRC B1/9F	4,554.98	Sep. 1990	Jan. 14, 2009	4,060	1.1
	PMO Akihabara	Chiyoda-ku, Tokyo	S 8F	3,037.37	Jan. 2010	Jan. 13, 2012	3,790	1.0
	Hatchobori NF Bldg.	Chuo-ku, Tokyo	SRC B1/9F	2,854.83	Oct. 1990	Aug. 10, 2007	3,160	0.8
	NOF Kanda Iwamoto-cho Bldg.	Chiyoda-ku, Tokyo	SRC 9F	4,076.38	Jul. 1988	Feb. 26, 2004	3,080	0.8
	NOF Takanawa Bldg.	Shinagawa-ku, Tokyo	S 8F	3,361.48	Apr. 1993	Feb. 27, 2009	3,010	0.8
	PMO Hatchobori	Chuo-ku, Tokyo	S·SRC B1/9F	2,074.66	May 2009	Nov. 1, 2011	2,430	0.6
	NOF Minami Shinjuku Bldg.	Shibuya-ku, Tokyo	SRC B1/8F	2,464.71	Mar. 1986	Jun. 25, 2004	2,280	0.6
	Central Shintomicho Bldg.	Chuo-ku, Tokyo	S 8F	2,465.86	Mar. 1990	Jun. 25, 2008	1,750	0.5
	PMO Higashi-nihonbashi	Chuo-ku, Tokyo	S 9F	1,859.43	Oct. 2009	Nov. 1, 2011	1,480	0.4
Subtotal (24 properties)				-	-	-	223,580	59.6
Suburban Tokyo	NRE Ueno Bldg.	Taito-ku, Tokyo	SRC·S B1/10F	4,869.81	Mar. 1990	Jan. 14, 2009	7,830	2.1
	NOF Technoport Kamata Center Bldg.	Ota-ku, Tokyo	S·SRC B1/11F	13,652.45	Sep. 1990	Dec. 5, 2003	6,416	1.7
	Toho Edogawabashi Bldg.	Bunkyo-ku, Tokyo	SRC B1/9F	2,058.97	Mar. 1993	Mar. 2008	2,080	0.6
	Toshin Meguro Bldg.	Meguro-ku, Tokyo	SRC 9F	1,610.07	Sep. 1989	Jun. 25, 2008	1,340	0.4
	Crystal Park Bldg.	Musashino City, Tokyo	SRC·S B2/11F	3,900.85	Oct. 1991	Feb. 28, 2006	3,700	1.0
	NOF Kichijoji Honcho Bldg.	Musashino City, Tokyo	SRC 8F	1,936.40	Oct. 1987	Jan. 14, 2009	1,800	0.5
	Faret Tachikawa Center Square	Tachikawa City, Tokyo	S·SRC·RC B2/12F	6,851.48	Dec. 1994	Dec. 5, 2003	3,290	0.9
	NOF Kawasaki Higashiguchi Bldg.	Kawasaki-ku, Kawasaki City	S·SRC B1/12F	8,266.67	Mar. 1988	Jun. 30, 2005	9,500	2.5
	NOF Yokohama Nishiguchi Bldg.	Nishi-ku, Yokohama City	SRC B1/9F	6,866.60	Oct. 1985	May 12, 2005	5,050	1.3
	NOF Shin-Yokohama Bldg.	Kohoku-ku, Yokohama City	SRC B1/9F	8,074.83	Oct. 1990	Dec. 5, 2003	3,600	1.0
	Yokohama Odori Koen Bldg.	Naka-ku, Yokohama City	S·RC B1/11F	4,234.35	Mar. 1989	Sep. 28, 2007	2,993	0.8
Subtotal (11 properties)				-	-	-	47,599	12.7
Other Cities	Sapporo North Plaza	Chuo-ku, Sapporo City	SRC B2/12F	13,642.16	Aug. 1981	Jun. 1, 2006	6,820	1.8
	NRE Sapporo Bldg.	Kita-ku, Sapporo City	S B1/10F	6,559.34	Jul. 2008	Nov. 5, 2008	5,300	1.4
	JCB Sapporo Higashi Bldg.	Chuo-ku, Sapporo City	SRC B1/7F	9,062.04	Oct. 1966	Feb. 8, 2008	3,700	1.0
	NOF Sendai Aoba-dori Bldg.	Aoba-ku, Sendai City	SRC B2/11F	6,042.82	Jul. 1968	Nov. 30, 2005	3,200	0.9
	NOF Utsunomiya Bldg.	Baba-dori, Utsunomiya City	S·SRC B2/10F	5,882.20	Dec. 1999	Dec. 5, 2003	2,970	0.8
	NOF Nagoya Fushimi Bldg.	Naka-ku, Nagoya City	S·RC B1/11F	3,282.90	Aug. 2009	Dec. 25, 2009	4,050	1.1
	NOF Nagoya Yanagibashi Bldg.	Nakamura-ku, Nagoya City	S B2/12F	4,655.74	Mar. 1991	Sep. 29, 2005	3,550	0.9
	Omron Kyoto Center Bldg.	Simogyo-ku, Kyoto City	S·RC B2/11F	34,616.84	Jul. 2000	Mar. 20, 2007	23,700	6.3
	SORA Shin-Osaka 21	Yodogawa-ku, Osaka City	SRC B2/21F	21,298.26	Jul. 1994	Apr. 25, 2008	19,251	5.1
	NRE Osaka Bldg.	Chuo-ku, Osaka City	SRC B2/12F	16,977.79	Dec. 1983	Dec. 5, 2003	6,410	1.7
	NRE Nishi-Umeda Bldg.	Kita-ku, Osaka City	S·SRC B2/12F	5,213.02	Jun. 1993	Sep. 26, 2008	5,660	1.5
	NRE Yotsubashi Bldg.	Nishi-ku, Osaka City	S·SRC B2/15F	11,558.68	Nov. 1991	Dec. 5, 2003	3,940	1.0
	NOF Kobe Kaigan Bldg.	Chuo-ku, Kobe City	S·SRC B1/16F	6,425.16	Feb. 1998	Dec. 5, 2003	3,280	0.9
	NRE Hiroshima Bldg.	Naka-ku, Hiroshima City	SRC B2/9F	7,827.15	Jul. 1976	Dec. 5, 2003	1,930	0.5
	NOF Hakata Ekimae Bldg.	Hakata-ku, Fukuoka City	SRC B2/11F	7,529.83	Jul. 1983	Jun. 27, 2008	6,750	1.8
	NOF Tenjin-Minami Bldg.	Chuo-ku, Fukuoka City	S 10F	3,802.35	Feb. 2008	Mar. 27, 2009	3,739	1.0
Subtotal (16 properties)				-	-	-	104,250	27.8
Total (51 properties)				-	-	-	375,429	100.0

Note: NOF has acquired all investment properties identified in the table above in the form of trust beneficial interests, except Secom Medical Building, NRE Shibuya Dogenzaka Building, PMO Nihonbashi Honcho, NRE Higashi-nihonbashi Building, PMO Akihabara, PMO Hatchobori, NOF Takanawa Building, PMO Higashi-nihonbashi, 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 in the form of real estates.

Note: "Abbreviations under "Type of Structure" indicate: S: Steel-frame, RC: Reinforced Concrete and SRC: Steel-frame Reinforced Concrete.

Note: According to the notice of confirmation issued in accordance with the Building Standards Act, the floor of NOF Sendai Aoba-dori Building is described as 8 floors above the ground and 3 floors of penthouse with 2 floors below ground."

Note: "Leasable Floor Space" includes office and retail floor space for investment properties as of a specified date. In principle, exclusive and designated areas acquired under strata (unit) title have been included. Leased common areas are also included. Leasable floor space for the Shinjuku Nomura Building is the space multiplied by NOF's share of trust beneficial interests acquired. According to the master lease agreement, the rent of NRE Tennozu Building is the rent of the entire building multiplied by percentage of the share of common area. Thus, its leasable floor space is the floor space of the entire building multiplied by the said percentage. Each Leasable Floor Space indicates as of October 31, 2012.

Note: "Completed" is a completed date of a building written on the title registration form. As for NOF Tameike Building, the date of completion is a date stated on the Certificate of Inspection in accordance with the provisions of article 7(3) of the Building Standards Act as there is no date stated on the title registration form.

Note: "% of Total" is the percentage of the total portfolio. The figures in the table above have been rounded to the nearest first decimal place. Accordingly, the total may not equal 100.0%

Note: NOF has acquired a trust beneficial interest in the Shinjuku Nomura Building. The acquisition price represents the cost of purchasing 50.1% of the trust beneficial interest.

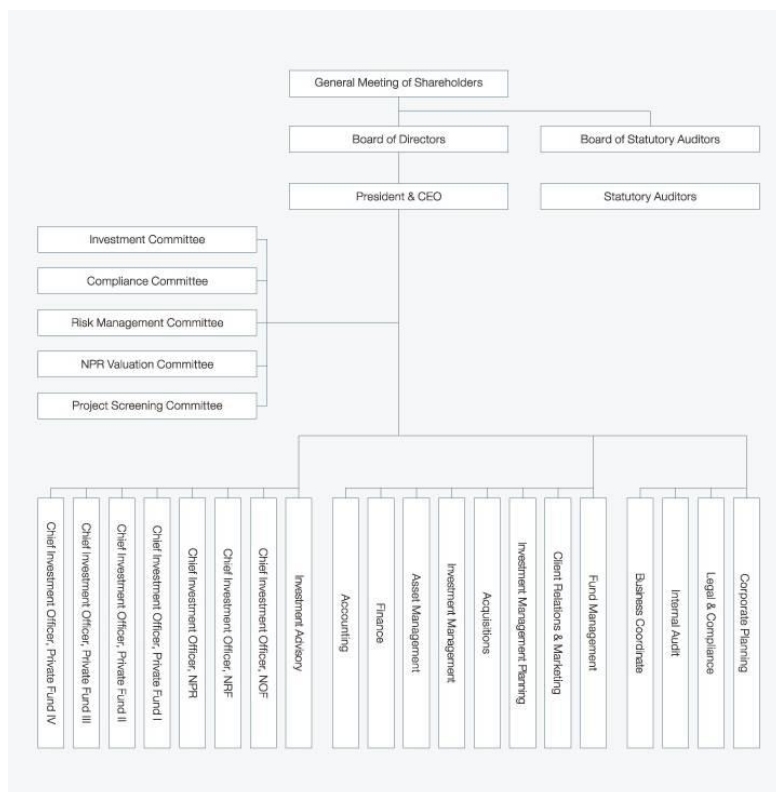
Note: NOF transferred a part of the land of NOF Technoport Kamata Center Building (co-owned area) on August 31, 2007. The acquisition price on the list is the amount subtracting a book price of the asset to be transferred (13 million yen) from the acquisition price before the transfer (6,430 million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

## Profile of the Asset Management Company

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 including 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, 2012)
Shareholder	: Nomura Real Estate Holdings, Inc. (100%)
Incorporation	: January 24, 2003

### • Organization of the asset management company



### Profile of Chief Investment Officer

Chief Investment Officer, NOF  
Kenji Tsuga



Apr. 1990	Entered NRED
Dec. 1996	Brokerage Sales Dept.
Mar. 2001	Brokerage Division.
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)

