



NOMURA
Office Fund

Semi-Annual Report

Twenty-third fiscal period

November 1, 2014 >>>April 30, 2015

NOMURA REAL ESTATE OFFICE FUND

Profile

Nomura Real Estate Office Fund, Inc. (referred to as “Nomura Office Fund,” “NOF” 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 your continuing trust in Nomura Real Estate Office Fund, Inc. and tell you how much we value being a part of your financial portfolio.

Closing of accounts for the 23rd fiscal period, which ended April 30, 2015, showed the following results. For the period, NOF achieved operating revenues of 13,025 million yen, ordinary income of 3,614 million yen, and net income of 3,613 million yen. Dividends per share totaled 9,699 yen.

In the office rental market, there was an increase in needs for office relocation, and consolidation and floor expansion for the purpose of improvement of locations and specifications, new store opening, business expansion or consolidation of corporate bases due to mergers and acquisitions of companies, backed by improvement in corporate earnings. These led to gradual improvement in the supply-demand balance, resulting in the vacancy rate for the five central wards of Tokyo decreasing to 5.65% as of the end of September 2014, a decrease to the 5% level for the first time in five years and seven months (5.34% as of the end of April 2015), and remained at the 5% level afterwards. With such improvement in the supply-demand balance, rent levels are continuing to increase and the office rental market is believed to have entered a recovery phase.

In NOF's portfolio as well, while the gap between the market rent level and the portfolio rent level is shrinking compared to the previous period, it has not yet been eliminated and the situation continued to be very difficult. In the fiscal period under review, NOF promoted the expansion of properties with increased advertised rent, taking in existing tenants' need for expansion of floor space within the same building and finding new tenants for newly-advertised floor space. In addition, upon contract renewals, rent revision negotiations were conducted in an effort to minimize decline in the portfolio rent level, while taking the individual rental market into consideration. As a result, comparative monthly rent of tenants renewing contracts is showing an improving trend. Furthermore, NOF endeavored to improve tenant satisfaction by systematically carrying out renovation work on common areas as well as updating equipment and carrying out other function maintenance work.

As a result, the average portfolio occupancy rate as of the end of the 23rd fiscal period was 97.5%, up 0.4 points, maintaining a high level.

Additionally, with the acquisition of PMO Nihonbashi Kayabacho (acquisition price: 4.91 billion yen) from Nomura Real Estate Development, the sponsor, NOF's asset size as of the end of the 23rd fiscal period consisted of 55 properties (total leasable floor space: 430,973.52 m²) totaling approx. 414.4 billion yen (total acquisition price).

In addition, NOF concluded a merger agreement with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Residential Fund, Inc. as of May 27, 2015. We believe that this merger will help realize the elimination of unrealized loss and improve the decreasing profitability of the portfolio, which were matters at hand for NOF.

Again, NOF is grateful for the trust you have placed in us and we look forward to continuing progress as we move together toward the future.

Yoshiyuki Ito
Executive Director
Nomura Real Estate Office Fund, Inc.



Summary of Portfolio Properties

as of April 30, 2015

Region	Name	Location	Type of Structure	Leasable Floor Space (㎡)	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	9.3	
	NRE Tennozu Bldg.	Shinagawa-ku, Tokyo	SRC·RC B2/26F	25,127.12	Jun. 1996	Mar. 18, 2005	33,080	8.0	
	Kojimachi Millennium Garden	Chiyoda-ku, Tokyo	S·RC·SRC B4/21F	16,384.19	May. 2000	Mar. 28, 2014	26,500	6.4	
	NOF Nhonbashi Honcho Bldg.	Chuo-ku, Tokyo	SRC B3/8F	19,157.05	Apr. 1961	Dec. 5, 2003	20,600	5.0	
	Tennozu Park Side Bldg.	Shinagawa-ku, Tokyo	S·RC·SRC B2/21F	18,051.60	Jan. 1995	Feb. 27, 2004	14,800	3.6	
	NOF Shinjuku Minamiguchi Bldg.	Shibuya-ku, Tokyo	SRC B2/8F	6,709.22	Apr. 1974	Jun. 25, 2008	12,300	3.0	
	NOF Shibuya Koen-dori Bldg.	Shibuya-ku, Tokyo	SRC·RC B2/8F	3,457.32	Sep. 1987	Sep. 28, 2004	12,000	2.9	
	Secom Medical Bldg.	Chiyoda-ku, Tokyo	S·SRC B1/7F	8,821.24	Feb. 2005	Sep. 1, 2006	11,500	2.8	
	NOF Shiba Bldg.	Minato-ku, Tokyo	SRC·S B1/7F	8,165.10	Mar. 1991	May 25, 2004	10,000	2.4	
	Nishi-Shinjuku Showa Bldg.	Shinjuku-ku, Tokyo	RC B2/11F	5,686.89	Apr. 1982	Nov. 30, 2005	8,800	2.1	
	NRE Shibuya Dogenzaka Bldg.	Shibuya-ku, Tokyo	SRC·RC B2/9F	3,358.00	Mar. 1999	Sep. 26, 2008	7,660	1.8	
	NOF Tameike Bldg.	Minato-ku, Tokyo	SRC B1/9F	4,715.20	Aug. 1959	Sep. 29, 2005	7,400	1.8	
	Iwamoto-cho Toyo Bldg.	Chiyoda-ku, Tokyo	RC·S B1/9F	4,117.26	Jun. 1993	Jun. 25, 2008	6,020	1.5	
	NOF Shinagawa Konan Bldg.	Shinagawa-ku, Tokyo	SRC B1/8F	7,378.55	Nov. 1987	Dec. 8, 2003	5,500	1.3	
	NOF Surugadai Plaza Bldg.	Chiyoda-ku, Tokyo	S·RC B1/8F	4,160.94	Apr. 1997	Feb. 27, 2004	5,150	1.2	
	PMO Nhonbashi Honcho	Chuo-ku, Tokyo	S·SRC B1/9F	2,450.06	Jun. 2008	Nov. 5, 2008	5,000	1.2	
	PMO Nhonbashi Kayabacho	Chuo-ku, Tokyo	S·SRC B1/12F	3,472.70	Aug. 2014	Mar. 3, 2015	4,910	1.2	
	Otemachi Tatemono Gotanda Bldg	Shinagawa-ku, Tokyo	S·SRC B1/9F	5,545.13	Dec. 1986	Jul. 5, 2013	4,100	1.0	
	NRE Higashi-nhonbashi Bldg.	Chuo-ku, Tokyo	S·SRC B1/9F	4,554.98	Sep. 1990	Jan. 14, 2009	4,060	1.0	
	PMO Akhabara	Chiyoda-ku, Tokyo	S 8F	3,037.37	Jan. 2010	Jan. 13, 2012	3,790	0.9	
	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	0.7	
	NOF Takanawa Bldg.	Shinagawa-ku, Tokyo	S 8F	3,361.48	Apr. 1993	Feb. 27, 2009	3,010	0.7	
	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	
	PMO Nhonbashi Odenmachi	Chuo-ku, Tokyo	S 10F	2,054.21	Mar. 2010	Jul. 5, 2013	2,080	0.5	
	Central Shintomicho Bldg.	Chuo-ku, Tokyo	S 8F	2,465.86	Mar. 1990	Jun. 25, 2008	1,750	0.4	
	PMO Higashi-nhonbashi	Chuo-ku, Tokyo	S 9F	1,859.43	Oct. 2009	Nov. 1, 2011	1,480	0.4	
Subtotal (28 properties)				207,062.37	-	-	261,170	63.0	
Suburban Tokyo	NRE Ueno Bldg.	Taito-ku, Tokyo	SRC·S B1/10F	4,869.81	Mar. 1990	Jan. 14, 2009	7,830	1.9	
	NOF Technoport Kamata Center Bldg.	Ota-ku, Tokyo	S·SRC B1/11F	13,847.84	Sep. 1990	Dec. 5, 2003	6,416	1.5	
	NF Hongo Building	Bunkyo-ku, Tokyo	S·SRC B1/9F	3,820.09	Aug. 1989	Jul. 5, 2013	4,700	1.1	
	Toho Edogawabashi Bldg.	Bunkyo-ku, Tokyo	SRC B1/9F	2,058.95	Mar. 1993	Mar. 2008	2,080	0.5	
	Toshin Meguro Bldg.	Meguro-ku, Tokyo	SRC 9F	1,341.17	Sep. 1989	Jun. 25, 2008	1,340	0.3	
	Crystal Park Bldg.	Musashino City, Tokyo	SRC·S B2/11F	3,900.85	Oct. 1991	Feb. 28, 2006	3,700	0.9	
	NOF Kichijoji Honcho Bldg.	Musashino City, Tokyo	SRC 8F	1,936.40	Oct. 1987	Jan. 14, 2009	1,800	0.4	
	Faret Tachikawa Center Square	Tachikawa City, Tokyo	S·SRC·RC B2/12F	6,851.48	Dec. 1994	Dec. 5, 2003	3,290	0.8	
	NOF Kawasaki Higashiguchi Bldg.	Kawasaki-ku, Kawasaki City	S·SRC B1/12F	8,266.67	Mar. 1988	Jun. 30, 2005	9,500	2.3	
	NOF Yokohama Nishiguchi Bldg.	Nishi-ku, Yokohama City	SRC B1/9F	6,866.60	Oct. 1985	May 12, 2005	5,050	1.2	
	NOF Shin-Yokohama Bldg.	Kohoku-ku, Yokohama City	SRC B1/9F	8,074.83	Oct. 1990	Dec. 5, 2003	3,600	0.9	
	Yokohama Odori Koen Bldg.	Naka-ku, Yokohama City	S·RC B1/11F	4,234.62	Mar. 1989	Sep. 28, 2007	2,993	0.7	
	Subtotal (12 properties)				66,069.31	-	-	52,299	12.6
	Other Cities	Sapporo North Plaza	Chuo-ku, Sapporo City	SRC B2/12F	13,642.16	Aug. 1981	Jun. 1, 2006	6,820	1.6
NRE Sapporo Bldg.		Kita-ku, Sapporo City	S B1/10F	6,559.34	Jul. 2008	Nov. 5, 2008	5,300	1.3	
JCB Sapporo Higashi Bldg.		Chuo-ku, Sapporo City	SRC B1/7F	9,062.04	Oct. 1966	Feb. 8, 2008	3,700	0.9	
NOF Sendai Aoba-dori Bldg.		Aoba-ku, Sendai City	SRC B2/11F	6,033.70	Jul. 1968	Nov. 30, 2005	3,200	0.8	
NOF Utsunomiya Bldg.		Baba-dori, Utsunomiya City	S·SRC B2/10F	5,882.20	Dec. 1999	Dec. 5, 2003	2,970	0.7	
NOF Nagoya Fushimi Bldg.		Naka-ku, Nagoya City	S·RC B1/11F	3,282.90	Aug. 2009	Dec. 25, 2009	4,050	1.0	
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	5.7	
SORA Shin-Osaka 21		Yodogawa-ku, Osaka City	SRC B2/21F	21,234.65	Jul. 1994	Apr. 25, 2008	19,251	4.6	
NRE Osaka Bldg.		Chuo-ku, Osaka City	SRC B2/12F	16,977.79	Dec. 1983	Dec. 5, 2003	6,410	1.5	
NRE Nishi-Umeda Bldg.		Kita-ku, Osaka City	S·SRC B2/12F	5,213.02	Jun. 1993	Sep. 26, 2008	5,660	1.4	
NRE Yotsubashi Bldg.		Nishi-ku, Osaka City	S·SRC B2/15F	11,558.68	Nov. 1991	Dec. 5, 2003	3,940	1.0	
NRE Hiroshima Bldg.		Naka-ku, Hiroshima City	SRC B2/9F	7,828.17	Jul. 1976	Dec. 5, 2003	1,930	0.5	
NOF Hakata Ekimae Bldg.		Hakata-ku, Fukuoka City	SRC B2/11F	7,525.27	Jul. 1983	Jun. 27, 2008	6,750	1.6	
NOF Tenjin-Minami Bldg.		Chuo-ku, Fukuoka City	S 10F	3,769.34	Feb. 2008	Mar. 27, 2009	3,739	0.9	
Subtotal (15 properties)				157,841.84	-	-	100,970	24.4	
Total (55 properties)				430,973.52	-	-	414,439	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 Nhonbashi Honcho, PMO Nhonbashi Kayabacho, NRE Higashi-nhonbashi Building, PMO Akhabara, PMO Hatchobori, PMO Nhonbashi Odenmachi, NOF Takanawa Building, PMO Higashi-nhonbashi, 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 April 30, 2015.