# Performance Report

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# Asset Management Report

## 1. CHANGES IN KEY INDICATORS

		18th Period from May 1, 2012 to Oct. 31, 2012	17th Period from Nov 1, 2011 to Apr. 30, 2012	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
Operating Revenues	(¥mln)	12,701	12,441	13,637	13,117	13,364
of which Real Estate Rental Revenues	(¥mln)	12,701	12,441	12,520	12,846	13,364
Operating Expenses	(¥mln)	7,218	6,912	7,417	6,973	7,141
of which Real Estate Rental Expenses	(¥mln)	6,040	5,726	6,110	5,741	5,883
Operating Profits	(¥mln)	5,482	5,529	6,219	6,144	6,223
Ordinary Income	(¥mln)	3,913	3,903	4,628	4,503	4,480
Net Income	(¥mln)	3,912	3,902	4,627	4,428	4,479
Total Assets	(¥mln)	397,375	397,667	400,390	404,069	407,703
(Changes from Previous Period)	(%)	(△0.1)	(△0.7)	(△0.9)	(△0.9)	(△0.6)
Interest-Bearing Debts	(¥mln)	182,650	183,400	184,650	187,900	191,230
Net Assets	(¥mln)	189,468	189,458	190,082	189,883	189,934
(Changes from Previous Period)	(%)	(+0.0)	(△0.3)	(+0.1)	(△0.0)	(△0.3)
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	(¥)	620,957	620,923	622,970	622,318	622,486
Total Cash Distribution	(¥mln)	3,912	3,902	4,527	4,427	4,479
Cash Distribution per Unit	(¥)	12,824	12,790	14,837	14,512	14,681
of which Cash Distribution of Profits	(¥)	12,824	12,790	14,837	14,512	14,681
of which Cash Distribution in excess of Profits	(¥)	-	-	-	-	-
ROA (Return on Assets) (Note 1)	(%)	1.0	1.0	1.2	1.1	1.1
Annualized ROA (Note 2)	(%)	2.0	2.0	2.3	2.2	2.2
ROE (Return on Equity)	(%)	2.1	2.1	2.4	2.3	2.4
Annualized ROE (Note 2)	(%)	4.1	4.1	4.8	4.7	4.7
Capital Adequacy Ratio (Note 4)	(%)	47.7	47.6	47.5	47.0	46.6
(Changes from Previous Period)	(%)	(+0.1)	(+0.1)	(+0.5)	(+0.4)	(+0.2)
LTV (Loan-to-Value) (Note 5)	(%)	46.0	46.1	46.1	46.5	46.9
Number of Operating Days	(days)	184	182	184	181	184
Payout Ratio (Note 6)	(%)	99.9	100.0	97.8	99.9	100.0
Number of Properties Held	(bldgs)	51	51	48	51	51
Total Leasable Floor Space	(㎡)	406,636.34	406,640.49	399,625.36	415,936.86	438,918.56
Number of Tenants	(tenants)	793	784	753	746	704
Occupancy Rate	(%)	97.0	97.1	96.4	93.8	94.5
Depreciation	(¥mln)	1,669	1,717	1,732	1,861	1,876
Capital Expenditures	(¥mln)	827	1,022	1,088	750	597
NOI (Net Operating Income) (Note 7)	(¥mln)	8,331	8,432	8,142	8,965	9,357
FFO (Funds from Operation) (Note 8)	(¥mln)	5,592	5,632	5,362	6,029	6,363
FFO per Unit (Note 9)	(¥)	18,329	18,460	17,573	19,761	20,855

Note 1: "ROA (Return on Assets)" = Ordinary Income / {(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. 14th Period: 184 days, 15th Period: 181 days, 16th Period: 184 days, 17th Period: 182 days, and 18th 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 EIGHTEENTH FISCAL PERIOD

Nomura Real Estate Office Fund, Inc., incorporated on August 7, 2003 under the Act on 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 Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951) is referred to as the "Investment Trust Act" 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) Operating Environment

Although it was predicted that the Japanese economy would gradually recover on demand from post-quake projects, economic performance shifted downward, mainly in exports and industry production, due to the slowing of economic recovery in the U.S., the slowing of growth in China, and the continuing European debt crisis.

New listings on the J-REIT market were made in the previous fiscal period for the first time in about four and a half years, and public offerings for listed shares also continued one after another. REIT share prices recovered with support from purchases by the Bank of Japan, a shift in foreign investors' attitude toward purchasing, and an inflow of money to investment trusts, all contributing to a recovery of the Tokyo Stock Exchange REIT index to 1,000 following late September, a trend that has continued.

#### (a) Office Rental Market

After the peak in June 2012, the office rental market showed a tendency for reduced vacancy rates in central Tokyo as the rush of newly-completed large buildings settled. Under such circumstances, many companies relocated in line with their business continuity plans (BCP) and worked to integrate remote offices.

Although rents in some areas show signs of having hit bottom, they continue to follow a gradual downward trend overall.

#### (b) Real Estate Market

The motivation of companies and individuals in the wealthy class to acquire real estate continues, and transactions remain stable with a focus on small- and medium-size buildings. However, information on properties with stable performance is insufficient, and the gap between what sellers are willing to accept and what potential buyers are offering differs significantly. Therefore, with the exception of transactions between REITs and its sponsors, the number of transactions for large properties was limited.

### (2) Status of Managements for the Eighteenth 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 18<sup>th</sup> fiscal period (October 31, 2012) was 51 properties (total leasable floor space: 406,636.34 m<sup>2</sup>) totalling 375.4 billion yen (total acquisition price).

The property management environment remained difficult due to the market conditions described in "(1) Operating Environment (a) Office Rental 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 as of the end of the fiscal period under review stayed as high as 97.0% with the move-out area remained at low levels. 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 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 29.9 billion yen was borrowed and 750 million yen in hand was repaid as repayment funds for existing debts. As a result, outstanding interest-bearing debt as of the end of the eighteenth fiscal period came to 182.6 billion yen (including investment corporation bonds of 39.5 billion yen).



### 3. STATUS OF CAPITAL

No changes in the number of units issued have been made during the eighteenth fiscal period. Changes in the number of units issued and unitholders' capital until the eighteenth 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 (Note1)	400	400	200	200
Dec. 4, 2003	Public offering (Note2)	148,200	148,600	71,506	71,706
May 19, 2004	Public offering (Note3)	35,000	183,600	19,866	91,572
Jun. 16, 2004	Third-party allotment (Note4)	1,050	184,650	595	92,168
May 1, 2005	Public offering (Note5)	44,000	228,650	31,496	123,665
May 24, 2005	Third-party allotment (Note6)	1,320	229,970	944	124,610
May 25, 2006	Public offering (Note7)	34,800	264,770	31,143	155,753
Jun. 23, 2006	Third-party allotment (Note8)	1,133	265,903	1,013	156,767
May 27, 2008	Public offering (Note9)	37,000	302,903	27,064	183,831
Jun. 24, 2008	Third-party allotment (Note10)	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.

		18th Period from May 1, 2012 to Oct. 31, 2012	17th Period from Nov. 1, 2011 to Apr. 30, 2012	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
High	(¥)	510,000	500,000	595,000	604,000	536,000
Low	(¥)	408,000	370,500	418,000	433,000	412,000

### 4. CASH DISTRIBUTION

In order to qualify for special tax treatment under Article 67-15 of the Act on Special Measures Concerning Taxation (Act 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 ¥12,824.

		18th Period from May 1, 2012 to Oct. 31, 2012	17th Period from Nov. 1, 2011 to Apr. 30, 2012	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
Retained Earnings	(¥000)	3,912,991	3,902,570	4,627,269	4,428,126	4,479,515
Accumulated earnings	(¥000)	94	46	100,159	181	4
Total cash distribution	(¥000)	3,912,897	3,902,523	4,527,109	4,427,944	4,479,510
(Cash distribution per unit)	(¥)	(12,824)	(12,790)	(14,837)	(14,512)	(14,681)
of which distribution of profits	(¥000)	3,912,897	3,902,523	4,527,109	4,427,944	4,479,510
(Distribution of profits per unit)	(¥)	(12,824)	(12,790)	(14,837)	(14,512)	(14,681)
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 EIGHTEENTH FISCAL PERIOD (1) Market Environments,” it is predicted that the Japanese economy will be weakening for the moment because of the downturn in the global economy. If the overseas economy improves while the demand from post-quake projects continues, it is expected that the Japanese economy will get back on track for recovery. However, anxiety about the potential elongation of the European debt crisis and worsening ties with China may continue to significantly undermine prospects.

Under the circumstances, it is important to continue flexible property management based on an accurate understanding of tenant needs, minimize the deterioration of portfolio profitability, maintain and improve the ability to procure funds through conservative financial management, and keep a sharp eye on the movement of real estate market capitalization rates and liquidity.

### (2) Asset Management Policy and Future Issues

With such environments in mind, the Company will employ the following asset management 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 to enhance the relationship, and keep their evacuation at low level, proper recognition of the property features and leasing market environments will help us market the potential tenants from in and outside of the properties for existing and future vacant space. Thus 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.

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 and administration costs.

In order 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 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, fixing the rate by using interest rate swap transactions or other methods, 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 EIGHTEENTH FISCAL PERIOD

### Transfer of a Property

On December 21, 2012, the Company entered into a sale and purchase agreement regarding the transfer of the property stated below and on January 17, 2013, completed the transfer. Consumption taxes and adjustments of property taxes are excluded from the transfer price.

### NOF Kobe Kaigan Building

Type of Assets	: Trust beneficial interest
Date of Agreement	: December 21, 2012
Transfer Date	: January 17, 2013
Transfer Price	: ¥3,050 million
Transferee	: Japanese general operating company
Impact on Revenues	: Approximately ¥236 million (miscellaneous expenses excluded) of gain on sales of real estate will be recorded for the nineteenth fiscal period (from November 1, 2012 to April 30, 2013).

## Profile of the Company

### 1. STATUS OF UNITHOLDERS' CAPITAL

		18th Period (as of Oct. 31, 2012)	17th Period (as of Apr. 30, 2012)	16th Period (as of Oct. 31, 2011)	15th Period (as of Apr. 30, 2011)	14th Period (as of Oct. 31, 2010)
Maximum number of units allowed to issue	(Unit)	<b>2,000,000</b>	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued	(Unit)	<b>305,123</b>	305,123	305,123	305,123	305,123
Amount of unitholders' capital	(¥ mln)	<b>185,455</b>	185,455	185,455	185,455	185,455
Number of unitholders		<b>12,610</b>	12,713	12,864	12,185	13,100

### 2. MATTERS CONCERNING THE INVESTMENT UNITS

The 10 largest unitholders as of October 31, 2012 were as follows.

Name	Number of Units Held (Unit)	Portion in the Total Units Issued (%)
Japan Trustee Services Bank, Ltd.	65,936	21.61
Trust & Custody Services Bank, Ltd.	16,686	5.47
The Nomura Trust and Banking Co., Ltd.	15,667	5.13
Nomura Real Estate Development Co., Ltd.	15,287	5.01
The Master Trust Bank of Japan, Ltd.	11,694	3.83
Nomura Bank (Luxembourg) S.A.	7,118	2.33
Kawasaki Gakuen	7,000	2.29
The Senshu Ikeda Bank, Ltd.	6,235	2.04
MetLife Alico Life Insurance K.K. GA Company JPY	3,700	1.21
State Street Bank and Trust Company 5052223	3,508	1.15
Total	152,831	50.09

### 3. BREAKDOWN OF UNITHOLDERS

The breakdown of unitholders as of October 31, 2012 was as follows.

	Number of Unitholders	Portion (%)	Number of Units per Unitholder	Portion (%)
Private and other investors	11,981	95.0	34,123	11.2
Financial institutions (Including Financial Instruments Business Operator)	134	1.1	174,934	57.3
Other domestic corporate investors	208	1.6	32,086	10.5
Foreign corporate investors, etc.	287	2.3	63,980	21.0
Total	12,610	100.0	305,123	100.0

#### 4. DIRECTORS AND AUDITOR

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

Title	Name	Other Major Title (s)	Total Amount of Fees Paid during the 18th Period (¥000)
Executive Director	Yuichi Maruko	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.	1,200
Supervisory Director	Eitoku Aikawa (Note 3)	Director, Fair Appraisers, K.K. Supervisory Director, Nomura Real Estate Residential Fund, Inc.	2,400
Supervisory Director	Saneaki Ichijo	Partner, Anderson Mori & Tomotsune Law Firm	2,400
Supervisory Director	Naohito Miya	Manager of Miya Naohito CPA 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 possesses two units of the Company's investment units as of October 31, 2012. 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: Mr. Shuhei Yoshida resigned as Supervisory Director with effect from August 7, 2012.

Note 3: Mr. Eitoku Aikawa resigned as Supervisory Director with effect from December 31, 2012.

Note 4: 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 Act 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, 2012 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: Administrates preparation, retention and other tasks related to the Unitholders' Register.

Note 2: Administrates 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)	18th Period (as of Oct. 31, 2012)		17th Period (as of Apr. 30, 2012)	
		Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)	Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)
Real estate	Central Tokyo	38,160	9.6	38,319	9.6
	Suburban Tokyo	16,291	4.1	16,319	4.1
	Other Regional Cities	36,900	9.3	37,051	9.3
Real estate in trust	Central Tokyo	182,941	46.0	183,003	46.0
	Suburban Tokyo	30,082	7.6	30,216	7.6
	Other Regional Cities	64,244	16.2	64,577	16.2
Subtotal		368,621	92.8	369,488	92.9
Cash, deposits and other assets		28,754	7.2	28,179	7.1
Grand Total		397,375	100.0	397,667	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, 2012 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.	39,727	31,500.89	31,250.49	99.2	13.2	Office
NRE Tennozu Bldg.	32,513	25,127.12	25,127.12	100.0	(Note 3)	Office
Omron Kyoto Center Bldg.	22,048	34,616.84	34,616.84	100.0	(Note 3)	Office
NOF Nihonbashi Honcho Bldg.	20,550	19,157.05	18,378.83	95.9	5.7	Office
SORA Shin-Osaka 21	18,581	21,298.26	20,999.46	98.6	4.3	Office
Tennozu Park Side Bldg.	12,560	18,051.60	17,553.47	97.2	5.1	Office
NOF Shibuya Koen-dori Bldg.	12,557	3,420.16	3,420.16	100.0	2.6	Office
NOF Shinjuku Minamiguchi Bldg.	12,358	6,710.15	6,710.15	100.0	2.4	Office
Secom Medical Bldg.	11,014	8,821.24	8,821.24	100.0	(Note 3)	Medical Office (Note 4)
NOF Shiba Bldg.	10,001	8,165.10	8,165.10	100.0	2.1	Office
Total	191,915	176,868.41	175,042.86	99.0	48.0 (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. 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. 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

Area	Name of Property	Location (Postal Address)	Type of Ownership	Appraisal Value as of Oct. 31, 2012 (¥ mln) (Note 1)	Book Value (¥ mln) (Note 2)
Central Tokyo	Shinjuku Nomura Bldg. (Note 3)	1-26-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest in Real Estate Trust	45,000	39,727
	NRE Tennozu Bldg.	2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	22,700	32,513
	NOF Nihonbashi Honcho Bldg.	2-7-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	21,400	20,550
	Tennozu Park Side Bldg.	2-5-8 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	15,400	12,560
	NOF Shinjuku Minamiguchi Bldg.	2-4-9 Yoyogi, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	9,530	12,358
	NOF Shibuya Koen-dori Bldg.	20-17 Udagawa-cho, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	11,500	12,557
	Secom Medical Bldg.	7-7 Niban-cho, Chiyoda-ku, Tokyo (Note 4)	Real Estate	10,600	11,014
	NOF Shiba Bldg.	4-2-3 Shiba, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	7,600	10,001
	Nishi-Shinjuku Showa Bldg.	1-13-12 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest in Real Estate Trust	7,850	8,682
	NRE Shibuya Dogenzaka Bldg.	2-16-4 Dogenzaka, Shibuya-ku, Tokyo	Real Estate	5,910	7,552
	NOF Tameike Bldg.	1-1-14 Akasaka, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,310	7,525
	Iwamoto-cho Toyo Bldg.	3-1-2 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,250	6,003
	NOF Shinagawa Kounan Bldg.	1-2-5 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	5,090	5,354
	NOF Surugadai Plaza Bldg.	2-5-12 Kanda Surugadai, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,120	4,849
	PMO Nihonbashi Honcho	4-12-20 Nihonbashi Honcho, Chuo-ku, Tokyo	Real Estate	4,070	4,818
	NRE Higashi-nihonbashi Bldg.	1-1-7 Higashi-nihonbashi, Chuo-ku, Tokyo	Real Estate	3,490	4,023
	PMO Akihabara	3-11-6 Iwamoto-cho, Chiyoda-ku, Tokyo	Real Estate	3,810	3,798
	Hatchobori NF Bldg.	2-21-6 Hatchobori, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,610	3,152
	NOF Kanda Iwamoto-cho Bldg.	3-8-16 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	3,970	3,053
	NOF Takanawa Bldg.	2-20-4 Higashi Gotanda, Shinagawa-ku, Tokyo	Real Estate	2,580	3,049
PMO Hatchobori	3-22-13 Hatchobori, Chuo-ku, Tokyo	Real Estate	2,520	2,426	
NOF Minami-Shinjuku Bldg.	5-32-7 Sendagaya, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,140	2,291	
Central Shintomocho Bldg.	3-5-10 Minato, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	1,320	1,757	
PMO Higashi-nihonbashi	2-15-4, Nihonbashi, Chuo-ku, Tokyo	Real Estate	1,540	1,477	
Subtotal				207,310	221,102
Suburban Tokyo	NRE Ueno Bldg.	1-14-4, Higashi-Ueno, Taito-Ku, Tokyo	Real Estate	6,210	7,771
	NOF Technoport Kamata Center Bldg.	2-16-1 Minami-Kamata, Ota-ku, Tokyo	Beneficial Interest in Real Estate Trust	6,020	6,446
	Toho Edogawabashi Bldg.	1-24-8 Sekiguchi Bunkyo-ku, Tokyo	Real Estate	1,270	2,049
	Toshin Meguro Bldg.	2-20-28 Shimo Meguro, Meguro-ku, Tokyo	Beneficial Interest in Real Estate Trust	948	1,322
	Crystal Park Bldg.	1-1-3 Gotenyama, Musashino City, Tokyo	Real Estate	3,180	3,567
	NOF Kichijoji Honcho Bldg.	1-10-31, Kichijoji Honcho, Musashino City, Tokyo	Beneficial Interest in Real Estate Trust	1,620	1,823
	Faret Tachikawa Center Square	2-36-2 Akebono-cho, Tachikawa City, Tokyo	Beneficial Interest in Real Estate Trust	3,900	2,912
	NOF Kawasaki Higashiguchi Bldg.	3-1 Ekimae Honcho, Kawasaki-ku, Kawasaki City, Kanagawa (Note 4)	Beneficial Interest in Real Estate Trust	7,550	9,320
	NOF Yokohama Nishiguchi Bldg.	1-11-11 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	4,800	4,980
	NOF Shin-Yokohama Bldg.	2-15-16 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	2,700	3,277
Yokohama Odori Koen Bldg.	2-4-1 Horai-cho, Naka-ku, Yokohama City, Kanagawa (Note 4)	Real Estate	1,830	2,902	
Subtotal				40,028	46,373
Other Cities	Sapporo North Plaza	4-2-2 Kitaichijo-nishi, Chuo-ku, Sapporo City, Hokkaido (Note 4)	Beneficial Interest in Real Estate Trust	5,820	7,652
	NRE Sapporo Bldg.	2-15-1, Kitashichijyo-Nishi, Kita-ku, Sapporo City, Hokkaido (Note 4)	Real Estate	4,560	4,955
	JCB Sapporo Higashi Bldg.	1-1 Minamiichijo-Nishi Chuo-ku, Sapporo City (Note 4)	Real Estate	3,220	3,583
	NOF Sendai Aoba-dori Bldg.	2-1-2 Ichiban-cho, Aoba-ku, Sendai City, Miyagi	Beneficial Interest in Real Estate Trust	2,000	3,128
	NOF Utsunomiya Bldg.	2-1-1 Baba-dori, Utsunomiya City, Tochigi	Beneficial Interest in Real Estate Trust	2,340	2,320
NOF Nagoya Fushimi Bldg.	2-9-27 Nishiki, Naka-ku, Nagoya City, Aichi	Real Estate	2,270	4,087	

NOF Nagoya Yanagibashi Bldg.	1-16-28 Meieki-Minami, Nakamura-ku, Nagoya City, Aichi	Beneficial Interest in Real Estate Trust	2,190	3,616
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	19,200	22,048
SORA Shin-Osaka 21	2-1-3 Nishi-Miyahara, Yodogawa-ku, Osaka City	Real Estate	12,600	18,581
NRE Osaka Bldg.	1-8-15 Azuchi-cho, Chuo-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	6,630	6,230
NRE Nishi-Umeda Bldg.	2-1-22, Umeda, Kita-Ku, Osaka City, Osaka	Real Estate	3,210	5,692
NRE Yotsubashi Bldg.	1-4-4 Awaza, Nishi-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	4,200	3,755
NOF Kobe Kaigan Bldg.	3 Kaigan-dori, Chuo-ku, Kobe City, Hyogo (Note 4)	Beneficial Interest in Real Estate Trust	2,330	2,736
NRE Hiroshima Bldg.	2-23 Tatemachi, Naka-ku, Hiroshima City, Hiroshima	Beneficial Interest in Real Estate Trust	2,270	2,539
NOF Hakata Ekimae Bldg.	1-15-20 Hakata Ekimae, Hakata-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	4,340	6,572
NOF Tenjin-Minami Bldg.	3-6-15 Watanabe Dori, Chuo-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	2,220	3,642
Subtotal			79,400	101,145
Grand Total			326,738	368,621

Note 1: "Appraisal Value as of Oct. 31, 2012" 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 Ordinance No. 47 of 2006). The appraisal prices are calculated by Japan Real Estate Institute, The Tanizawa Sogo Appraisal Co., Ltd., Daiwa Real Estate Appraisal, Co., Ltd., Japan Valuers Co., Ltd., Appraisal Firm A-Square, Ltd., or Morii Appraisal & Investment Consulting Inc. using the capitalization approach, with the end of the Eighteenth Fiscal Period, i.e. October 31, 2012, 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, 2012 accounted solely for the quasi co-ownership.