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.

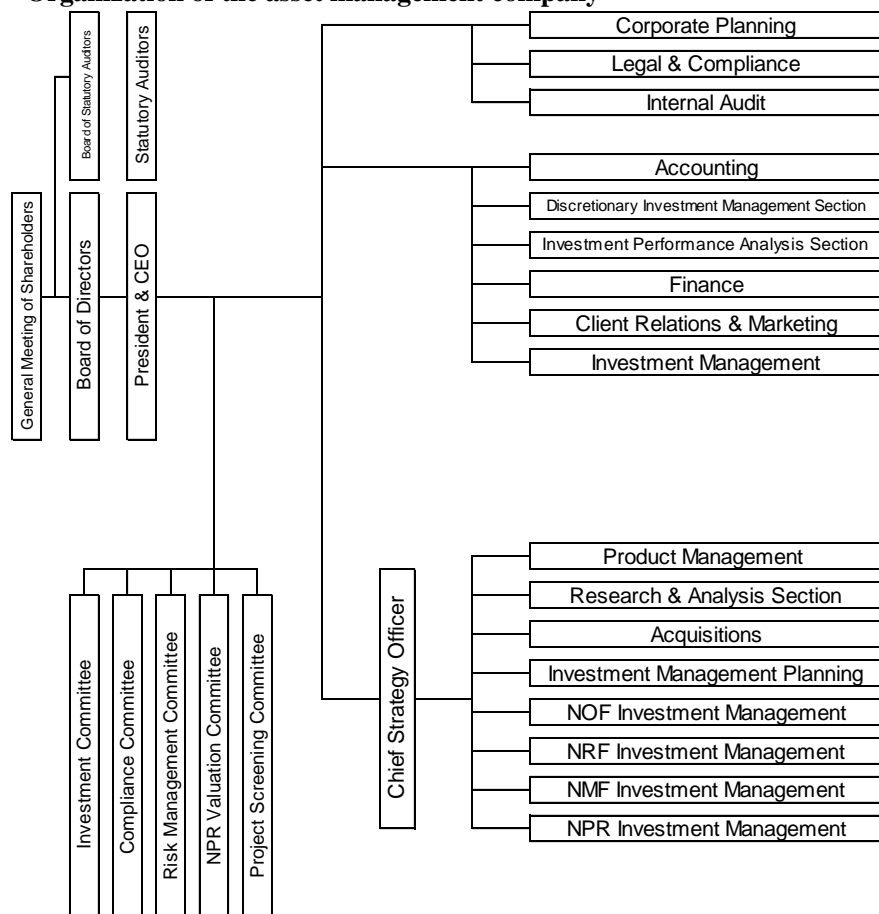
Note: NOF transferred a part of the land of NOF Technoport Kamata Center Building (co-owned area) on August 31, 2007. The acquisition price on the list is the amount subtracting a book price of the asset to be transferred (13 million yen) from the acquisition price before the transfer (6,430 million 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 April 30, 2015)
Shareholder:	Nomura Real Estate Holdings, Inc. (100%)
Incorporation:	January 24, 2003

• Organization of the asset management company



Profile of Chief Investment Officer



Shoji Yoshihara
Executive Officer,
Head of NOF Investment Management Department

Apr. 1987 Entered Nomura Real Estate Development Co., Ltd.
 Apr. 2009 Development Manager, Third Business Group, Residential Company
 Apr. 2010 Chief of Secretary Office
 Apr. 2012 Chief of Secretary Office, Nomura Real Estate Holdings, Inc.
 Oct. 2012 Director and Executive Officer (in charge of Fund Management Department), Nomura Real Estate Asset Management Co., Ltd.
 Oct. 2014 Director and Executive Officer, commissioned as Head of NOF Investment Management Department (current position)

Performance Report

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Asset Management Report

1. CHANGES IN KEY INDICATORS

		23rd Period from Nov. 1, 2014 to Apr. 30, 2015	22nd Period from May 1, 2014 to Oct. 31, 2014	21st Period from Nov. 1, 2013 to Apr. 30, 2014	20th Period from May 1, 2013 to Oct. 31, 2013	19th Period from Nov. 1, 2012 to Apr. 30, 2013
Operating Revenues	(¥mln)	13,025	13,105	12,260	12,378	12,673
of which Real Estate Rental Revenues	(¥mln)	13,025	13,105	12,260	12,378	12,434
Operating Expenses	(¥mln)	7,874	7,664	7,154	7,250	7,128
of which Real Estate Rental Expenses	(¥mln)	6,597	6,403	5,981	6,080	5,967
Operating Profits	(¥mln)	5,150	5,441	5,105	5,127	5,544
Ordinary Income	(¥mln)	3,614	3,942	3,630	3,636	4,027
Net Income	(¥mln)	3,613	3,941	3,630	3,635	4,026
Total Assets	(¥mln)	439,861	435,644	434,715	404,207	393,914
(Changes from Previous Period)	(%)	(+1.0)	(+0.2)	(+7.5)	(+2.6)	(-0.9)
Interest-Bearing Debts	(¥mln)	196,950	192,080	192,330	164,350	179,200
Net Assets	(¥mln)	215,198	215,525	215,310	215,405	189,581
(Changes from Previous Period)	(%)	(-0.2)	(+0.1)	(-0.0)	(+13.6)	(+0.1)
Unitholders' Capital	(¥mln)	211,430	211,430	211,430	211,430	185,455
Number of Units Issued	(Units)	372,553	372,553	372,553	372,553	305,123
Net Assets per Unit	(¥)	577,630	578,510	577,931	578,188	621,329
Total Cash Distribution	(¥mln)	3,613	3,941	3,725	3,725	3,787
Cash Distribution per Unit	(¥)	9,699	10,579	10,000	10,000	12,412
of which Cash Distribution of Profits	(¥)	9,699	10,579	10,000	10,000	12,412
of which Cash Distribution in excess of Profits	(¥)	—	—	—	—	—
ROA (Return on Assets) (Note 1)	(%)	0.8	0.9	0.9	0.9	1.0
Annualized ROA (Note 2)	(%)	1.7	1.8	1.7	1.8	2.1
ROE (Return on Equity)	(%)	1.7	1.8	1.7	1.8	2.1
Annualized ROE (Note 2)	(%)	3.4	3.6	3.4	3.5	4.3
Capital Adequacy Ratio (Note 4)	(%)	48.9	49.5	49.5	53.3	48.1
(Changes from Previous Period)	(%)	(-0.6)	(+0.0)	(-3.8)	(+5.2)	(+0.4)
LTV (Loan-to-Value) (Note 5)	(%)	44.8	44.1	44.2	40.7	45.5
Number of Operating Days	(days)	181	184	181	184	181
Payout Ratio (Note 6)	(%)	99.9	99.9	102.6	102.4	94.0
Number of Properties Held	(bldgs)	55	54	54	53	50
Total Leasable Floor Space	(㎡)	430,973.52	427,468.03	427,484.45	410,905.80	399,843.40
Number of Tenants	(tenants)	862	840	832	812	771
Occupancy Rate	(%)	97.5	97.1	97.5	96.4	95.9
Depreciation	(¥mln)	1,845	1,806	1,695	1,658	1,654
Capital Expenditures	(¥mln)	1,525	1,037	1,167	1,065	1,054
NOI (Net Operating Income) (Note 7)	(¥mln)	8,272	8,508	7,973	7,955	8,121
FFO (Funds from Operation) (Note 8)	(¥mln)	5,467	5,757	5,334	5,304	5,451
FFO per Unit (Note 9)	(¥)	14,675	15,454	14,319	14,236	17,867

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

As for 20th period, the Total Assets were time-adjusted due to the additional issuance of investment units.

Note 2: "ROA" and "ROE" are annualized using the following number of operating days. 19th Period: 181 days, 20th Period: 184 days, 21st Period: 181 days, 22nd Period: 184 days and. 23rd Period: 181 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

As for 20th period, Net Assets were time-adjusted due to the additional issuance of investment units.

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 23rd 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

The Japanese economy continues to be on a moderate recovery trend given the bottoming out of domestic demand which had been sluggish since the consumption tax hike in April 2014. Furthermore, improvement of corporate earnings and increase of capital investment are being seen boosted by the advancement of depreciation of the yen and increase of stock prices with the effects of the Bank of Japan's additional monetary easing as well as the postponement of the consumption tax hike and decrease of commodity prices due to decreasing oil prices. According to the Bank of Japan's Short-Term Economic Survey of Enterprises in Japan (Tankan) in March 2015, the business conditions diffusion index (DI) for enterprises of all sizes and all industries had increased by 1 point. Regarding the future of the economy, the recovery trend is thought to continue as steady improvements are seen in the employment and income environments and underlying support is expected from individual consumption.

In this environment, backed by expected improvements in real estate rental revenues and the financing environment being favourable due to monetary easing, there is active acquisition of properties accompanying the initial public offering (IPO) of new J-REITs and public offerings (PO) of existing J-REITs.

(a) Office Rental Market

In the office rental market, there was increase in needs for office relocation, and consolidation and floor expansion for the purpose of improvement of locations and specifications, new store opening, business expansion or consolidation of corporate bases due to mergers and acquisitions of companies, backed by improvement in corporate earnings. These led to gradual improvement in the supply-demand balance, resulting in the vacancy rate for the five central wards of Tokyo decreasing to 5.65% as of the end of September 2014, a decrease to the 5% level for the first time in five years and seven months (5.34% as of the end of April 2015) and remained at the 5% level afterwards. With such improvement in the supply-demand balance, rent levels are continuing to increase and the office rental market is believed to have entered a recovery phase.

(b) Real Estate Market

In the real estate market, the financing environment being favorable due to monetary easing, signs of rental market recovery, etc. led to the continuation of strong appetites for property acquisitions centering on J-REITs and other real estate funds and real estate companies domestic and abroad. On the other hand, there is partially a sense that competition for acquiring properties is overheated with the increase of transaction participants and a sense of higher future asset prices.

(2) Status of Managements for the Twenty-third 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.

NOF's total assets under management (referred to as "portfolio" hereinafter) as of the end of the 23rd fiscal period (April 30, 2015) was 55 properties (total leasable floor space: 430,973.52 m²) totalling approximately 414.4 billion yen (total acquisition price).

Concerning property management, in spite of the office rental market indicating a moderate recovery as described in "(1) Operating Environment," while the gap between the market rent level and the portfolio rent level is shrinking compared to the previous period, it has not yet been eliminated and the situation continued to be very difficult. In the fiscal period under review, NOF promoted the expansion of properties with increased advertised rent, taking in existing tenants' need for expansion of floor space within the same building and finding new tenants for newly-advertised floor space. In addition, upon contract renewals, rent revision negotiations were conducted in an effort to minimize decline in the portfolio rent level, while taking the individual rental market into consideration. As a result, comparative monthly rent of tenants renewing contracts is showing an improving trend. Furthermore, the Company endeavored to improve tenant satisfaction by systematically carrying out renovation work on common areas as well as updating equipment and carrying out other function maintenance work.

As a result, the average portfolio occupancy rate as of the end of the 23rd fiscal period was 97.5%, up 0.4 points, maintaining a high level. Stable real estate rental revenues are being secured by making the most of Nomura Real Estate Group's (Note) know-how.

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 hike risks. 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 23rd fiscal period, the Company procured funds with an average interest rate of 0.93% and an average borrowing period of 7.0 years to refinance 23.35 billion yen of maturing interest-bearing debts (of which 11.0 billion yen is for investment corporation bonds) and acquire 5.12 billion yen of funds for new property acquisitions, keeping in mind the efforts to make debt long-term rather than short-term and fixed-rate rather than floating-rate. As a result, the balance of interest-bearing debt at the end of the 23rd fiscal period was 196.95 billion yen (of which 34.5 billion yen is for investment corporation bonds), setting loan-to-value (LTV) ratio at 44.8%.

The table below shows the credit ratings of the Company as of the end of the 23rd fiscal period.

Rating Company	Rating		Outlook
Rating and Investment Information, Inc.	Issuer Rating	A+	Stable
Standard & Poor's Ratings Japan K. K.	Long-term Corporate Credit Rating	A-	Stable
	Short-term Corporate Credit Rating	A-2	

3. STATUS OF CAPITAL

No changes in the number of units issued have been made during the 23rd fiscal period. Changes in the number of units issued and unitholders' capital until the 23rd fiscal period are as follows.

Date	Type of Issue	Number of Units Issued (Unit)		Unitholders' Capital (¥ mln)	
		Change	Balance	Change	Balance
Aug. 7, 2003	Initial private placement (Note 1)	400	400	200	200
Dec. 4, 2003	Public offering (Note 2)	148,200	148,600	71,506	71,706
May 19, 2004	Public offering (Note 3)	35,000	183,600	19,866	91,572
Jun. 16, 2004	Third-party allotment (Note 4)	1,050	184,650	595	92,168
May 1, 2005	Public offering (Note 5)	44,000	228,650	31,496	123,665
May 24, 2005	Third-party allotment (Note 6)	1,320	229,970	944	124,610
May 25, 2006	Public offering (Note 7)	34,800	264,770	31,143	155,753
Jun. 23, 2006	Third-party allotment (Note 8)	1,133	265,903	1,013	156,767
May 27, 2008	Public offering (Note 9)	37,000	302,903	27,064	183,831
Jun. 24, 2008	Third-party allotment (Note 10)	2,220	305,123	1,623	185,455
Jul. 2, 2013	Public offering (Note 11)	62,730	367,853	24,164	209,619
Jul. 29, 2013	Third-party allotment (Note 12)	4,700	372,553	1,810	211,430

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.

Note 11: Public offering at the offer price of ¥398,287 (issue price of ¥385,215) finance acquisition of new properties and to repay borrowings.

Note 12: Third-party allotment to Nomura Securities Co., Ltd. at the offer price of ¥385,215 following the public offering on Jul. 2, 2013.

[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.

		23rd Period from Nov 1, 2014 to Apr. 30, 2015	22nd Period from May 1, 2014 to Oct. 31, 2014	21st Period from Nov 1, 2013 to Apr. 30, 2014	20th Period from May 1, 2013 to Oct. 31, 2013	19th Period from Nov 1, 2012 to Apr. 30, 2013
High	(¥)	629,000	503,000	499,000	629,000	740,000
Low	(¥)	461,000	437,000	405,000	407,500	469,500

4. CASH DISTRIBUTION

As for the cash distribution for the 23rd fiscal period, while planning for the maximum amount of distribution of earnings to be included in deductible expenses based on the application of a special provision of taxation (Special Taxation Measures Law (Act No. 26 of 1957) Article 67-15), the Company decided to distribute the entire amount of the sum of unappropriated retained earnings and reversal of reserves for reduction entry. As a result, the amount of cash distribution per unit for the 23rd fiscal period was 9,699 yen.

		23rd Period from Nov. 1, 2014 to Apr. 30, 2015	22nd Period from May 1, 2014 to Oct. 31, 2014	21st Period from Nov. 1, 2013 to Apr. 30, 2014	20th Period from May 1, 2013 to Oct. 31, 2013	19th Period from Nov. 1, 2012 to Apr. 30, 2013
Retained Earnings	(¥000)	3,613,486	3,941,262	3,630,008	3,636,107	4,026,484
Accumulated earnings	(¥000)	—	—	-	-	239,297
Total cash distribution	(¥000)	3,613,391	3,941,238	3,725,530	3,912,897	3,787,186
(Cash distribution per unit)	(¥)	(9,699)	(10,579)	(10,000)	(10,000)	(12,412)
of which distribution of profits	(¥000)	3,613,391	3,941,238	3,725,530	3,912,897	3,787,186
(Distribution of profits per unit)	(¥)	(9,699)	(10,579)	(10,000)	(12,824)	(12,412)
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 TWENTY-THIRD FISCAL PERIOD (1) Operating Environment,” the expectation of economic recovery has been growing along with the recovery of corporate performance backed by financial and other policies put in place by the national government and increasing consumer confidence and the impact of the rebound of the last-minute surge in demand that had accompanied the consumption tax hike is expected to gradually ease.

In addition, in the J-REIT market, the supply of funds to the real estate market is favourable such as due to Bank of Japan’s monetary easing policy, and the TSE REIT Index is also performing strong.

Against this background, the office rental market shows a moderate recovery such as the recovery of floor demand from corporations and an increase of companies’ capacity to pay rent.

Under such circumstances, the Company is set to conduct active property management to securely grasp the recovery phase of the rental market while continuing to focus on minimizing deterioration in portfolio profitability, maintain and improve the ability to procure funds through conservative financial management, and keep a sharp eye on the movement of anticipated yields and liquidity in the real estate market.

(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 and Improvement of Portfolio Quality

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 particular, the Nomura Real Estate Group is continuously developing office buildings centering on the premium mid-size office (PMO) series, which are mid-sized but have both the functionality and grade equal to large-size buildings, and the Company will further strengthen collaboration as its leading pipeline.

Furthermore, the Company will consider timely sale of properties with low profitability and little prospects for improvement as well as aged properties where increases in repair expenses are expected in the future in an aim to improve the quality of the portfolio.

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 TWENTY-THIRD FISCAL PERIOD

- Merger with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Residential Fund, Inc.

NOF, Nomura Real Estate Master Fund, Inc. (“NMF”) and Nomura Real Estate Residential Fund, Inc. (“NRF”; and NOF, NMF and NRF are individually referred to as the “Consolidated Investment Corporation” hereinafter) respectively have determined at each of the board of directors meetings held on May 27, 2015 to implement a consolidation-type merger “the “Merger”) as mentioned below, whereby October 1, 2015 is set as the date of incorporation of investment corporation (the “New Investment Corporation”) incorporated through the consolidation-type merger, and that the companies have entered into a merger agreement (the “Merger Agreement”) dated May 27, 2015.

(1) Purpose of Merger

NOF, NMF and NRF each entrusts its asset management to the Asset Management Company, is provided support by the Nomura Real Estate Group and have established stable track records, but have faced changes in the business environment such as intensified acquisition competitions and polarization of size in J-REITs, and diversification of investment sectors by J-REITs in recent years.

Confronting such change in business environment, NOF, NMF and NRF have respectively considered measures to maximize sustainable growth of unitholders’ value and share a common view that it is necessary to expand the asset size, diversify portfolio and strengthen the stability of financing basis in order to strengthen capacity for future growth. With such mutual recognition, the companies have discussed and considered a merger as measures to enhance unitholders’ value.

NOF, NMF and NRF believe that, through becoming with the merger a top-class domestic diversified type J-REIT with an asset size of more than 900 billion yen, with increased asset size and diversified investment sectors that will contribute to expand acquisition opportunities, stabilize the portfolio, enhance risk tolerance, gain competitive strength for asset acquisitions and stabilize the finance basis, in addition to making the best use of the Asset Management Company’s abundant and professional expertise accumulated through management of NOF, NMF and NRF and effectively leveraging wide-range know-hows and brands held by the Nomura Real Estate Group, one of the major comprehensive real estate developers in Japan, both growth and stability can be achieved.

In particular, the following demonstrates NOF, NMF and NRF’s concept of the Merger:

- ① Pursue sustainable growth by transforming from “Specialized type J-REIT” to “Diversified type J-REIT”
- ② Strengthen stability and enhance growth strategy through benefit of a large-scale REIT
- ③ Accelerate mutual growth with Nomura Real Estate Group by establishing “Leasing Business Value Chain”

After the Merger, the New Investment Corporation, with the above-mentioned concepts of the Merger in mind, aims to secure stable mid- to long-term income and maximize unitholders’ value through steadily increasing the portfolio size. In addition, it is expected that, as a positive effect of the Merger, market price of investment units could be more stabilized due to increase in cash distribution through external and internal growth and improved liquidity of investment units.

(2) Merger Ratio

With the Merger, 3.60 New Investment Corporation units will be allotted to NOF unitholders per one NOF unit, 4.45 New Investment Corporation units will be allotted to NRF unitholders per one NRF unit and 1 New Investment Corporation unit will be allotted to NMF unitholders per one NMF unit. As there will therefore be a fraction of one investment unit attributed to NOF and NRF unitholders, pursuant to the relevant laws, such fractions will be disposed of through market transactions and the proceeds from the unit sales will be distributed to the unitholders in proportion to the total number of fractions of investment units each unitholder has.

(3) Cash Distribution on Merger

Instead of cash distributions for each Consolidated Investment Corporation’s final fiscal period ending on September 30, 2015 (in the case of NMF; the period from September 1, 2015 to September 30, 2015; in the case of NOF, the period from May 1, 2015 to September 30, 2015; and in the case of NRF, the period from June 1, 2015 to September 30, 2015), the New Investment Corporation will make a cash distribution on merger to the unitholders listed or recorded on the final unitholders register of each of the Consolidated Investment Corporations as of the day immediately prior to the date of incorporation of the New Investment Corporation (excluding each Consolidated Investment Corporation and the dissenting unitholders of each Consolidated Investment Corporation who demand for repurchase of investment units pursuant to Article 149- 3 of the Investment Trust Act) (the “Allotted Investors”), in an amount equivalent to the cash distributions for the final fiscal period based on each Consolidated Investment Corporation’s distributable profit (the payment on merger will be (i) the amount of distributable profit of each Consolidated Investment Corporation as of the day immediately prior to the date of incorporation of the New Investment Corporation divided by (ii) the number of investment units that is obtained by deducting (a) the number of investment units held by the unitholders other than the Allotted Investors of each Consolidated Investment Corporation from (b) the number of investment units issued and outstanding of each of such Consolidated Investment Corporation, as of the day immediately prior to the date of incorporation of the New Investment Corporation (amounts less than one yen are rounded down)). The details will be announced once they are determined.