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

Area	Name of Property	18th Period (from May 1, 2012 to Oct. 31, 2012)				17th Period (from Nov. 1, 2011 to Apr. 30, 2012)			
		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 (%)		
Central Tokyo	Shinjuku Nomura Bldg.	98	99.2	1,682	13.2	96	97.9	1,626	13.1
	NRE Tennozu Bldg.	6	100.0	(Note 2)	(Note 2)	6	100.0	(Note 2)	(Note 2)
	NOF Nihonbashi Honcho Bldg.	15	95.9	725	5.7	16	98.6	743	6.0
	Tennozu Park Side Bldg.	15	97.2	647	5.1	15	97.2	644	5.2
	NOF Shinjuku Minamiguchi Bldg.	16	100.0	308	2.4	15	100.0	235	1.9
	NOF Shibuya Koen-dori Bldg.	3	100.0	326	2.6	3	100.0	331	2.7
	Secom Medical Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
	NOF Shiba Bldg.	9	100.0	264	2.1	9	100.0	237	1.9
	Nishi-Shinjuku Showa Bldg.	19	100.0	265	2.1	18	95.5	260	2.1
	NRE Shibuya Dogenzaka Bldg.	6	76.8	149	1.2	7	88.4	160	1.3
	NOF Tameike Bldg.	12	97.4	199	1.6	12	97.4	196	1.6
	Iwamoto-cho Toyo Bldg.	7	100.0	146	1.2	7	100.0	140	1.1
	NOF Shinagawa Kounan Bldg.	5	85.5	184	1.5	5	85.5	184	1.5
	NOF Surugadai Plaza Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
	PMO Nihonbashi Honcho	7	100.0	104	0.8	6	87.5	116	0.9
	NRE Higashi-nihonbashi Bldg.	6	100.0	143	1.1	6	100.0	143	1.2
	PMO Akihabara	5	100.0	111	0.9	5	100.0	59	0.5
	Hatchobori NF Bldg.	7	100.0	100	0.8	7	100.0	99	0.8
	NOF Kanda Iwamoto-cho Bldg.	8	100.0	118	0.9	8	100.0	129	1.0
	NOF Takanawa Bldg.	15	100.0	107	0.8	15	96.4	106	0.9
	PMO Hatchobori	8	100.0	86	0.7	8	100.0	79	0.6
	NOF Minami-Shinjuku Bldg.	3	93.2	83	0.7	4	93.2	90	0.7
	Central Shintomicho Bldg.	5	86.9	56	0.4	6	100.0	55	0.4
	PMO Higashi-nihonbashi	8	100.0	59	0.5	8	100.0	54	0.4
	Subtotal	285	97.7	(Note 4)	(Note 4)	284	97.8	(Note 4)	(Note 4)
	Suburban Tokyo	NRE Ueno Bldg.	10	100.0	220	1.7	10	100.0	222
Technoport Kamata Center Bldg.		13	92.2	335	2.6	12	92.7	324	2.6
Toho Edogawabashi Bldg.		6	65.7	56	0.4	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	128	1.0	12	98.6	119	1.0
NOF Kichijoji Honcho Bldg.		7	100.0	70	0.6	7	100.0	69	0.6
Faret Tachikawa Center Square		17	97.3	213	1.7	17	97.3	213	1.7
NOF Kawasaki Higashiguchi Bldg.		29	97.1	308	2.4	27	93.5	313	2.5
NOF Yokohama Nishiguchi Bldg.		30	93.3	212	1.7	28	98.7	218	1.8
NOF Shin-Yokohama Bldg.		10	100.0	164	1.3	10	100.0	161	1.3
Yokohama Odori Koen Bldg.		16	93.2	99	0.8	18	100.0	99	0.8
Subtotal		151	95.2	(Note 4)	(Note 4)	149	97.0	(Note 4)	(Note 4)
Other Cities	Sapporo North Plaza	49	100.0	336	2.6	45	94.9	330	2.7
	NRE Sapporo Bldg.	6	100.0	198	1.6	6	98.2	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.	32	93.0	131	1.0	30	93.0	130	1.0
	NOF Utsunomiya Bldg.	24	95.6	148	1.2	24	95.7	150	1.2
	NOF Nagoya Fushimi Bldg.	15	89.9	77	0.6	16	89.9	73	0.6
	NOF Nagoya Yanagibashi Bldg.	14	92.6	117	0.9	14	92.6	111	0.9
	Omron Kyoto Center Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
	SORA Shin-Osaka 21	33	98.6	546	4.3	34	99.3	522	4.2
	NRE Osaka Bldg.	25	100.0	427	3.4	25	100.0	414	3.3
	NRE Nishi-Umeda Bldg.	15	92.2	150	1.2	15	92.2	143	1.2
	NRE Yotsubashi Bldg.	22	97.5	285	2.2	21	99.7	289	2.3
	NOF Kobe Kaigan Bldg.	32	82.2	150	1.2	33	85.8	152	1.2
	NRE Hiroshima Bldg.	18	88.7	153	1.2	17	81.9	156	1.3
	NOF Hakata Ekimae Bldg.	47	94.3	184	1.5	47	94.7	179	1.4
NOF Tenjin-Minami Bldg.	23	86.7	76	0.6	22	86.8	75	0.6	
Subtotal	357	96.8	(Note 4)	(Note 4)	351	96.3	(Note 4)	(Note 4)	
Grand Total	793	97.0	12,701 (Note 5)	100.0	784	97.1	12,441 (Note 5)	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, PMO Akihabara, PMO Hatchobori, and PMO Higashi-nihonbashi, 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 PMO Akihabara in the 17th period is the amount after acquisition date: Jun. 13, 2012.

Note 4: Subtotals of "Rental Revenues" and "Portion of Rental Revenues" for each area of the 18th period are not disclosed due to compelling reasons.

Note 5: Grand total of "Rental Revenues" is including the amounts which are 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, 2012 are as follows.

Segment	Type of Transaction	Contract Amount (¥ mln) (Note1)		Current Price (¥ mln) (Note2)
			Longer than a Year	
Transaction other than market transaction	Interest-rate swap (Receiving floating-rate, paying fixed-rate)	94,350	74,850	△ 678
	Total	94,350	74,850	△ 678

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, 2012.

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

As of the end of the eighteenth 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, 2012 (Note2)		Number of Properties
			Portion of Total Portfolio	
Japan	¥368,621 million	¥326,738 million	100.0%	51
Total	¥368,621 million	¥326,738 million	100.0%	51

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

Note 2: Appraisal value as of Oct. 31, 2012 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, 2012. 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 18th Period	Paid before 18th Period
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
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)	85	-
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (High level (4 units for each)) (To increase quality) (Note 1)	From: Jan. 2012 To: Sep. 2013	207 (Note 2)	-	-
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (High level (4 units for each)) (To increase quality) (Note 1)	From: Jan. 2012 To: Nov. 2013	247 (Note 2)	-	-
NOF Nihonbashi Honcho Bldg. (Chuo-ku, Tokyo)	Renewal of cooling water heat pump equipment (To increase quality) (Note 1)	From: Mar. 2012 To: Apr. 2013	143	47	-
Sapporo North Bldg. (Chuo-ku, Sapporo)	Renovation of passenger elevator control system (To increase quality) (Note 1)	From: Nov. 2012 To: Jan. 2014	195	-	-

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 EIGHTEENTH FISCAL PERIOD

The table below lists capital expenditures during the eighteenth fiscal period in conjunction with the major works of renovation. During the period, we have conducted engineering works totalling ¥1,261 million: capital expenditures of ¥827 million and repair expenses of ¥434 million combined all together.

Name of Property (Location)	Description of Works (Purpose)	Period of Works		Cost of Works (¥ mln)
		From:	To:	
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (Middle level (1 units for each))(To increase quality)	Apr. 2012	Jul. 2012	67
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (Low level (2 unit))(To increase quality)	May. 2012	Oct. 2012	74
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (High level (1 unit))(To increase quality)	Jan. 2012	Oct. 2012	49
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of extra-high substation equipment (To increase quality)	Aug. 2011	Oct. 2012	76
NRE Tennozu Bldg. (Shinagawa-ku, Tokyo)	Renewal of central monitoring and building management systems (To increase quality)	Mar. 2012	Oct. 2012	58
NOF Nihonbashi Honcho Bldg. (Chuo-ku, Tokyo)	Renew of cool-water heat source equipment (To increase quality)	May 2012	Oct. 2012	43
Iwamoto-cho Toyo Bldg. (Chiyoda-ku, Tokyo)	Dividing construction of air conditioning system (To increase quality)	May 2012	Jul. 2012	48
Sapporo North Bldg. (Chuo-ku, Sapporo)	Renew of emergency supplies equipment (To increase quality)	Jul. 2012	Oct. 2012	52
Other Properties	Improvement of features	May. 2012	Oct. 2012	355
Total				827

## 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.

	18th Period from May 1, 2012 to Oct. 31, 2012	17th Period from Nov. 1, 2011 to Apr. 30, 2012	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
Balance brought forward from the previous period (¥ mln)	1,250	1,087	620	438	397
Amount reserved during the period (¥ mln)	1,616	1,988	1,437	890	900
Amount used during the period (¥ mln)	1,049	1,825	970	708	859
Balance brought forward to the next period (¥ mln)	1,816	1,250	1,087	620	438

## Expenses and Liabilities

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### 1. EXPENSES RELATED TO ASSET MANAGEMENT

		<b>18th Period from May 1, 2012 to Oct. 31, 2012</b>	17th Period from Nov. 1, 2011 to Apr. 30, 2012
Asset management fees (Note)	(¥000)	<b>996,041</b>	1,001,972
of which Management Fee I	(¥000)	<b>701,638</b>	705,465
of which Management Fee II	(¥000)	<b>294,403</b>	296,507
of which Management Fee III	(¥000)	-	-
Custodian fees	(¥000)	<b>28,662</b>	28,764
General administrative fees	(¥000)	<b>63,734</b>	64,278
Directors' compensation	(¥000)	<b>10,800</b>	12,000
Other expenses	(¥000)	<b>79,414</b>	78,973
Total	(¥000)	<b>1,178,652</b>	1,185,989

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.

## 2. STATUS OF BORROWINGS

The status of borrowings from the financial institutions as of October 31, 2012 is as follows.

Financial Institutions	Date Borrowed	Outstanding as of Oct. 31, 2012 (¥000)	Outstanding as of Apr. 30, 2012 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
Sumitomo Trust and Banking Co., Ltd. The Chiba Bank, Ltd.	Jun. 24, 2011	-	900,000	0.73643	Jun. 24, 2012	Balloon payment	(Note 2)	Unsecured/Uninsured
The Yamanashi Chuo Bank, Ltd. Aozora Bank, Ltd.	Aug. 26, 2011	-	1,000,000	0.73615	Aug. 26, 2012			
The Chugoku Bank, Ltd.	Dec. 26, 2011	1,000,000	1,000,000	0.62833	Dec. 26, 2012			
<b>Subtotal</b>		<b>1,000,000</b>	<b>3,900,000</b>					

The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. The Hyakujushi Bank, Ltd.	Jun. 24, 2009	-	5,600,000	1.39575	Jun. 24, 2012	Balloon payment	(Note 2)	Unsecured/Uninsured			
Taiyo Life Insurance Company Daido Life Insurance Company Mitsui Life Insurance Co., Ltd. Zenkyoren	Nov. 29, 2005	-	1,000,000						1.43750	Aug. 26, 2012	
Development Bank of Japan, Inc. Zenkyoren	Dec. 9, 2005	-	1,000,000						1.53625	Aug. 26, 2012	
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. Sumitomo Mitsui Trust Bank, Ltd. The Iyo Bank, Ltd.	Feb. 26, 2008	-	2,000,000						1.46000	Aug. 26, 2012	
Mitsubishi UFJ Trust and Banking Corp. Sumitomo Mitsui Trust Bank, Ltd.	Sep. 25, 2008	-	1,000,000	1.61150	Sep. 25, 2012						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. Sumitomo Mitsui Trust Bank, Ltd.	Nov. 4, 2008	3,000,000	3,000,000	1.51175	Nov. 4, 2012						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. The Mizuho Corporate Bank, Ltd.	Jun. 27, 2008	2,000,000	2,000,000	1.87200	Dec. 27, 2012						
Development Bank of Japan, Inc.	Mar. 17, 2005	1,000,000	1,000,000	1.75250	Feb. 26, 2013						
The Dai-ichi Life Insurance Company, Limited	Dec. 8, 2006	2,000,000	2,000,000	1.99250	Feb. 26, 2013						
Mizuho Trust & Banking Co., Ltd. THE NISHI-NIPPON CITY BANK, LTD.	Mar. 26, 2010	2,000,000	2,000,000	1.13000	Feb. 26, 2013						
The Chugoku Bank, Ltd.	Jun. 24, 2010	2,000,000	-	1.14050	Jun. 24, 2013						
Mitsui Sumitomo Insurance Co., Ltd.	Dec. 8, 2010	1,000,000	-	0.87833	Jun. 24, 2013						
The Bank of Fukuoka, Ltd.	Aug. 26, 2010	2,500,000	-	0.98550	Aug. 26, 2013						
The Chiba Bank, Ltd.	Feb. 27, 2012	500,000	-	0.69833	Aug. 27, 2013						
The Chiba Bank, Ltd.	Jun. 25, 2012	500,000	-	0.65833	Aug. 27, 2013						
Development Bank of Japan, Inc.	Jun. 25, 2009	500,000	500,000	1.97000	(Note 3)				(Note 3)		
<b>Subtotal</b>		<b>29,000,000</b>	<b>50,000,000</b>								
<b>Total Short-term Borrowings</b>		<b>30,000,000</b>	<b>53,900,000</b>								

Financial Institutions	Date Borrowed	Outstanding as of Oct. 31, 2012 (¥000)	Outstanding as of Apr. 30, 2012 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
The Chugoku Bank, Ltd.	Jun. 24, 2010	-	2,000,000	1.14050	Jun. 24, 2013	Balloon payment Balloon payment	(Note 2)	Unsecured/Uninsured
Mitsui Sumitomo Insurance Co., Ltd.	Dec. 8, 2010	-	1,000,000	0.87833	Jun. 24, 2013			
The Bank of Fukuoka, Ltd.	Aug. 26, 2010	-	2,500,000	0.98550	Aug. 26, 2013			
The Chiba Bank, Ltd.	Feb. 27, 2012	-	500,000	0.69833	Aug. 27, 2013			
The Chiba Bank, Ltd.	Jun. 25, 2012	-	-	0.65833	Aug. 27, 2013			
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. The Iyo Bank, Ltd.	Dec. 8, 2008	1,000,000	1,000,000	1.68680	Dec. 8, 2013			
The Mizuho Corporate Bank, Ltd.	Feb. 28, 2011	4,500,000	4,500,000					
Mitsubishi UFJ Trust and Banking Corp.		1,000,000	1,000,000					
The Iyo Bank, Ltd.		1,000,000	1,000,000					
The Mizuho Corporate Bank, Ltd. Mitsubishi UFJ Trust and Banking Corp. The Nomura Trust and Banking Co., Ltd. Shinkin Central Bank		1,000,000	1,000,000	0.98000	Feb. 26, 2014			
Mitsubishi UFJ Trust and Banking Corp.	500,000	500,000						
The Nomura Trust and Banking Co., Ltd.	2,000,000	2,000,000						
Shinkin Central Bank	2,000,000	2,000,000						

Taiyo Life Insurance Company		1,000,000	1,000,000					
Daido Life Insurance Company	Mar. 19, 2007	1,000,000	1,000,000	1.98000	Mar. 19, 2014			
Sumitomo Life Insurance Company		2,000,000	2,000,000					
The Hachijuni Bank, Ltd.		1,000,000	1,000,000					
The Hiroshima Bank, Ltd.	Jun. 10, 2011	1,000,000	1,000,000	0.91900	Jun. 10, 2014			
The Keiyo Bank, Ltd.		1,000,000	1,000,000					
The Mizuho Corporate Bank, Ltd.		3,000,000	3,000,000					
Sumitomo Mitsui Trust Bank, Ltd.	Aug. 26, 2011	1,000,000	1,000,000	0.83875	Aug. 26, 2014			
The Iyo Bank, Ltd.		1,000,000	1,000,000					
The Hachijuni Bank, Ltd.		1,000,000	1,000,000					
The Hyakujushi Bank, Ltd.	Sep. 26, 2011	1,000,000	1,000,000	0.82833	Aug. 26, 2014			
The 77 Bank, Ltd.		1,000,000	1,000,000					
The Yamanashi Chuo Bank, Ltd.	Aug. 27, 2012	1,000,000	-	0.68563	Aug. 26, 2014			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,800,000	1,800,000					
Sumitomo Mitsui Banking Corp.	Dec. 24, 2009	2,400,000	2,400,000	1.55800	Dec. 24, 2014			
The Mizuho Corporate Bank, Ltd.		500,000	500,000					
Mitsubishi UFJ Trust and Banking Corp.		650,000	650,000					
The Bank of Fukuoka, Ltd.		1,000,000	1,000,000					
The Dai-ichi Life Insurance Company, Limited.	Feb. 26, 2008	3,000,000	3,000,000	1.91875	Feb. 26, 2015			
The Norinchukin Bank, Ltd.	Feb. 26, 2010	3,000,000	3,000,000	1.69300	Feb. 26, 2015			
Taiyo Life Insurance Company		1,000,000	1,000,000					
Sumitomo Life Insurance Company	Jun. 24, 2008	3,000,000	3,000,000	2.31750	Jun. 24, 2015			
Development Bank of Japan, Inc.		4,000,000	4,000,000					
Sompo Japan Insurance Inc.	Aug. 26, 2010	1,000,000	1,000,000	1.31125	Aug. 26, 2015			
Sumitomo Mitsui Trust Bank, Ltd.		3,000,000	3,000,000					
The Nomura Trust and Banking Co., Ltd.	Feb. 27, 2012	2,000,000	2,000,000	0.90800	Feb. 27, 2016			
The Hiroshima Bank, Ltd.		500,000	500,000					
Mitsubishi UFJ Trust and Banking Corp.		1,000,000	1,000,000					
The Chugoku Bank, Ltd.	Aug. 26, 2011	1,000,000	1,000,000	1.10100	Aug. 26, 2016			
Resona Bank, Ltd.		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corp.	Sep. 25, 2012	1,000,000	-	0.79750	Aug. 26, 2016			
Sumitomo Mitsui Trust Bank, Ltd.		1,000,000	-					
Mitsubishi UFJ Trust and Banking Corp.	Mar. 16, 2012	500,000	500,000	1.07450	Feb. 26, 2017			
Sumitomo Mitsui Trust Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Trust Bank, Ltd.	Aug. 27, 2012	1,000,000	-	0.88700	Feb. 26, 2018			
The Iyo Bank, Ltd.		500,000	-					
The Bank of Yokohama, Ltd.		500,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Jun. 10, 2011	3,000,000	3,000,000	1.43500	Jun. 10, 2017			
The Mizuho Corporate Bank, Ltd.		900,000	900,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		2,000,000	2,000,000					
Sumitomo Mitsui Banking Corp.	Feb. 27, 2012	2,000,000	2,000,000	1.12850	Aug. 27, 2017			
Mitsubishi UFJ Trust and Banking Corp.		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Ltd.		3,000,000	3,000,000					
The Iyo Bank, Ltd.		1,000,000	1,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		5,600,000	-					
Sumitomo Mitsui Banking Corp.	Jun.25, 2012	4,500,000	-	1.03775	Dec. 26, 2017			
Mitsubishi UFJ Trust and Banking Corp.		1,400,000	-					
Sumitomo Mitsui Trust Bank, Ltd.		900,000	-					
The Hyakujushi Bank, Ltd.		500,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Feb. 28, 2011	1,000,000	1,000,000	1.84650	Feb. 26, 2018			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.		1,250,000	1,250,000					
Sumitomo Mitsui Banking Corp.	Mar. 16, 2012	1,250,000	1,250,000	1.44450	Feb. 26, 2019			
The Mizuho Corporate Bank, Ltd.		500,000	500,000					
Sumitomo Mitsui Banking Corp.	Aug. 27, 2012	1,700,000	-	1.25200	Aug. 26, 2019			
Mitsubishi UFJ Trust and Banking Corp.		3,500,000	-					
Aozora Bank, Ltd.		500,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Aug. 27, 2012	2,200,000	-	1.22000	Aug. 26, 2019			
Taiyo Life Insurance Company	Aug. 27, 2012	1,000,000	-	1.27625	Aug. 26, 2019			
Daido Life Insurance Company		500,000	-					
Mitsui Life Insurance Co., Ltd.		1,000,000	-					
Development Bank of Japan, Inc.	Aug. 27, 2012	1,100,000	-	1.53674	Aug. 26, 2020			
Development Bank of Japan, Inc.	Jun. 25, 2009	8,000,000	8,250,000	1.97000	(Note 3)	(Note 3)		
<b>Subtotal</b>		<b>113,150,000</b>	<b>90,000,000</b>					
<b>Total</b>		<b>143,150,000</b>	<b>143,900,000</b>					

Balloon payment

(Note 2)

Unsecured/  
Uninsured

Note 1: The average interest rate is weighted by the balance of each borrowing as 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: The use of borrowings is to purchase property-related assets, the related miscellaneous expenses and the repayment of borrowings.

Note 3: Instalments 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.

### 3. STATUS OF INVESTMENT CORPORATION BONDS

The status of investment corporation bonds issued as of October 31, 2012 is as follows.

Name of Bonds	Issue Date	Balance as of Oct. 31, 2012 (¥ mln)	Balance as of Apr. 30, 2012 (¥ 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			
Sixth Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	5,000	5,000	2.21	Mar. 17, 2017	Balloon payment	(Note 1)	
Seventh Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	4,500	4,500	2.90	Mar. 17, 2028			(Note 3)
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			
Total		39,500	39,500					

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 eighteenth fiscal period.

# Trading during the Eighteenth fiscal period

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

Not applicable.

## 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

Not applicable.

### (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 Akira Sugai C.P.A. Office subject to the requirement by Article 201 of the Investment Trust Act.

For the eighteenth fiscal period (from May 1, 2012 to October 31, 2012), four OTC derivatives transactions were subject to investigation. Akira Sugai C.P.A. Office was requested to investigate the details of these 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 eighteenth fiscal period is as follows.

	Name of Related Party and Major Shareholders	Amount Paid (A) (¥000)	Total Amount Paid (B) (¥000)	Portion (A) / (B) (%)
Contract-out fees	Nomura Building Management Co., Ltd. (Note 2)	756,730	1,152,050	65.7
	Nomura Real Estate Development Co., Ltd.	171,257		67.8
Property management fees	Nomura Building Management Co., Ltd.	21,841	252,464	8.7
	Nomura Real Estate Development Co., Ltd.	24,511		33.8
Other expenses	Nomura Building Management Co., Ltd.	33,585	72,433	46.4

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 eighteenth fiscal period.