Concerning the distribution of NMF for the fiscal period ending on August 31, 2015 (the period from March 1, 2015 to August 31, 2015), the distribution is scheduled to be made to the unitholders and the registered pledgees of investment units listed or recorded on the final unitholders register of NMF as of August 31, 2015, after the approval on the statements for such cash distribution for the fiscal period that is scheduled to be obtained at NMF by the date of incorporation of the New Investment Corporation. The payment of such distribution will be made after the incorporation of the New Investment Corporation through the Merger.

(Reference)

The Company concluded a sale and purchase agreement for the acquisition of PMO Tamachi, PMO Ginza Hatchome and PMO Shibakoen on May 27, 2015 after the end of the 23rd fiscal period (April 30, 2015).

Type of Asset	Real Estate
Property Name	PMO Tamachi
Location (Note)	(Registry) 5-202-1 Shiba, Minato Ward, Tokyo and other 2 lots (Street) 5-31-17 Shiba, Minato Ward, Tokyo
Structure (Note 1)	S/SRC B1/12F
Area (Land) (Note 1)	709.50 m ² (214.62 tsubo)
Area (Building) (Note 1)	5,171.17 m ² (1,564.27 tsubo)
Type of Ownership	(Land) Ownership (Building) Ownership
Completion Date (Note 1)	February 7, 2014
Acquisition Price (Note 2)	¥6,210 million
Date of Agreement	May 27, 2015 (Date of agreement on purchase and sale of real estate)
Date of Acquisition	March 1, 2016(date of delivery of real estate)
Seller	Nomura Real Estate Development Co., Ltd.
Financing	Scheduled to finance from borrowings in New Investment Corporation

Type of Asset	Real Estate
Property Name	PMO Ginza Hatchome
Location (Note)	(Registry) 8-204-8 Ginza, Chuo Ward, Tokyo and other 4 lots (Street) 8-12-8 Ginza, Chuo Ward, Tokyo
Structure (Note 1)	S 10F
Area (Land) (Note 1)	321.39 m ² (97.22 tsubo)
Area (Building) (Note 1)	2,487.63 m ² (752.50 tsubo)
Type of Ownership	(Land) Ownership (Building) Ownership
Completion Date (Note 1)	April 25, 2014
Acquisition Price (Note 2)	¥3,970 million
Date of Agreement	May 27, 2015 (Date of agreement on purchase and sale of real estate)
Date of Acquisition	March 1, 2016(date of delivery of real estate)
Seller	Nomura Real Estate Development Co., Ltd.
Financing	Scheduled to finance from borrowings in New Investment Corporation

Type of Asset	Real Estate
Property Name	PMO Shibakoen
Location (Note)	(Registry) 1-13-8 Shibakoen, Minato Ward, Tokyo (Street) 1-2-1 Shibakoen, Minato Ward, Tokyo
Structure (Note 1)	S 8F
Area (Land) (Note 1)	547.05 m ² (165.48 tsubo)
Area (Building) (Note 1)	3,362.95 m ² (1,017.29 tsubo)
Type of Ownership	(Land) Ownership (Building) Ownership
Completion Date (Note 1)	July 31, 2014
Acquisition Price (Note 2)	¥3,900 million
Date of Agreement	May 27, 2015 (Date of agreement on purchase and sale of real estate)
Date of Acquisition	March 1, 2016(date of delivery of real estate)
Seller	Nomura Real Estate Development Co., Ltd.
Financing	Scheduled to finance from borrowings in New Investment Corporation

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

Note 2: Excluding property taxes, urban planning taxes, consumption taxes and local consumption taxes

Profile of the Company

1. STATUS OF UNITHOLDERS' CAPITAL

		23rd Period (as of Apr. 30, 2015)	22nd Period (as of Oct. 31, 2014)	21st Period (as of Apr. 30, 2014)	20th Period (as of Oct. 31, 2013)	19th Period (as of Apr. 30, 2013)
Maximum number of units allowed to issue	(Unit)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued	(Unit)	372,553	372,553	372,553	372,553	305,123
Amount of unitholders' capital	(¥ mln)	211,430	211,430	211,430	211,430	185,455
Number of unitholders		15,971	18,489	18,495	18,074	13,346

2. MATTERS CONCERNING THE INVESTMENT UNITS

The 10 largest unitholders as of April 30, 2015 were as follows.

Name	Number of Units Held (Unit)	Portion in the Total Units Issued (%)
Japan Trustee Services Bank, Ltd.	82,499	22.14
The Master Trust Bank of Japan, Ltd.	33,092	8.88
Trust & Custody Services Bank, Ltd.	25,012	6.71
Nomura Real Estate Development Co., Ltd.	15,287	4.10
The Nomura Trust and Banking Co., Ltd.	14,197	3.81
NOMURA BANK(LUXEMBOURG) S.A.	9,780	2.63
CBLDN-STICHTING PGGM DEPOSITARY-LISTED REAL ESTATE PF FUND	9,047	2.43
Kawasaki Gakuen	7,000	1.88
State Street Bank and Trust Company 505223	6,647	1.78
CBNY DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	3,894	1.05
Total	206,455	55.42

3. BREAKDOWN OF UNITHOLDERS

The breakdown of unitholders as of April 30, 2015 was as follows.

	Number of Unitholders	Portion (%)	Number of Units per Unitholder	Portion (%)
Private and other investors	15,392	96.4	47,793	12.8
Financial institutions (Including Financial Instruments Business Operator)	116	0.7	192,532	51.7
Other domestic corporate investors	221	1.4	31,463	8.4
Foreign corporate investors, etc.	242	1.5	100,765	27.0
Total	15,971	100.0	372,553	100.0

4. DIRECTORS AND AUDITOR

(1) Name of directors and an auditor in the 23rd fiscal period are as follows (Note 1)

Title	Name	Other Major Title (s)	Total Amount of Fees Paid during the 23rd Period (¥000)
Executive Director	Yoshiyuki Ito (Note 2)	Full-time Statutory Auditor, Nomura Real Estate Urban Net, Co., Ltd Full-time Statutory Auditor, Nomura Real Estate Reform, Co., Ltd	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 other Executive Director or Supervisory Director holds any investment units under his/her name or another's name. 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. (Saneaki Ichijo has been appointed as substitute Supervisory Director of Nomura Real Estate Residential Fund, Inc., the asset management services for which are provided by the Asset Management Company.)

Note 2: Yoshiyuki Ito resigned as full-time auditor of Nomura Real Estate Urban Net Co., Ltd. as of March 31, 2015 and was appointed as full-time auditor of Nomura Real Estate Reform Co., Ltd. As of April 1 the same year.

Note 3: At the sixth General Unitholders' Meeting held on July 26, 2013, Mr Sadahiko Yoshimura has been appointed as substitute Supervisory Director to provide against vacancy of the Supervisory Director's position or lack of statutory quorum.

Note 4: As stated in "1. Overview of Asset Management (6) Important Events Subsequent to the Twenty-Second Fiscal Period (Reference) (2) Scheduled Agenda Items" the agenda for electing one new executive director (candidate: Yoshiyuki Ito) and new supervisory directors (candidates: Saneaki Ichijo and Naohito Miya) is scheduled to be granted at the Seventh General Meeting of Unitholders scheduled to be held on July 30, 2015.

(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 April 30, 2015 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)	23rd Period (as of Apr. 30, 2015)		22nd Period (as of Oct. 31, 2014)	
		Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)	Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)
Real estate	Central Tokyo	72,141	16.4	67,356	15.5
	Suburban Tokyo	16,497	3.8	16,429	3.8
	Other Regional Cities	36,553	8.3	36,547	8.4
Real estate in trust	Central Tokyo	186,843	42.5	186,816	42.9
	Suburban Tokyo	34,658	7.9	34,581	7.9
	Other Regional Cities	60,146	13.7	60,424	13.9
Subtotal		406,841	92.5	402,155	92.3
Cash, deposits and other assets		33,019	7.5	33,489	7.7
Grand Total		439,861	100.0	435,644	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 April 30, 2015 are as follows.

Name of Property	Book Value (¥ mln)	Leasable Floor Space(m ²) (Note 1)	Leased Space (m ²) (Note 2)	Occupancy Rate (%)	Portion of Rental Revenues (%)	Primary Use
Shinjuku Nomura Bldg.	40,216	31,500.89	30,623.21	97.2	11.7	Office
NRE Tennozu Bldg.	32,196	25,127.12	25,127.12	100.0	(Note 3)	Office
Kojimachi Millennium Garden	27,543	16,384.19	15,837.06	96.7	(Note 3)	Office (Note 4)
Omron Kyoto Center Bldg.	21,324	34,616.84	34,616.84	100.0	(Note 3)	Office
NOF Nihonbashi Honcho Bldg.	20,259	19,157.05	18,462.94	96.4	5.4	Office
SORA Shin-Osaka 21	18,544	21,234.65	20,924.76	98.5	4.0	Office
NOF Shibuya Koen-dori Bldg.	12,647	3,457.32	2,549.32	73.7	2.7	Office
Tennozu Park Side Bldg.	12,459	18,051.60	16,907.12	93.7	3.4	Office
NOF Shinjuku Minamiguchi Bldg.	12,358	6,709.22	6,709.22	100.0	2.0	Office
Secom Medical Bldg.	10,796	8,821.24	8,821.24	100.0	(Note 3)	Office (Note 5)
Total	208,347	185,060.12	180,578.83	97.6	48.1 (Note 6)	

Note 1: "Leasable Floor Space" refers to the total leasable space for each asset including offices, shops and residence (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, shops and residence (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 comprises an office section and a residential section, its primary use is office. The Company's Articles of Incorporation, etc. allow the Company to invest in also property-related assets that have office as the primary use. The primary use is indicated as "office" in the above table with this understanding.

Note 5: 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, etc. allow the Company to invest in non-office property-related assets given that they can easily be converted into offices. The use is indicated as "office" in the above table with this understanding.

Note 6: "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 Apr. 30, 2015 (¥ 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	43,900	40,216
	NRE Tennozu Bldg.	2-4-11 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	20,500	32,196
	Kojimachi Millennium Garden	4-4-30 Kojimachi, Chiyoda-ku, Tokyo (Note 4)	Real Estate	26,700	27,543
	NOF Nihonbashi Honcho Bldg.	2-7-1 Nihonbashi-Honcho, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	21,400	20,259
	Tennozu Park Side Bldg.	2-5-8 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	12,700	12,459
	NOF Shinjuku Minamiguchi Bldg.	2-4-9 Yoyogi, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	10,000	12,358
	NOF Shibuya Koen-dori Bldg.	20-17 Udagawa-cho, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	10,400	12,647
	Secom Medical Bldg.	7-7 Niban-cho, Chiyoda-ku, Tokyo (Note 4)	Real Estate	11,100	10,796
	NOF Shiba Bldg.	4-2-3 Shiba, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	7,040	9,904
	Nishi-Shinjuku Showa Bldg.	1-13-12 Nishi-Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest in Real Estate Trust	8,140	8,630
	NRE Shibuya Dogenzaka Bldg.	2-16-4 Dogenzaka, Shibuya-ku, Tokyo	Real Estate	5,050	7,581
	NOF Tameike Bldg.	1-1-14 Akasaka, Minato-ku, Tokyo	Beneficial Interest in Real Estate Trust	5,810	7,740
	Iwamoto-cho Toyo Bldg.	3-1-2 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,050	5,949
	NOF Shinagawa Kounan Bldg.	1-2-5 Higashi-Shinagawa, Shinagawa-ku, Tokyo	Beneficial Interest in Real Estate Trust	3,830	5,251
	NOF Surugadai Plaza Bldg.	2-5-12 Kanda Surugadai, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,690	4,792
	PMO Nihonbashi Honcho	4-12-20 Nihonbashi Honcho, Chuo-ku, Tokyo	Real Estate	4,320	4,692
	PMO Nihonbashi Kayabacho	3-11-10 Nihonbashi Kayaba-cho, Chuo-ku, Tokyo	Real Estate	5,010	4,959
	Otemachi Tatemono Gotanda Bldg.	1-1-8 Nishi Gotanda, Shinagawa, Tokyo	Beneficial Interest in Real Estate Trust	4,430	4,255
	NRE Higashi-nihonbashi Bldg.	1-1-7 Higashi-nihonbashi, Chuo-ku, Tokyo	Real Estate	3,570	4,037
	PMO Akihabara	3-11-6 Iwamoto-cho, Chiyoda-ku, Tokyo	Real Estate	4,240	3,691
	Hatchobori NF Bldg.	2-21-6 Hatchobori, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,480	3,120
	NOF Kanda Iwamoto-cho Bldg.	3-8-16 Iwamoto-cho, Chiyoda-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,160	3,013
	NOF Takanawa Bldg.	2-20-4 Higashi Gotanda, Shinagawa-ku, Tokyo	Real Estate	2,830	3,013
	PMO Hatchobori	3-22-13 Hatchobori, Chuo-ku, Tokyo	Real Estate	2,880	2,347
	NOF Minami-Shinjuku Bldg.	5-32-7 Sendagaya, Shibuya-ku, Tokyo	Beneficial Interest in Real Estate Trust	2,210	2,296
	PMO Nihonbashi Odenmachi	6-8 Nihonbashi Odenma-cho, Chuo-ku, Tokyo	Real Estate	2,210	2,063
	Central Shintomocho Bldg.	3-5-10 Minato, Chuo-ku, Tokyo	Beneficial Interest in Real Estate Trust	1,330	1,751
	PMO Higashi-nihonbashi	2-15-4, Nihonbashi, Chuo-ku, Tokyo	Real Estate	1,690	1,414
Subtotal				236,670	258,985
Suburban Tokyo	NRE Ueno Bldg.	1-14-4, Higashi-Ueno, Taito-Ku, Tokyo	Real Estate	6,470	7,929
	NOF Technoport Kamata Center Bldg.	2-16-1 Minami-Kamata, Ota-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,780	6,219
	NF Hongo Building	3-14-7 Hongo, Bunkyo-ku, Tokyo	Beneficial Interest in Real Estate Trust	4,890	4,614
	Toho Edogawabashi Bldg.	1-24-8 Sekiguchi Bunkyo-ku, Tokyo	Real Estate	1,140	2,081
	Toshin Meguro Bldg.	2-20-28 Shimo Meguro, Meguro-ku, Tokyo	Beneficial Interest in Real Estate Trust	858	1,350
	Crystal Park Bldg.	1-1-3 Gotenyama, Musashino City, Tokyo	Real Estate	3,390	3,602
	NOF Kichijoji Honcho Bldg.	1-10-31, Kichijoji Honcho, Musashino City, Tokyo	Beneficial Interest in Real Estate Trust	1,780	1,810
	Faret Tachikawa Center Square	2-36-2 Akebono-cho, Tachikawa City, Tokyo	Beneficial Interest in Real Estate Trust	3,850	2,942
	NOF Kawasaki Higashiguchi Bldg.	3-1 Ekimae Honcho, Kawasaki-ku, Kawasaki City, Kanagawa (Note 4)	Beneficial Interest in Real Estate Trust	7,830	9,473
	NOF Yokohama Nishiguchi Bldg.	1-11-11 Kita-Saiwai, Nishi-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	5,460	5,047
	NOF Shin-Yokohama Bldg.	2-15-16 Shin-Yokohama, Kohoku-ku, Yokohama City, Kanagawa	Beneficial Interest in Real Estate Trust	2,620	3,199
	Yokohama Odori Koen Bldg.	2-4-1 Horai-cho, Naka-ku, Yokohama City, Kanagawa (Note 4)	Real Estate	1,930	2,884
	Subtotal				44,998

Area	Name of Property	Location (Postal Address)	Type of Ownership	Appraisal Value as of Apr. 30, 2015 (¥ mln) (Note 1)	Book Value (¥ mln) (Note 2)
Other Cities	Sapporo North Plaza	4-2-2 Kitaichijo-nishi, Chuo-ku, Sapporo City, Hokkaido (Note 4)	Beneficial Interest in Real Estate Trust	6,250	7,582
	NRE Sapporo Bldg.	2-15-1, Kitashichijo-Nishi, Kita-ku, Sapporo City, Hokkaido (Note 4)	Real Estate	4,140	4,711
	JCB Sapporo Higashi Bldg.	1-1 Minamiichijo-Nishi Chuo-ku, Sapporo City (Note 4)	Real Estate	3,270	3,499
	NOF Sendai Aoba-dori Bldg.	2-1-2 Ichiban-cho, Aoba-ku, Sendai City, Miyagi	Beneficial Interest in Real Estate Trust	2,030	3,073
	NOF Utsunomiya Bldg.	2-1-1 Baba-dori, Utsunomiya City, Tochigi	Beneficial Interest in Real Estate Trust	2,320	2,156
	NOF Nagoya Fushimi Bldg.	2-9-27 Nishiki, Naka-ku, Nagoya City, Aichi	Real Estate	2,240	3,960
	NOF Nagoya Yanagibashi Bldg.	1-16-28 Meieki-Minami, Nakamura-ku, Nagoya City, Aichi	Beneficial Interest in Real Estate Trust	2,280	3,563
	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	18,300	21,324
	SORA Shin-Osaka 21	2-1-3 Nishi-Miyahara, Yodogawa-ku, Osaka City	Real Estate	12,100	18,544
	NRE Osaka Bldg.	1-8-15 Azuchi-cho, Chuo-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	6,100	6,226
	NRE Nishi-Umeda Bldg.	2-1-22, Umeda, Kita-Ku, Osaka City, Osaka	Real Estate	3,450	5,836
	NRE Yotsubashi Bldg.	1-4-4 Awaza, Nishi-ku, Osaka City, Osaka	Beneficial Interest in Real Estate Trust	4,000	3,665
	NRE Hiroshima Bldg.	2-23 Tatemachi, Naka-ku, Hiroshima City, Hiroshima	Beneficial Interest in Real Estate Trust	2,280	2,421
	NOF Hakata Ekimae Bldg.	1-15-20 Hakata Ekimae, Hakata-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	4,210	6,579
	NOF Tenjin-Minami Bldg.	3-6-15 Watanabe Dori, Chuo-ku, Fukuoka City, Fukuoka	Beneficial Interest in Real Estate Trust	2,230	3,552
Subtotal				75,200	96,700
Grand Total				356,868	406,841

Note 1: "Appraisal Value as of Apr. 30, 2015" 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 Twenty-third Fiscal Period, i.e. April 30, 2015, being taken as the point of evaluation.

Note 2: "Book Value" stands for the aggregate purchase price of lands, buildings, structures, machinery and equipment, 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 April 30, 2015 accounted solely for the quasi co-ownership.

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

Area	Name of Property	23rd Period (from Nov. 1, 2014 to Apr. 30, 2015)				22nd Period (from May. 1, 2014 to Oct. 31, 2014)			
		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.	105	97.2	1,519	11.7	102	91.9	1,514	11.6
	NRE Tennozu Bldg.	6	100.0	(Note 2)	(Note 2)	6	100.0	(Note 2)	(Note 2)
	Kojimachi Millennium Garden	2	96.7	(Note 2)	(Note 2)	2	96.0	(Note 2)	(Note 2)
	NOF Nihonbashi Honcho Bldg.	15	96.4	698	5.4	16	100.0	732	5.6
	Tennozu Park Side Bldg.	21	93.7	449	3.4	19	84.7	515	3.9
	NOF Shinjuku Minamiguchi Bldg.	19	100.0	257	2.0	15	87.2	243	1.9
	NOF Shibuya Koen-dori Bldg.	5	73.7	348	2.7	3	100.0	281	2.2
	Secom Medical Bldg.	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
	NOF Shiba Bldg.	11	100.0	234	1.8	11	100.0	229	1.7
	Nishi-Shinjuku Showa Bldg.	19	100.0	273	2.1	19	100.0	266	2.0
	NRE Shibuya Dogenzaka Bldg.	8	100.0	126	1.0	9	100.0	139	1.1
	NOF Tameike Bldg.	16	100.0	172	1.3	16	100.0	149	1.1
	Iwamoto-cho Toyo Bldg.	7	100.0	134	1.0	7	100.0	145	1.1
	NOF Shinagawa Kounan Bldg.	5	100.0	161	1.2	5	100.0	160	1.2
	NOF Surugadai Plaza Bldg.	3	100.0	153	1.2	3	100.0	143	1.1
	PMO Nihonbashi Honcho	7	100.0	115	0.9	7	100.0	116	0.9
	PMO Nihonbashi Kayabacho (Note 4)	7	63.6	18	0.1	-	-	-	-
	Otemachi Tatemono Gotanda Bldg.	11	96.4	229	1.8	12	100.0	221	1.7
	NRE Higashi-nihonbashi Bldg.	7	100.0	117	0.9	6	89.6	137	1.1
	PMO Akihabara	5	100.0	121	0.9	5	100.0	114	0.9
	Hatchobori NF Bldg.	8	100.0	85	0.7	8	100.0	73	0.6
	NOF Kanda Iwamoto-cho Bldg.	8	100.0	109	0.8	6	88.2	124	0.9
	NOF Takanawa Bldg.	14	100.0	107	0.8	14	100.0	109	0.8
	PMO Hatchobori	7	87.5	73	0.6	7	100.0	88	0.7
	NOF Minami-Shinjuku Bldg.	6	100.0	85	0.7	5	100.0	88	0.7
PMO Nihonbashi Odenmachi	9	100.0	72	0.6	9	100.0	71	0.5	
Central Shintomicho Bldg.	6	100.0	50	0.4	5	87.4	51	0.4	
PMO Higashi-nihonbashi	7	100.0	59	0.5	7	100.0	55	0.4	
Subtotal	345	97.2	(Note 3)	(Note 3)	325	96.0	(Note 3)	(Note 3)	
Suburban Tokyo	NRE Ueno Bldg.	9	100.0	210	1.6	10	100.0	212	1.6
	Technoport Kamata Center Bldg.	15	81.1	265	2.0	16	93.9	272	2.1
	NF Hongo Building	1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
	Toho Edogawabashi Bldg.	8	94.5	46	0.4	8	94.5	39	0.3
	Toshin Meguro Bldg.	7	100.0	34	0.3	7	100.0	8	0.1
	Crystal Park Bldg.	10	98.6	118	0.9	12	98.6	127	1.0
	NOF Kichijoji Honcho Bldg.	8	100.0	66	0.5	8	100.0	68	0.5
	Faret Tachikawa Center Square	17	100.0	208	1.6	17	100.0	207	1.6
	NOF Kawasaki Higashiguchi Bldg.	31	100.0	295	2.3	30	96.7	295	2.3
	NOF Yokohama Nishiguchi Bldg.	36	100.0	216	1.7	36	97.2	227	1.7
	NOF Shin-Yokohama Bldg.	9	100.0	156	1.2	9	100.0	154	1.2
	Yokohama Odori Koen Bldg.	17	93.2	96	0.7	16	93.9	99	0.8
	Subtotal	168	95.3	(Note 3)	(Note 3)	170	97.4	(Note 3)	(Note 3)
	Other Cities	Sapporo North Plaza	50	100.0	339	2.6	50	100.0	343
NRE Sapporo Bldg.		3	100.0	162	1.2	5	87.5	185	1.4
JCB Sapporo Higashi Bldg.		1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
NOF Sendai Aoba-dori Bldg.		38	95.6	133	1.0	36	93.2	134	1.0
NOF Utsunomiya Bldg.		29	95.8	148	1.1	29	100.0	151	1.2
NOF Nagoya Fushimi Bldg.		15	96.6	78	0.6	14	93.3	78	0.6
NOF Nagoya Yanagibashi Bldg.		17	100.0	118	0.9	17	100.0	118	0.9
Omron Kyoto Center Bldg.		1	100.0	(Note 2)	(Note 2)	1	100.0	(Note 2)	(Note 2)
SORA Shin-Osaka 21		38	98.5	516	4.0	36	98.4	517	4.0
NRE Osaka Bldg.		25	100.0	401	3.1	25	100.0	414	3.2
NRE Nishi-Umeda Bldg.		17	100.0	150	1.2	15	93.8	161	1.2
NRE Yotsubashi Bldg.		17	99.0	230	1.8	20	100.0	233	1.8
NRE Hiroshima Bldg.		20	97.7	168	1.3	21	98.2	171	1.3
NOF Hakata Ekimae Bldg.		51	94.8	184	1.4	49	94.0	189	1.4
NOF Tenjin-Minami Bldg.		27	100.0	88	0.7	26	97.9	84	0.6
Subtotal	349	99.0	(Note 3)	(Note 3)	345	98.2	(Note 3)	(Note 3)	
Grand Total	862	97.5	13,105 (Note 5)	100.0	840	97.1	13,105 (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, PMO Nihonbashi Honcho, PMO Nihonbashi Kayabacho, PMO Akihabara, PMO Hatchobori, PMO Nihonbashi Odenmachi, 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. For Kojimachi Millennium Garden, the number of tenants is the number of tenants in the entire building, calculated by counting the master tenant as the number of tenants in the residence section because there is a master lease agreement 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, and then adding to this one tenant count the total number of end tenants in the office section.