Name of Related Party	Amount Paid (¥000)
Nomura Real Estate Development Co., Ltd.	23,837
Nomura Building Management Co., Ltd.	449,933

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) (Note2)
Shinjuku Nomura Bldg.	Nomura Real Estate Development Co., Ltd.	33,346
NRE Tennozu Bldg.	Nomura Real Estate Development Co., Ltd.	16,438
Tennozu Park Side Bldg.	Nomura Real Estate Development Co., Ltd.	12,552
NOF Shibuya Koen-dori Bldg.	Nomura Real Estate Development Co., Ltd.	5,429
Secom Medical Bldg.	Nomura Real Estate Development Co., Ltd.	3,789
Nishi-Shinjuku Showa Bldg.	Nomura Real Estate Development Co., Ltd.	5,298
NRE Shibuya Dogenzaka Bldg.	Nomura Real Estate Development Co., Ltd.	3,465
NOF Tameike Bldg.	Nomura Real Estate Development Co., Ltd.	4,146
NOF Shinagawa Konan Bldg.	Nomura Real Estate Development Co., Ltd.	3,715
NOF Surugadai Plaza Bldg.	Nomura Real Estate Development Co., Ltd.	5,248
PMO Nihonbashi Honcho	Nomura Real Estate Development Co., Ltd.	2,598
NRE Higashi-nihonbashi Bldg.	Nomura Real Estate Development Co., Ltd.	3,615
PMO Akihabara	Nomura Real Estate Development Co., Ltd.	2,818
Hatchobori NF Bldg.	Nomura Real Estate Development Co., Ltd.	2,139
PMO Hatchobori	Nomura Real Estate Development Co., Ltd.	2,152
NOF Minami-Shinjuku Bldg.	Nomura Real Estate Development Co., Ltd.	1,957
PMO Higashi-nihonbashi	Nomura Real Estate Development Co., Ltd.	1,417
NRE Ueno Bldg.	Nomura Real Estate Development Co., Ltd.	4,983
NOF Technoport Kamata Center Bldg.	Nomura Real Estate Development Co., Ltd.	7,632
NOF Kichijoji Honcho Bldg.	Nomura Real Estate Development Co., Ltd.	2,037
Faret Tachikawa Center Square	Nomura Real Estate Development Co., Ltd.	4,631
NOF Yokohama Nishiguchi Bldg.	Nomura Real Estate Development Co., Ltd.	4,686
NOF Shin-Yokohama Bldg.	Nomura Real Estate Development Co., Ltd.	4,222
NRE Sapporo Bldg.	Nomura Real Estate Development Co., Ltd.	4,133
Omron Kyoto Center Bldg.	Nomura Real Estate Development Co., Ltd.	5,535
NRE Osaka Bldg.	Nomura Real Estate Development Co., Ltd.	11,624
NRE Nishi-Umeda Bldg.	Nomura Real Estate Development Co., Ltd.	3,434
NRE Yotsubashi Bldg.	Nomura Real Estate Development Co., Ltd.	8,205
NOF Shinjuku Minamiguchi Bldg.	Nomura Building Management Co., Ltd.	3,848
NOF Takanawa Bldg.	Nomura Building Management Co., Ltd.	2,111
Central Shintomicho Bldg.	Nomura Building Management Co., Ltd.	980
Toshin Meguro Bldg.	Nomura Building Management Co., Ltd.	635
NOF Kawasaki Higashiguchi Bldg.	Nomura Building Management Co., Ltd.	5,374
NOF Utsunomiya Bldg.	Nomura Building Management Co., Ltd.	4,068
NOF Nagoya Yanagibashi Bldg.	Nomura Building Management Co., Ltd.	2,354
NRE Hiroshima Bldg.	Nomura Building Management Co., Ltd.	2,467

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.

## 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, and Building Lots and Buildings Transaction Business, there is no relevant matter under this subject as of October 31, 2012.

## Other Information

### 1. NOTICE

Not applicable.

### 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.



## Financial Section

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## Balance Sheet

	Thousands of Yen	
	As of October 31, 2012	As of April 30, 2012
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and bank deposits	¥27,358,705	¥26,692,688
Rental receivables	259,985	220,998
Consumption taxes receivable	-	157,795
Other current assets	461,938	413,290
<b>Total current assets</b>	<b>28,080,628</b>	<b>27,484,771</b>
<b>Property and Equipment, at Cost:</b>		
Land	263,467,281	263,467,281
Buildings and structures	127,308,207	126,559,598
Machinery and equipment	1,648,920	1,643,355
Tools, furniture and fixtures	316,161	303,871
Leased assets	33,956	30,947
Construction in progress	43,688	46,575
<b>Subtotal</b>	<b>392,818,213</b>	<b>392,051,627</b>
Less accumulated depreciation	(26,098,111)	(24,463,985)
<b>Net property and equipment</b>	<b>366,720,102</b>	<b>367,587,642</b>
<b>Investments and Other Assets:</b>		
Leasehold rights	1,900,905	1,900,905
Intangible assets	1,301	1,565
Long-term prepaid expenses	165,815	176,609
Security deposits	410,850	410,850
Deferred investment corporation bond issuance costs	95,439	105,248
<b>Total investments and other assets</b>	<b>2,574,310</b>	<b>2,595,177</b>
<b>Total Assets</b>	<b>¥397,375,040</b>	<b>¥397,667,590</b>

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

As of October 31, 2012

As of April 30, 2012

**LIABILITIES****Current Liabilities:**

Trade accounts payable	¥1,070,696	¥636,473
Other accounts payable	1,000,117	998,833
Short-term debt	1,000,000	3,900,000
Current portion of long-term debt	29,000,000	50,000,000
Accrued expenses	712,135	759,986
Accrued income taxes	193	304
Accrued consumption taxes	242,667	-
Rent received in advance	1,874,978	1,894,409
Other current liabilities	65,771	87,426
<b>Total current liabilities</b>	<b>34,966,557</b>	<b>58,277,431</b>

**Long-term Liabilities:**

Investment corporation bonds	39,500,000	39,500,000
Long-term debt	113,150,000	90,000,000
Security deposits from tenants	20,285,258	20,431,037
Other long-term liabilities	4,787	1,105
<b>Total long-term liabilities</b>	<b>172,940,045</b>	<b>149,932,142</b>

<b>Total Liabilities</b>	<b>207,906,602</b>	<b>208,209,573</b>
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**NET ASSETS****Unitholders' Equity:**

Unitholders' capital	185,455,447	185,455,447
Surplus		
Voluntary reserve		
Reserve for reduction entry	100,000	100,000
Retained earnings	3,912,991	3,902,570
Total surplus	4,012,991	4,002,570
<b>Total unitholders' equity</b>	<b>189,468,438</b>	<b>189,458,017</b>
<b>Total Net Assets</b>	<b>189,468,438</b>	<b>189,458,017</b>

<b>Total Liabilities and Net Assets</b>	<b>¥397,375,040</b>	<b>¥397,667,590</b>
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The accompanying notes to financial statements are an integral part of these statements.

## Statement of Income and Retained Earnings

	Thousands of Yen	
	For the period from May 1, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
<b>Operating Revenues and Expenses</b>		
<b>Operating Revenues:</b>		
Real estate rental revenues	¥12,701,686	¥12,441,505
	<b>12,701,686</b>	<b>12,441,505</b>
<b>Operating Expenses:</b>		
Real estate rental expenses	6,040,301	5,726,470
Asset management fees	996,041	1,001,973
Administrative service and custodian fees	92,397	93,043
Other operating expenses	90,214	90,973
	<b>7,218,953</b>	<b>6,912,459</b>
<b>Operating Profit</b>	<b>5,482,733</b>	<b>5,529,046</b>
<b>Non-Operating Revenues and Expenses</b>		
<b>Non-Operating Revenues:</b>		
Interest income	2,610	3,091
Other non-operating revenues	39,355	54,631
	<b>41,965</b>	<b>57,722</b>
<b>Non-Operating Expenses:</b>		
Interest expense	1,023,649	1,044,038
Loan arrangement fees	119,494	121,780
Interest expense on investment corporation bonds	392,066	419,020
Amortization of investment corporation bond issuance	9,809	12,655
Other non-operating expenses	65,722	85,939
	<b>1,610,740</b>	<b>1,683,432</b>
<b>Ordinary Income</b>	<b>3,913,958</b>	<b>3,903,336</b>
<b>Income before Income Taxes</b>	<b>3,913,958</b>	<b>3,903,336</b>
<b>Income Taxes:</b>		
Current	1,004	922
Deferred	10	3
<b>Net Income</b>	<b>3,912,944</b>	<b>3,902,411</b>
Retained earnings brought forward	47	159
<b>Retained Earnings at End of Period</b>	<b>¥3,912,991</b>	<b>¥3,902,570</b>

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

## Statement of Changes in Net Assets

For the period from May 1, 2012 to October 31, 2012

Thousands of Yen							
Unitholders' Equity							
	Units	Unitholders' Capital	Surplus			Total Unitholders' Equity	Total Net Assets
			Voluntary Reserve Reserve for Reduction Entry	Retained Earnings	Total Surplus		
Balance as of April 30, 2012	305,123	¥185,455,447	¥100,000	¥3,902,570	¥4,002,570	¥189,458,017	¥189,458,017
Cash distribution paid	-	-	-	(3,902,523)	(3,902,523)	(3,902,523)	(3,902,523)
Net income	-	-	-	3,912,944	3,912,944	3,912,944	3,912,944
<b>Balance as of October 31, 2012</b>	<b>305,123</b>	<b>¥185,455,447</b>	<b>¥100,000</b>	<b>¥3,912,991</b>	<b>¥4,012,991</b>	<b>¥189,468,438</b>	<b>¥189,468,438</b>

For the period from November 1, 2011 to April 30, 2012

Thousands of Yen							
Unitholders' Equity							
	Units	Unitholders' Capital	Surplus			Total Unitholders' Equity	Total Net Assets
			Voluntary Reserve Reserve for Reduction Entry	Retained Earnings	Total Surplus		
Balance as of October 31, 2011	305,123	¥185,455,447	-	¥4,627,269	¥4,627,269	¥190,082,716	¥190,082,716
Cash distribution paid	-	-	-	(4,527,110)	(4,527,110)	(4,527,110)	(4,527,110)
Provision of reserve for reduction entry	-	-	100,000	(100,000)	-	-	-
Net income	-	-	-	3,902,411	3,902,411	3,902,411	3,902,411
Balance as of April 30, 2012	305,123	¥185,455,447	¥100,000	¥3,902,570	¥4,002,570	¥189,458,017	¥189,458,017

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

## Statement of Cash Flows

	Thousands of Yen	
	For the period from May 1, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
<b>Cash Flows</b>		
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥3,913,958	¥3,903,336
Depreciation	1,669,892	1,717,655
Amortization of long-term prepaid expenses	10,739	10,426
Amortization of investment corporation bonds issuance costs	9,809	12,655
(Decrease) in provision for loss on disaster	-	(1,540)
Interest income	(2,610)	(3,091)
Interest expense	1,415,714	1,463,058
Loss on disposal of property and equipment	2,600	2,707
(Increase) Decrease in rental receivables	(38,987)	321,062
Decrease (Increase) in consumption taxes receivable	157,795	(157,795)
Increase (Decrease) in trade accounts payable	434,223	(391,833)
(Decrease) in other accounts payable	(40,103)	(256,954)
Increase (Decrease) in accrued consumption taxes	242,667	(215,643)
(Decrease) Increase in rent received in advance	(19,430)	29,664
Changes in other current assets/liabilities	(75,615)	(27,767)
<b>Subtotal</b>	<b>7,680,652</b>	<b>6,405,940</b>
Interest received	2,610	3,091
Interest paid	(1,457,936)	(1,494,038)
Income taxes paid	(1,115)	(914)
<b>Net cash provided by operating activities</b>	<b>6,224,211</b>	<b>4,914,079</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of property and equipment	(762,495)	(9,085,648)
Reimbursement of security deposits to tenants	(417,927)	(734,341)
Proceeds from security deposits from tenants	272,148	1,054,787
<b>Net cash used in investing activities</b>	<b>(908,274)</b>	<b>(8,765,202)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term debt	-	1,000,000
Repayment of short-term debt	(2,900,000)	(5,000,000)
Proceeds from long-term debt	29,900,000	19,000,000
Repayment of long-term debt	(27,750,000)	(11,250,000)
Redemption of investment corporation bonds	-	(5,000,000)
Distributions to unitholders	(3,899,920)	(4,523,856)
<b>Net cash used in financing activities</b>	<b>(4,649,920)</b>	<b>(5,773,856)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>666,017</b>	<b>(9,624,979)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>26,692,688</b>	<b>36,317,667</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥27,358,705</b>	<b>¥26,692,688</b>

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

# Notes to Financial Statements

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## 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 Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) 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, 2012, the Company owned a portfolio of 51 office properties containing an aggregate of approximately 406,636.34 square meters of leasable area and leased office space to 793 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 Financial Instruments and Exchange Act of Japan, the Investment Trust Act 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.