Note 2: Not disclosed due to compelling reasons.

Note 3: Subtotals of "Rental Revenues" and "Portion of Rental Revenues" for each area are not disclosed due to compelling reasons.

Note 4: PMO Nihonbashi Kayabacho was acquired on March 3, 2015, and "Real Estate Rental Revenues" for the 23rd fiscal period is the amount after the acquisition date.

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 April 30, 2015 are as follows.

Segment	Type of Transaction	Contract Amount (¥ mln) (Note 1)		Current Price (¥ mln) (Note 2)
		Longer than a Year		
Transaction other than market transaction	Interest-rate swap (Receiving floating-rate, paying fixed-rate)	98,600	93,100	-942
	Total	98,600	93,100	-942

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 April 30, 2015.

6. STATUS OF ASSETS BY COUNTRY AND REGION

The Company had no assets in countries or regions outside Japan.

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 April 30, 2015. 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 23rd Period	Paid before 23rd 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)	61	350
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renewal of central monitoring panel (To increase quality) (Note 1)	From: Jul. 2014 To: Oct. 2017	345 (Note 2)	-	-
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Long-cycle earthquake countermeasure work (To increase quality) (Note 1)	From: Feb. 2015 To: Sep. 2016	976 (Note 2)	-	-
Otemachi Tatemono Gotanda Bldg. (Nishi Gotanda, Shinagawa-ku)	Renewal of air conditioning system (To increase quality) (Note 1)	From: Jan. 2015 To: Jan. 2016	275	-	-
NRE Ueno Bldg. (Taito-ku, Tokyo)	Repair work for air conditioning system (To increase quality) (Note 1)	From: Nov. 2013 To: Dec. 2014	216	101	115
NOF Kawasaki Higashiguchi Bldg. (Kawasaki-ku, Kawasaki City)	Repair work for air conditioning system (To increase quality) (Note 1)	From: Nov. 2015 To: May 2017	345	123	123
SORA Shin-Osaka 21 (Yodogawa-ku, Osaka City)	Renewal of air conditioning system (To increase quality) (Note 1)	From: Oct. 2014 To: May. 2015	240	120	-
NRE Osaka Bldg. (Chuo-Ku, Osaka City)	Renewal of air conditioning system (To increase quality) (Note 1)	From: Dec. 2013 To: May 2015	152	44	77

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 TWENTY-THIRD FISCAL PERIOD

The table below lists capital expenditures during the 23rd fiscal period in conjunction with the major works of renovation. During the period, we have conducted engineering works totalling ¥2,155 million: capital expenditures of ¥1,525 million and repair expenses of ¥630 million combined all together.

Name of Property (Location)	Description of Works (Purpose)	Period of Works		Cost of Works (¥ mln)
		From:	To:	
Tennozu Park Side Bldg. (Higashi-Shinagawa, Shinagawa-ku)	Renewal of central monitoring panel (To increase quality) (Note 1)	From: Jul. 2014 To: Apr. 2015		87
NRE Ueno Bldg. (Taito-ku, Tokyo)	Repair work for air conditioning system (To increase quality)	From: Aug. 2014 To: Jan. 2015		79
NOF Kawasaki Higashiguchi Bldg. (Kawasaki-ku, Kawasaki City)	Repair work for air conditioning system (To increase quality)	From: Aug. 2014 To: Dec. 2014		121
NOF Yokohama Nishiguchi Bldg. (Nishi-ku, Yokohama City)	Renovation of passenger elevator control system (To increase quality)	From: Feb. 2015 To: Apr. 2015		60
SORA Shin-Osaka 21 (Yodogawa-ku, Osaka City)	Renewal of air conditioning system (To increase quality)	From: Oct. 2014 To: Jan. 2015		114
Other Properties	Improvement of features	From: May 2014 To: Apr. 2014		1,061
Total				1,525

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.

		23rd Period from Nov 1, 2014 to Apr. 30, 2015	22nd Period from May 1, 2014 to Oct. 31, 2014	21st Period from Nov 1, 2013 to Apr. 30, 2014	20th Period from May 1, 2013 to Oct. 31, 2013	19th Period from Nov 1, 2012 to Apr. 30, 2013
Balance brought forward from the previous period	(¥ mln)	2,244	1,704	1,501	2,145	1,816
Amount reserved during the period	(¥ mln)	1,989	1,919	1,885	1,304	1,822
Amount used during the period	(¥ mln)	1,918	1,379	1,683	1,947	1,494
Balance brought forward to the next period	(¥ mln)	2,315	2,244	1,704	1,501	2,145

Expenses and Liabilities

1. EXPENSES RELATED TO ASSET MANAGEMENT

		23rd Period from Nov 1, 2014 to Apr. 30, 2015	22nd Period from May 1, 2014 to Oct. 31, 2014
Asset management fees (Note)	(¥000)	1,043,927	1,070,098
of which Management Fee I	(¥000)	756,112	767,004
of which Management Fee II	(¥000)	287,815	303,093
of which Management Fee III	(¥000)	-	-
Custodian fees	(¥000)	30,086	30,051
General administrative fees	(¥000)	79,926	70,565
Directors' compensation	(¥000)	7,200	7,200
Other expenses	(¥000)	116,252	82,953
Total	(¥000)	1,277,393	1,260,870

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 April 30, 2015 is as follows.

Financial Institutions	Date Borrowed	Outstanding as of Apr. 30, 2015 (¥000)	Outstanding as of Nov. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
Current-portion of Long-term Borrowings								
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Dec. 24, 2009	-	1,800,000	1.55800	Dec. 24, 2014	Bullet Repayment	(Note 2)	Unsecured/Uninsured
Mizuho Bank, Ltd.		-	2,400,000					
Mitsubishi UFJ Trust and Banking Corp.		-	500,000					
The Bank of Fukuoka, Ltd.		-	650,000					
The Dai-ichi Life Insurance Company, Limited.	Feb. 26, 2008	-	3,000,000	1.91875	Feb. 26, 2015			
The Norinchukin Bank, Ltd.	Feb. 26, 2010	-	3,000,000	1.69300	Feb. 26, 2015			
Taiyo Life Insurance Company	Jun. 24, 2008	1,000,000	1,000,000	2.31750	Jun. 24, 2015			
Sumitomo Life Insurance Company		3,000,000	3,000,000					
Development Bank of Japan, Inc.		4,000,000	4,000,000					
Sompo Japan Nipponkoa Insurance Inc.	Aug. 26, 2010	1,000,000	1,000,000	1.31125	Aug. 26, 2015			
THE NISHI-NIPPON CITY BANK, LTD.	Feb. 26, 2013	1,500,000	1,500,000	0.52000	Aug. 27, 2015			
The Chiba Bank, Ltd.	Aug. 27, 2013	1,000,000	1,000,000	0.52182	Aug. 27, 2015			
The Chugoku Bank, Ltd.	Dec. 27, 2012	500,000	-	0.55000	Dec. 26, 2015			
Sumitomo Mitsui Trust Bank, Ltd.	Feb. 27, 2012	3,000,000	-	0.90800	Feb. 27, 2016			
The Nomura Trust and Banking Co., Ltd.		2,000,000	-					
The Hiroshima Bank, Ltd.		500,000	-					
Development Bank of Japan, Inc.	Jun. 25, 2009	500,000	500,000	1.97000	(Note 3)	(Note 3)		
Subtotal		18,000,000	24,350,000					
Total Short-term Borrowings		18,000,000	24,350,000					