### 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 sheet and statement 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.

### Property related taxes

Property in Japan is subject to property, urban planning and depreciable asset taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for fiscal period.

The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. No capitalized property related taxes were incurred for the six-month period ended October 31, 2012 as the Company did not acquire any properties. The capitalized property related taxes amounted to ¥18,835 thousand for the six-month period ended April 30, 2012.

### Income taxes

Deferred tax assets and liabilities are computed based on the differences between the financial statements and income tax bases of assets and liabilities using the applicable statutory tax rates.

### Consumption taxes

Consumption taxes received and paid are not included in the accompanying statement of income and retained earnings.

### Derivative financial instruments

The Company utilizes interest-rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Company defers recognition of gains or losses resulting from changes in the fair value of interest-rate swap contracts which meet the criteria for deferred hedge accounting.

Although the deferred hedge treatment is generally applied, the Company applies special treatment to those interest-rate swap contracts that meet the criteria for such special treatment. Under the special treatment, interest-rate swaps are not remeasured at fair value; instead, the net amount paid or received under the interest rate swap contract is recognized and included in interest expense or income.

## 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of October 31, 2012 and April 30, 2012 consist of the following:

	Thousands of Yen	
	As of October 31, 2012	As of April 30, 2012
Cash and bank deposits	¥27,358,705	¥26,692,668
Cash and cash equivalents	¥27,358,705	¥26,692,668



## 5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of April 30, 2012 and October 31, 2011 consist of the following:

Thousands of Yen

	As of October 31, 2012		As of April 30, 2012	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥ 61,683,840	¥ 61,683,840	¥ 61,683,840	¥ 61,683,840
Buildings and structures	31,189,897		31,128,337	
Accumulated depreciation	(3,923,421)	27,266,476	(3,545,375)	27,582,962
Machinery and equipment	696,224		696,224	
Accumulated depreciation	(205,411)	490,813	(183,693)	512,531
Tools, furniture and fixtures	16,521		15,727	
Accumulated depreciation	(6,016)	10,505	(5,045)	10,682
Construction in progress	-	-	-	-
Land in trust	201,783,441	201,783,441	201,783,441	201,783,441
Buildings and structures in trust	96,118,310		95,431,261	
Accumulated depreciation	(21,199,042)	74,919,268	(20,009,206)	75,422,055
Machinery and equipment in trust	952,696		947,131	
Accumulated depreciation	(576,401)	376,295	(546,525)	400,606
Tools, furniture and fixtures in trust	299,640		288,144	
Accumulated depreciation	(161,938)	137,702	(147,857)	140,287
Leased assets in trust	33,956		30,947	
Accumulated depreciation	(25,882)	8,074	(26,284)	4,663
Construction in progress in trust	43,688	43,688	46,575	46,575
<b>Total</b>	<b>¥ 366,720,102</b>	<b>¥ 366,720,102</b>	<b>¥367,587,642</b>	<b>¥367,587,642</b>

## 6. SHORT-TERM DEBT

Short-term debt as of April 30, 2012 and October 31, 2011 consist of the following:

Thousands of Yen

	As of October 31, 2012		As of April 30, 2012	
	Amount	Weighted-average interest rate (Note 1)	Amount	Weighted-average interest rate (Note 1)
Unsecured loans from banks due on June 24, 2012	-	0.73643%	¥1,000,000	0.73643%
Unsecured loans from banks due on June 24, 2012	-	1.39575%	4,000,000	0.78643%
Unsecured loans principally from insurance companies due on August 26, 2012	-	1.43750%	11,000,000	1.89764%
Unsecured loans from banks due on August 26, 2012	-	0.73615%	1,400,000	0.73643%
Unsecured loans from a financial institution due on August 26, 2012	-	1.53625%	12,000,000	1.39575%
Unsecured loans from banks due on August 26, 2012	-	1.46000%	5,000,000	1.43750%
Unsecured loans from banks due on September 25, 2012	-	1.61150%	1,500,000	0.73643%
Unsecured loans from banks due on November 4, 2012	¥10,000,000	1.51175%	1,000,000	1.53625%
Unsecured loans from a bank due on December 26, 2012	1,000,000	0.62833%	7,500,000	1.46000%
Unsecured loans from banks due on December 27, 2012	5,000,000	1.87200%	2,000,000	1.61150%
Unsecured loans from a bank due on February 26, 2013	1,000,000	1.75250%	-	-
Unsecured loans from an insurance company due on February 26, 2013	2,000,000	1.99250%	-	-
Unsecured loans from banks due on February 26, 2013	4,000,000	1.13000%	-	-
Unsecured loans from a bank due on June 24, 2013	2,000,000	1.14050%	-	-
Unsecured loans from an insurance company due on June 24, 2013	1,000,000	0.87833%	-	-
Unsecured loans from a bank due on August 26, 2013	2,500,000	0.98550%	-	-
Unsecured loans from a bank due on August 27, 2013	500,000	0.69833%	500,000	1.97000%
Unsecured loans from a bank due on August 27, 2013	500,000	0.65833%	¥46,900,000	

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 day 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 Company entered into ¥30,000 million and ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the six-month periods ended October 31, 2012 and April 30, 2012, respectively. The total unused amounts of such credit facilities were ¥30,000 million as of October 31, 2012 and ¥40,000 million as of April 30, 2012.

## 7. LONG-TERM DEBT

Long-term debt as of October 31, 2012 and April 30, 2012 consist of the following:

	As of October 31, 2012		As of April 30, 2012	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans from a bank due on June 24, 2013	-	1.14050%	¥2,000,000	1.14050%
Unsecured loans from an insurance company due on June 24, 2013	-	0.87833%	1,000,000	0.88643%
Unsecured loans from a bank due on August 26, 2013	-	0.98550%	2,500,000	0.98550%
Unsecured loans from a bank due on August 27, 2013	-	0.69833%	500,000	0.70643%
Unsecured loans from a bank due on August 27, 2013	-	0.65833%	-	-
Unsecured loans from banks due on December 8, 2013	¥7,500,000	1.68680%	7,500,000	1.68680%
Unsecured loans principally from banks due on February 26, 2014	5,500,000	0.98000%	5,500,000	0.99071%
Unsecured loans from insurance companies due on March 19, 2014	4,000,000	1.98000%	4,000,000	1.98000%
Unsecured loans from banks due on June 10, 2014	3,000,000	0.91900%	3,000,000	0.91900%
Unsecured loans from banks due on August 26, 2014	6,000,000	0.83875%	6,000,000	0.83875%
Unsecured loans from banks due on August 26, 2014	2,000,000	0.82833%	2,000,000	0.83643%
Unsecured loans from a bank due on August 26, 2014	1,000,000	0.68563%	-	-
Unsecured loans from banks due on December 24, 2014	6,350,000	1.55800%	6,350,000	1.55800%
Unsecured loans from an insurance company due on February 26, 2015	3,000,000	1.91875%	3,000,000	1.91875%
Unsecured loans from a financial institution due on February 26, 2015	3,000,000	1.69300%	3,000,000	1.69300%
Unsecured loans principally from insurance companies due on June 24, 2015	8,000,000	2.31750%	8,000,000	2.31750%
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 February 27, 2016	5,500,000	0.90800%	5,500,000	0.90800%
Unsecured loans from banks due on August 26, 2016	3,000,000	1.10100%	3,000,000	1.10100%
Unsecured loans from banks due on August 26, 2016	2,000,000	0.79750%	-	-
Unsecured loans from banks due on February 26, 2017	1,000,000	1.07450%	1,000,000	1.07450%
Unsecured loans from banks due on February 26, 2017	2,000,000	0.88700%	-	-
Unsecured loans from banks due on June 10, 2017	3,900,000	1.43500%	3,900,000	1.43500%
Unsecured loans from banks due on August 27, 2017	9,000,000	1.12850%	9,000,000	1.12850%
Unsecured loans from banks due on December 26, 2017	12,900,000	1.03775%	-	-
Unsecured loans from a bank due on February 26, 2018	1,000,000	1.84650%	1,000,000	1.84650%
Unsecured loans from banks due on February 26, 2019	3,000,000	1.44450%	3,000,000	1.44450%
Unsecured loans from banks due on August 26, 2019	5,700,000	1.25200%	-	-
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	-	-
Unsecured loans from insurance companies due on August 26, 2019	2,500,000	1.27625%	-	-
Unsecured loans from a bank due on August 26, 2020	1,100,000	1.53674%	-	-
Unsecured loans from a bank due on June 25, 2016 (Note 2)	8,000,000	1.97000%	8,250,000	1.97000%
Total	¥113,150,000		¥90,000,000	

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	29,500,000	21,850,000	17,500,000	15,900,000

## 8. INVESTMENT CORPORATION BONDS

### Investment Corporation Bonds

Details of investment corporation bonds outstanding are summarized as follows:

	As of October 31, 2012		As of April 30, 2012	
	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%
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	¥39,500,000		¥39,500,000	

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	—	—	11,000,000	10,000,000	5,000,000

## 9. UNITHOLDERS' EQUITY

The Company issues only non-par value investment units in accordance with the Investment Trust Act. 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 Act.

## 10. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of October 31, 2012 and April 30, 2012 were as follows:

	For the period from May 1, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
Net asset values per unit	¥620,958	¥620,923
Net income per unit	¥12,824	¥12,789

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, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
Net income (Thousands of Yen)	¥3,912,944	¥3,902,411
Amount not available to ordinary unitholders (Thousands of Yen)	-	-
Net income available to ordinary unitholders (Thousands of Yen)	¥3,912,944	¥3,902,411
Average number of units during the period	305,123	305,123

## 11. RELATED PARTY TRANSACTIONS

For the periods from May 1, 2012 to October 31, 2012 and from November 1, 2011 to April 30, 2012

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, 2012 and April 30, 2012. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, 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 ¥3,912,897 thousand and ¥3,902,523 thousand for the six-month periods ended October 31, 2012 and April 30, 2012, 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:

	<b>For the period from May 1, 2012 to October 31, 2012</b>	For the period from November 1, 2011 to April 30, 2012
Statutory tax rate	<b>36.59%</b>	39.33%
Deductible cash distributions	<b>(36.58)</b>	(39.32)
Other	<b>0.02</b>	0.01
Effective tax rate	<b>0.03%</b>	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 lease 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 “18. Derivatives and Hedge Accounting” below do not represent the market risk involved in these derivative transactions.

## Fair Value of Financial Instruments

For the period from May 1, 2012 to October 31, 2012

The following table summarizes the carrying value and the estimated fair values of financial instruments as of October 31, 2012. The following table does not include financial instruments whose fair value is extremely difficult to estimate (see Note 3 below).