Financial Institutions	Date Borrowed	Outstanding as of Apr. 30, 2015 (¥000)	Outstanding as of Nov. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
Long-term Borrowings								
The Chugoku Bank, Ltd.	Dec. 27, 2012	-	500,000	0.55000	Dec. 26, 2015	Bullet Repayment	(Note 2)	Unsecured/Uninsured
Sumitomo Mitsui Trust Bank, Ltd.	Feb. 27, 2012	-	3,000,000	0.90800	Feb. 27, 2016			
The Nomura Trust and Banking Co., Ltd.		-	2,000,000					
The Hiroshima Bank, Ltd.		-	500,000					
Mitsui Sumitomo Insurance Co., Ltd.	Jun. 24, 2013	1,000,000	1,000,000	0.59273	May 26, 2016			
Mitsubishi UFJ Trust and Banking Corp.	Aug. 26, 2011	1,000,000	1,000,000	1.10100	Aug. 26, 2016			
The Chugoku Bank, Ltd.		1,000,000	1,000,000					
Resona Bank, Ltd.		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corp.	Sep. 25, 2012	1,000,000	1,000,000	0.79750	Aug. 26, 2016			
Sumitomo Mitsui Trust Bank, Ltd.		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corp.	Mar. 27, 2014	1,500,000	1,500,000	0.50000	Aug. 26, 2016			
Sumitomo Mitsui Trust Bank, Ltd.		1,500,000	1,500,000					
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	1,000,000	0.88700	Feb. 26, 2017			
The Iyo Bank, Ltd.		500,000	500,000					
The Bank of Yokohama, Ltd.		500,000	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Mar. 27, 2014	1,500,000	1,500,000	0.55000	Feb. 26, 2017			
Mizuho Bank, Ltd.		1,500,000	1,500,000					
Mizuho Bank, Ltd.		1,500,000	1,500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Mar. 11, 2015	1,300,000	-	0.45000	Mar. 11, 2017			
Mizuho Bank, Ltd.		1,300,000	-					
Mitsubishi UFJ Trust and Banking Corp.		800,000	-					
Sumitomo Mitsui Trust Bank, Ltd.		800,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mizuho Bank, Ltd.	Jun. 10, 2011	3,000,000	3,000,000	1.43500	Jun. 10, 2017			
Mizuho Bank, Ltd.		900,000	900,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Feb. 27, 2012	2,000,000	2,000,000	1.12850	Aug. 27, 2017			
Mitsubishi UFJ Trust and Banking Corp.		2,000,000	2,000,000					
Sumitomo Mitsui Trust Bank, Ltd.		1,000,000	1,000,000					
The Iyo Bank, Ltd.		3,000,000	3,000,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Jun. 25, 2012	5,600,000	5,600,000	1.03775	Dec. 26, 2017			
Mitsubishi UFJ Trust and Banking Corp.		4,500,000	4,500,000					
Sumitomo Mitsui Trust Bank, Ltd.		1,400,000	1,400,000					
The Hyakujushi Bank, Ltd.		900,000	900,000					
The Hyakujushi Bank, Ltd.		500,000	500,000					

Financial Institutions	Date Borrowed	Outstanding as of Apr. 30, 2015 (¥000)	Outstanding as of Nov. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Feb. 28, 2011	1,000,000	1,000,000	1.84650	Feb. 26, 2018	Bullet Repayment	(Note 2)	Unsecured/Uninsured			
The Chugoku Bank, Ltd.	Jun. 24, 2013	2,000,000	2,000,000	1.09000	Jun. 26, 2018						
The Bank of Fukuoka, Ltd.	Aug. 24, 2013	2,000,000	2,000,000	1.03500	Aug. 26, 2018						
Mitsubishi UFJ Trust and Banking Corp. The Iyo Bank, Ltd.	Dec. 9, 2013	1,000,000 1,000,000	1,000,000 1,000,000	0.93600	Nov. 26, 2018						
The Hachijuni Bank, Ltd. The Hiroshima Bank, Ltd. The Keiyo Bank, Ltd.	Jun. 10, 2014	1,000,000 1,000,000 1,000,000	1,000,000 1,000,000 1,000,000	0.77650	Nov. 26, 2018						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp. Mizuho Bank, Ltd.	Mar. 16, 2012	1,250,000 1,250,000 500,000	1,250,000 1,250,000 500,000	1.44450	Feb. 26, 2019						
Sumitomo Life Insurance Company	Mar. 19, 2014	2,000,000	2,000,000	0.90759	Feb. 26, 2019						
Mizuho Trust & Banking Co., Ltd. The Chugoku Bank, Ltd. The Bank of Fukuoka, Ltd. The Hyakujushi Bank, Ltd. THE NISHI-NIPPON CITY BANK, LTD. Aozora Bank, Ltd. Resona Bank, Ltd. Shinkin Central Bank	Mar. 27, 2014	1,000,000 500,000 500,000 300,000 500,000 1,000,000 1,000,000 500,000	1,000,000 500,000 500,000 300,000 500,000 1,000,000 1,000,000 500,000	0.87695	Feb. 26, 2019						
Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. Aozora Bank, Ltd.	Aug. 27, 2012	1,700,000 3,500,000 500,000	1,700,000 3,500,000 500,000	1.25200	Aug. 26, 2019						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Aug. 27, 2012	2,200,000	2,200,000	1.22000	Aug. 26, 2019						
Taiyo Life Insurance Company Daido Life Insurance Company Mitsui Life Insurance Co., Ltd.	Aug. 27, 2012	1,000,000 500,000 1,000,000	1,000,000 500,000 1,000,000	1.27625	Aug. 26, 2019						
The Iyo Bank, Ltd. The Hachijuni Bank, Ltd. The Hyakujushi Bank, Ltd. The 77 Bank, Ltd. Resona Bank, Ltd.	Aug. 26, 2014	1,000,000 1,000,000 700,000 1,500,000 500,000	1,000,000 1,000,000 700,000 1,500,000 500,000	0.81080	Aug. 26, 2019						
Sumitomo Mitsui Banking Corp. Mitsubishi UFJ Trust and Banking Corp. Sumitomo Mitsui Trust Bank, Ltd.	Mar. 27, 2014	2,750,000 1,500,000 1,500,000	2,750,000 1,500,000 1,500,000	1.01150	Feb. 26, 2020						
Development Bank of Japan, Inc.	Aug. 27, 2012	1,100,000	1,100,000	1.53674	Aug. 26, 2020						
Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corp. The Nomura Trust and Banking Co., Ltd. Shinkin Central Bank	Feb. 26, 2014	500,000 500,000 2,000,000 1,500,000	500,000 500,000 2,000,000 1,500,000	1.08100	Aug. 26, 2020						
Mizuho Trust & Banking Co., Ltd. The Dai-ichi Life Insurance Company, Limited. Development Bank of Japan, Inc.	Feb. 26, 2013	2,000,000 2,000,000 1,000,000	2,000,000 2,000,000 1,000,000	1.35250	Feb. 26, 2021						
Taiyo Life Insurance Company Daido Life Insurance Company	Mar. 19, 2014	1,000,000 1,000,000	1,000,000 1,000,000	1.19211	Feb. 26, 2021						
The Norinchukin Bank, Ltd.	Feb. 26, 2015	3,000,000	-	0.86350	Feb. 26, 2021						
Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corp. Sumitomo Mitsui Trust Bank, Ltd.	Mar. 3, 2015	720,000 700,000 700,000	- - -	0.85050	Feb. 26, 2021						
Sumitomo Mitsui Banking Corp. Mizuho Bank, Ltd.	Mar. 27, 2014	2,750,000 1,430,000	2,750,000 1,430,000	1.23920	Jul. 26, 2021						
Sumitomo Mitsui Banking Corp.	Dec. 9, 2013	3,500,000	3,500,000	1.48300	Jan. 26, 2022						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mar. 27, 2014	2,750,000	2,750,000	1.29600	Feb. 26, 2022						
Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Ltd.	Aug. 26, 2014	3,000,000 1,000,000	3,000,000 1,000,000	1.16000	Feb. 26, 2022						
The Dai-ichi Life Insurance Company, Limited.	Feb. 26, 2015	3,000,000	-	1.09133	Aug. 26, 2022						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 24, 2014	1,800,000	-	1.05000	Nov. 26, 2022						
Sumitomo Mitsui Banking Corp. Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corp. The Bank of Fukuoka, Ltd.	Dec. 24, 2014	2,400,000 500,000 650,000 1,000,000	- - - -	1.11000	Nov. 26, 2022						
Sumitomo Mitsui Banking Corp.	Mar. 3, 2015	1,000,000	-	1.15850	Aug. 26, 2023						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mar. 3, 2015	1,000,000	-	1.14850	Aug. 26, 2023						
Development Bank of Japan, Inc.	Mar. 3, 2015	1,000,000	-	1.18032	Aug. 26, 2023						
The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corp.	Dec. 9, 2013	1,000,000 1,000,000	1,000,000 1,000,000	1.75900	Nov. 26, 2023						
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Mar. 27, 2014	2,750,000	2,750,000	1.59400	Feb. 26, 2024						
Development Bank of Japan, Inc.	Jun. 25, 2009	6,750,000	7,000,000	1.97000	(Note 3)				(Note 3)		
Subtotal		144,450,000	128,230,000								
Total		162,450,000	152,580,000								

- 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 April 30, 2015 is as follows.

Name of Bonds	Issue Date	Balance as of Apr. 30, 2015 (¥ mln)	Balance as of Nov. 1, 2014 (¥ mln)	Interest Rate (%)	Maturity Date	Method of Repayment	Use of Proceeds	Note
First Series Unsecured Investment Corporation Bonds	Mar. 16, 2005	-	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	Bullet Repayment	(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	0.94	Nov. 26, 2014			
Ninth Series Unsecured Investment Corporation Bonds	Nov. 26, 2010	4,000	4,000	1.52	Nov. 24, 2017			
Tenth Series Unsecured Investment Corporation Bonds	Nov. 25, 2014	6,000	-	1.02	Nov. 25, 2024			
Total		34,500	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 23rd fiscal period.

5. STATUS OF ACQUISITION RIGHTS FOR NEW INVESTMENT UNITS

There are no outstanding acquisition rights for new investment units as of the end of the 23rd fiscal period.

Trading during the 23rd Fiscal Period

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

Type of Asset	Name of Property	Acquisition		Transfer			
		Date	Price (¥ mln) (Note)	Date	Price (¥ mln) (Note)	Book Value (¥ mln)	Gain (Loss) (¥ mln)
Real Estate	PMO Nihonbashi Kayabacho	Mar.3, 2015	4,910	-	-	-	-

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

2. STATUS OF OTHER ASSETS

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

3. PRICE INVESTIGATION

(1) Real Estates

Acquisition /Transfer	Type of Asset	Name of Property	Acquisition/Transfer		Appraisal Value (¥ mln) (Note2)	Appraiser	Appraisal Date
			Date	Price(¥ mln) (Note1)			
Acquisition	Real Estate	PMO Nihonbashi Kayabacho	Mar.3, 2015	4,910	4,960	Japan Real Estate Institute	Nov. 30, 2014

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

(2) Others

No properties the Company has traded but not included in the above table "(1) Real Estates," were requested the price investigation procedures pursuant to the provision of Article 201 of the Investment Trust Act.

4. TRANSACTIONS WITH RELATED PARTIES

(1) Transactions

Table of transactions in respect of specified assets entered into with related parties during the 23rd fiscal period is as follows.

Total amount	Purchase (¥000) (%)		Sale (¥000) (%)	
		4,910,000		-
	Amount purchased from related parties		Amount sold to related parties	
	4,910,000 (100.0%)		- (- %)	
Details of transaction with related parties and major shareholders				
Nomura Real Estate Development Co., Ltd.	4,910,000 (100.0%)		- (- %)	

(Note) 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.

(2) Fees Paid to Related Parties

Table of fees paid to related parties during the 23rd 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 Real Estate Development Co., Ltd.	300		0.0
	Nomura Real Estate Partners Co., Ltd. (Note 1)	776,225	1,250,388	62.1
Property management fees	Nomura Real Estate Development Co., Ltd.	173,965		65.7
	Nomura Real Estate Partners Co., Ltd.	26,989	264,753	10.2
Other expenses	Nomura Real Estate Development Co., Ltd.	54,797		39.0
	Nomura Real Estate Partners Co., Ltd.	20,883	140,676	14.8

Note 1: 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 2: Besides the above, the Company has made the following payments for repair works during the nineteenth fiscal period.