		Thousands of Yen		
		Carrying value (Note 1)	Fair value (Note 1)	Difference
(i)	Cash and bank deposits	10,907,460	10,907,460	-
(ii)	Cash and bank deposits in trust	16,451,245	16,451,245	-
	Total assets	27,358,705	27,358,705	-
(iii)	Short-term debt	(1,000,000)	(1,000,000)	-
(iv)	Current portion of long-term debt	(29,000,000)	(29,042,263)	42,263
(v)	Investment corporation bonds	(39,500,000)	(40,825,166)	1,325,166
(vi)	Long-term debt	(113,150,000)	(114,805,812)	1,655,812
	Total liabilities	(182,650,000)	(185,673,241)	3,023,241
(vii)	Derivative transactions	-	-	-

For the period from November 1, 2011 to April 30, 2012

The following table summarizes the carrying value and the estimated fair values of financial instruments as of April 30, 2012. The following table does not include financial instruments whose fair value is extremely difficult to estimate (see Note 3 below).

		Thousands of Yen		
		Carrying value (Note 1)	Fair value (Note 1)	Difference
(i)	Cash and bank deposits	10,226,773	10,226,773	-
(ii)	Cash and bank deposits in trust	16,465,915	16,465,915	-
	Total assets	26,692,688	26,692,688	-
(iii)	Short-term debt	(3,900,000)	(3,900,000)	-
(iv)	Current portion of long-term debt	(50,000,000)	(50,138,578)	138,578
(v)	Investment corporation bonds	(39,500,000)	(40,546,695)	1,046,695
(vi)	Long-term debt	(90,000,000)	(91,339,461)	1,339,461
	Total liabilities	(183,400,000)	(185,924,734)	2,524,734
(vii)	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.

(v) Investment corporation bonds

The fair value of investment corporation bonds issued by the Company is determined based on their market prices.

(iv) Current portion of long-term debt and (vi) 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 "18. 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.

(vii) Derivative transactions

See "18. Derivatives and Hedge Accounting."

Note 3: The fair value of security deposits (with a carrying value of ¥4,167,363 thousand as of October 31, 2012 and ¥4,217,187 thousand as of April 30, 2012) and security deposits in trust (with a carrying value of ¥16,117,895 thousand as of October 31, 2012 and ¥16,213,850 thousand as of April 30, 2012) 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 lease 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 as of October 31, 2012

						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	10,907,460	-	-	-	-	-
Cash and bank deposits in trust	16,451,245	-	-	-	-	-
Total	27,358,705	-	-	-	-	-

## Redemption schedule for cash and bank deposits and cash and bank deposits in trust as of April 30, 2012

	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	10,226,773	—	—	—	—	—
Cash and bank deposits in trust	16,465,915	—	—	—	—	—
Total	26,692,688	—	—	—	—	—

## Note 5: Redemption schedule for investment corporation bonds and debt as of October 31, 2012

	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	1,000,000	—	—	—	—	—
Investment corporation bonds	—	—	11,000,000	10,000,000	5,000,000	13,500,000
Long-term debt	29,000,000	29,500,000	21,850,000	17,500,000	15,900,000	28,400,000
Total	30,000,000	29,500,000	32,850,000	27,500,000	20,900,000	41,900,000

## Redemption schedule for investment corporation bonds and debt as of April 30, 2012

	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	3,900,000	—	—	—	—	—
Investment corporation bonds	—	—	11,000,000	10,000,000	5,000,000	13,500,000
Long-term debt	50,000,000	23,500,000	23,850,000	15,000,000	10,750,000	16,900,000
Total	53,900,000	23,500,000	34,850,000	25,000,000	15,750,000	30,400,000

## 14. INVESTMENT AND RENTAL PROPERTIES

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.

	Thousands of Yen	
	For the period from May 1, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
Carrying value		
Balance at beginning of the period	¥369,488,547	¥362,390,913
Change during the period	(867,540)	7,097,634
Balance at end of the period	368,621,007	369,488,547
Fair value	¥326,738,000	¥333,410,000

Note 1: The carrying value represents the acquisition cost less accumulated depreciation.

Note 2: The major increase in the carrying value during the period ended April 30, 2012 was mainly due to the acquisitions of PMO Hatchobori (¥2,457,762 thousand), PMO Higashi-nihonbashi (¥1,502,783 thousand) and PMO Akihabara (¥3,834,381 thousand).

Note 3: The fair value as of October 31, 2012 and April 30, 2012 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, 2012 and April 30, 2012 are presented in “16. Breakdown of Real Estate Rental Revenues and Expenses.”

## 15. SEGMENT INFORMATION

### For the periods from May 1, 2012 to October 31, 2012 and from November 1, 2011 to April 30, 2012

#### 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, 2012 and April 30, 2012 consist of the following:

	Thousands of Yen	
	For the period from May 1, 2012 to October 31, 2012	For the period from November 1, 2011 to April 30, 2012
Real estate rental revenues	¥12,701,686	¥12,441,505
Rental revenues	11,350,854	11,245,514
Rental revenues	8,996,056	8,899,648
Common area charges	2,354,798	2,345,866
Other rental revenues	1,350,832	1,195,991
Parking revenues	271,643	272,242
Incidental income	1,008,499	851,849
Other miscellaneous revenues	70,690	71,900
Real estate rental expenses	6,040,301	5,726,470
Property management costs	1,152,051	1,148,259
Property management fees	252,464	241,775
Property and other taxes	1,137,794	1,170,874
Utility expenses	1,155,568	975,043
Casualty insurance	21,087	21,297
Repairs and maintenance	434,264	246,710
Depreciation	1,669,628	1,717,391
Other rental expenses	217,445	205,121
Real estate rental profits	¥6,661,385	¥6,715,035

## 17. 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, 2012 and April 30, 2012 are summarized as follows:

	Thousands of Yen	
	As of October 31, 2012	As of April 30, 2012
Due within one year	¥3,867,858	¥4,200,301
Due after one year	15,374,172	16,953,403
Total	¥19,242,030	¥21,153,704

## 18. DERIVATIVES AND HEDGE ACCOUNTING

### Derivative transactions as of October 31, 2012

- (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		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	94,350,000	74,850,000	(*)	

\* 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) (iv) Current portion of long-term debt and (vi) Long-term debt" above).

### Derivative transactions as of April 30, 2012

- (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		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	93,250,000	56,750,000	(*)	

\* 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) (iv) Current portion of long-term debt and (vi) Long-term debt" above).

## 19. SIGNIFICANT SUBSEQUENT EVENTS

### Transfer of a Property

On December 21, 2012, the Company entered into a sale and purchase agreement regarding the transfer of the property stated below and on January 17, 2013, completed the transfer. Consumption taxes and adjustments of property taxes are excluded from the transfer price.

### NOF Kobe Kaigan Building

Type of Assets : Trust beneficial interest  
 Date of Agreement : December 21, 2012  
 Transfer Date : January 17, 2013  
 Transfer Price : ¥3,050 million  
 Transferee : Japanese general operating company  
 Impact on Revenues : Approximately ¥236 million (miscellaneous expenses excluded) of gain on sales of real estate will be recorded for the nineteenth fiscal period (from November 1, 2012 to April 30, 2013).



# Independent Auditor's Report



Ernst & Young ShinNihon LLC  
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Chiyoda-ku, Tokyo, Japan 100-0011

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Fax: +81 3 3503 1197

## Independent Auditor's Report

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 sheet as at October 31, 2012, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese 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 such internal control as management determines is necessary to enable 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. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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.

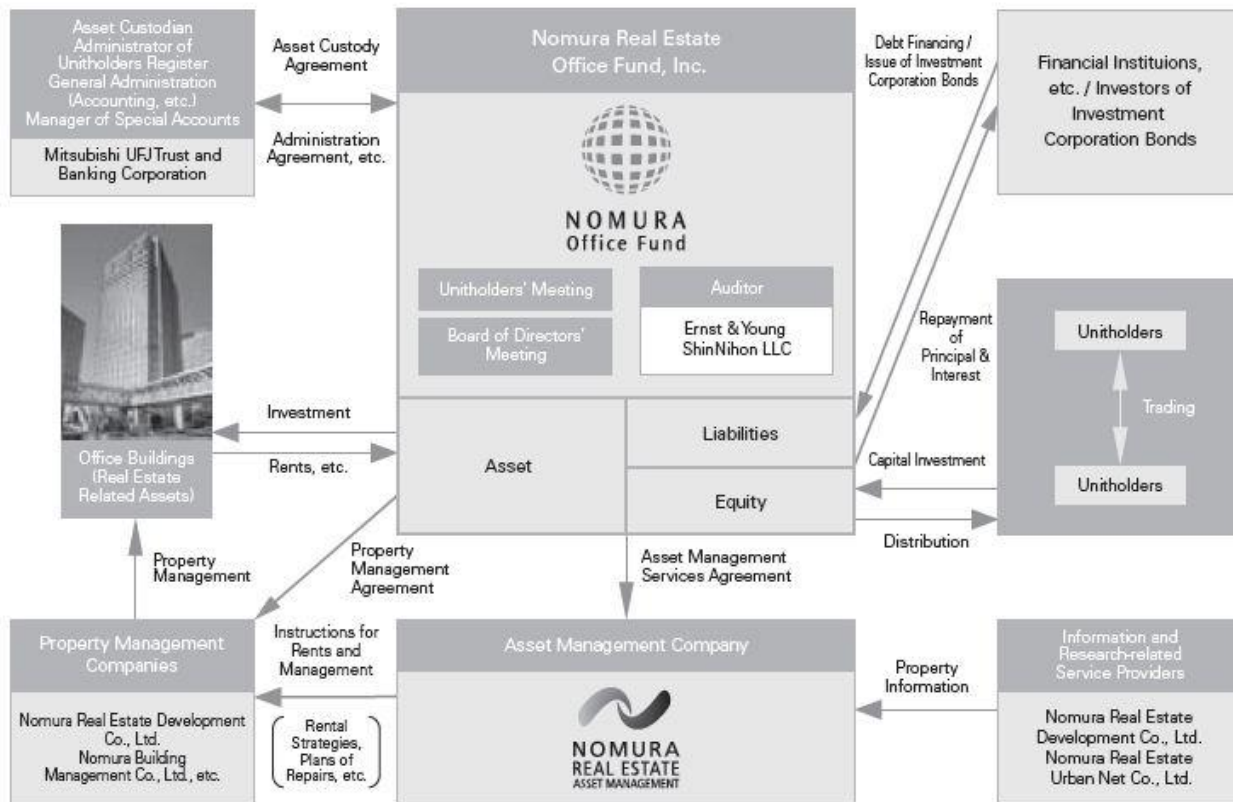
### *Opinion*

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. as at October 31, 2012, and their financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

January 22, 2013  
Tokyo, Japan

## Business Structure



### 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, 2012)

### Number of Units Issued

305,123 (as of October 31, 2012)

### Number of Unitholders

12,610 (as of October 31, 2012)

### 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

## 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 Tenants
- 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 information on the top page  
\*RSS compatible

Posting the news by year and subject

Posting the latest fund data

## **Disclaimer**

This semiannual report includes translations of certain Japanese documents originally filed under the Financial Instruments and Exchange Act 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.

This document has been prepared for the purpose of provision of information only, and should not be construed as an offer, solicitation or commercial conduct of any nature associated with any specific products. Investors wishing to purchase the investment units of Nomura Real Estate Office Fund, Inc. should contact their own securities brokers or dealers. A fee may be charged by your financial instruments business operator in relation to the sale or purchase of investment units.

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