Name of Related Party	Amount Paid (¥000)
Nomura Real Estate Development Co., Ltd.	43,715
Nomura Real Estate Partners Co., Ltd.	963,896

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.	33,679
NRE Tennozu Bldg.	Nomura Real Estate Development Co., Ltd.	18,173
Tennozu Park Side Bldg.	Nomura Real Estate Development Co., Ltd.	10,143
NOF Shibuya Koen-dori Bldg.	Nomura Real Estate Development Co., Ltd.	4,211
Secom Medical Bldg.	Nomura Real Estate Development Co., Ltd.	3,902
Nishi-Shinjuku Showa Bldg.	Nomura Real Estate Development Co., Ltd.	6,408
NRE Shibuya Dogenzaka Bldg.	Nomura Real Estate Development Co., Ltd.	2,411
NOF Tameike Bldg.	Nomura Real Estate Development Co., Ltd.	3,650
NOF Shinagawa Konan Bldg.	Nomura Real Estate Development Co., Ltd.	3,778
NOF Surugadai Plaza Bldg.	Nomura Real Estate Development Co., Ltd.	3,299
PMO Nihonbashi Honcho	Nomura Real Estate Development Co., Ltd.	2,897
PMO Nihonbashi Kayabacho	Nomura Real Estate Development Co., Ltd.	736
NRE Higashi-nihonbashi Bldg.	Nomura Real Estate Development Co., Ltd.	2,716
PMO Akihabara	Nomura Real Estate Development Co., Ltd.	3,096
Hatchobori NF Bldg.	Nomura Real Estate Development Co., Ltd.	1,807
PMO Hatchobori	Nomura Real Estate Development Co., Ltd.	1,845
NOF Minami-Shinjuku Bldg.	Nomura Real Estate Development Co., Ltd.	1,983
PMO Nihonbashi Odenmachi	Nomura Real Estate Development Co., Ltd.	1,908
PMO Higashi-nihonbashi	Nomura Real Estate Development Co., Ltd.	1,586
NRE Ueno Bldg.	Nomura Real Estate Development Co., Ltd.	4,524
NOF Technoport Kamata Center Bldg.	Nomura Real Estate Development Co., Ltd.	5,908
NOF Kichijoji Honcho Bldg.	Nomura Real Estate Development Co., Ltd.	1,483
Faret Tachikawa Center Square	Nomura Real Estate Development Co., Ltd.	4,809
NOF Yokohama Nishiguchi Bldg.	Nomura Real Estate Development Co., Ltd.	4,793
NOF Shin-Yokohama Bldg.	Nomura Real Estate Development Co., Ltd.	3,597
NRE Sapporo Bldg.	Nomura Real Estate Development Co., Ltd.	3,536
Omron Kyoto Center Bldg.	Nomura Real Estate Development Co., Ltd.	14,477
NRE Osaka Bldg.	Nomura Real Estate Development Co., Ltd.	11,364
NRE Nishi-Umeda Bldg.	Nomura Real Estate Development Co., Ltd.	3,427
NRE Yotsubashi Bldg.	Nomura Real Estate Development Co., Ltd.	7,805
Kojimachi Millennium Garden	Nomura Real Estate Partners Co., Ltd.	4,899
NOF Shinjuku Minamiguchi Bldg.	Nomura Real Estate Partners Co., Ltd.	3,262
NOF Takanawa Bldg.	Nomura Real Estate Partners Co., Ltd.	2,325
Central Shintomicho Bldg.	Nomura Real Estate Partners Co., Ltd.	1,677
Toshin Meguro Bldg.	Nomura Real Estate Partners Co., Ltd.	600
NOF Kawasaki Higashiguchi Bldg.	Nomura Real Estate Partners Co., Ltd.	5,099
NOF Utsunomiya Bldg.	Nomura Real Estate Partners Co., Ltd.	3,915
NOF Nagoya Yanagibashi Bldg.	Nomura Real Estate Partners Co., Ltd.	2,242
NRE Hiroshima Bldg.	Nomura Real Estate Partners Co., Ltd.	2,968

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 April 30, 2015.

Other Information

1. NOTICE

Summary of conclusions and changes in major contracts approved at the Board of Directors meetings held during the 23rd fiscal period is as follows.

Date of approval	Agenda	Summary
November 14, 2014	Partial change to investment unit work proxy entrustment agreement	Changes were made to the calculation method of “notification enclosure shipping charges” of the fee statement stipulated in the investment unit work proxy entrustment agreement concluded with the custodian of unitholders’ register as of December 19, 2008.

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

Not applicable.

3. STATUS OF COMPANIES OWNING REAL ESTATE OVERSEAS AND OF SUCH REAL ESTATE

Not applicable.

4. 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 April 30, 2015	As of October 31, 2014
ASSETS		
Current Assets:		
Cash and bank deposits	¥31,748,707	¥32,193,947
Rental receivables	203,952	232,072
Consumption taxes receivable	6,850	-
Other current assets	447,534	451,538
Total current assets	32,407,043	32,877,557
Property and Equipment, at Cost:		
Land	291,153,859	287,690,338
Buildings and structures	142,057,639	139,227,473
Machinery and equipment	1,837,420	1,732,614
Tools, furniture and fixtures	481,645	445,337
Leased assets	43,692	43,692
Construction in progress	106,540	42,694
Subtotal	435,680,795	429,182,148
Less accumulated depreciation	(33,972,306)	(32,159,464)
Net property and equipment	401,708,489	397,022,684
Investments and Other Assets:		
Leasehold rights	5,132,927	5,132,927
Intangible assets	726	742
Long-term prepaid expenses	110,492	143,652
Security deposits	410,890	410,890
Deferred investment corporation bond issuance costs	90,457	56,204
Total investments and other assets	5,745,492	5,744,415
Total Assets	¥439,861,024	¥435,644,656

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

As of April 30, 2015

As of October 31, 2014

LIABILITIES**Current Liabilities:**

Trade accounts payable	¥ 935,980	¥ 894,436
Other accounts payable	1,380,260	1,250,249
Current portion of investment corporation bonds	10,000,000	11,000,000
Current portion of long-term debt	18,000,000	24,350,000
Accrued expenses	557,803	606,338
Accrued income taxes	290	752
Accrued consumption taxes	-	596,342
Rent received in advance	1,898,264	1,917,534
Other current liabilities	84,901	340,236
Total current liabilities	32,857,498	40,955,887

Long-term Liabilities:

Investment corporation bonds	24,500,000	28,500,000
Long-term debt	144,450,000	128,230,000
Security deposits from tenants	22,834,113	22,407,255
Other long-term liabilities	21,256	25,581
Total long-term liabilities	191,805,369	179,162,836

Total Liabilities**224,662,867****220,118,723****NET ASSETS****Unitholders' Equity:**

Unitholders' capital	211,430,494	211,430,493
Surplus		
Voluntary reserve		
Reserve for reduction entry	154,177	154,177
Retained earnings	3,613,486	3,941,262
Total surplus	3,767,663	4,095,439
Total unitholders' equity	215,198,157	215,525,933
Total Net Assets	215,198,157	215,525,933

Total Liabilities and Net Assets**¥439,861,024****¥435,644,656**

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 November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Operating Revenues and Expenses		
Operating Revenues:		
Real estate rental revenues	¥13,025,024	¥13,105,730
	13,025,024	13,105,730
Operating Expenses:		
Real estate rental expenses	6,597,381	6,403,536
Asset management fees	1,043,927	1,070,099
Administrative service and custodian fees	110,013	100,618
Other operating expenses	123,452	90,153
	7,874,773	7,664,406
Operating Profit	5,150,251	5,441,324
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	3,173	2,927
Other non-operating revenues	13,752	8,539
	16,925	11,466
Non-Operating Expenses:		
Interest expense	929,997	951,321
Loan arrangement fees	109,392	96,363
Interest expense on investment corporation bonds	377,792	392,608
Amortization of investment corporation bond issuance costs	8,955	9,809
Other non-operating expenses	126,621	60,101
	1,552,757	1,510,202
Ordinary Income	3,614,419	3,942,588
Income before Income Taxes	3,614,419	3,942,588
Income Taxes:		
Current	935	1,346
Deferred	21	(20)
Net Income	3,613,463	3,941,262
Retained earnings brought forward	23	-
Retained Earnings at End of Period	¥3,613,486	¥3,941,262

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

Statement of Changes in Net Assets

For the period from November 1, 2014 to April 30, 2015

							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, 2014	372,553	¥211,430,494	¥154,177	¥3,941,262	¥4,095,439	¥215,525,933	¥215,525,933
Cash distribution paid	-	-	-	(3,941,239)	(3,941,239)	(3,941,239)	(3,941,239)
Net income	-	-	-	3,613,463	3,613,463	3,613,463	3,613,463
Balance as of April 30, 2015	372,553	¥211,430,494	¥154,177	¥3,613,486	¥3,767,663	¥215,198,157	¥215,198,157

For the period from May 1, 2014 to October 31, 2014

							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, 2014	372,553	¥211,430,494	¥249,698	¥3,630,009	¥3,879,707	¥215,310,201	¥215,310,201
Reversal of reserve for reduction entry	-	-	(95,521)	95,521	-	-	-
Cash distribution paid	-	-	-	(3,725,530)	(3,725,530)	(3,725,530)	(3,725,530)
Net income	-	-	-	3,941,262	3,941,262	3,941,262	3,941,262
Balance as of October 31, 2014	372,553	¥211,430,494	¥154,177	¥3,941,262	¥4,095,439	¥215,525,933	¥215,525,933

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

Statement of Cash Flows

	Thousands of Yen	
	For the period from November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Cash Flows		
Cash Flows from Operating Activities		
Income before income taxes	¥3,614,419	¥3,942,588
Depreciation	1,845,127	1,806,384
Amortization of long-term prepaid expenses	10,918	10,862
Amortization of investment corporation bonds issuance costs	8,955	9,809
Interest income	(3,173)	(2,927)
Interest expense	1,307,789	1,343,929
Loss on disposal of property and equipment	25,095	3,129
Decrease (Increase) in rental receivables	28,120	(18,808)
Decrease (Increase) in consumption taxes receivable	(6,850)	135,536
Increase in trade accounts payable	41,458	194,794
Increase (Decrease) in other accounts payable	(74,739)	57,167
Increase (Decrease) in accrued consumption taxes	(596,342)	596,342
(Decrease) in rent received in advance	(19,270)	(1,590)
Changes in other current assets/liabilities	(228,374)	195,032
Subtotal	5,953,133	8,272,247
Interest received	3,173	2,927
Interest paid	(1,356,078)	(1,306,627)
Income taxes paid	(1,396)	(1,018)
Net cash provided by operating activities	4,598,832	6,967,529
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(6,358,727)	(1,072,282)
Reimbursement of security deposits to tenants	(716,858)	(766,083)
Proceeds from security deposits from tenants	1,143,716	534,973
Net cash used in investing activities	(5,931,869)	(1,303,392)
Cash Flows from Financing Activities		
Proceeds from long-term debt	22,470,000	11,700,000
Repayment of long-term debt	(12,600,000)	(11,950,000)
Proceeds from investment corporation bonds	6,000,000	-
Redemption of investment corporation bonds	(11,000,000)	-
Payment of investment corporation bonds issuance costs	(43,208)	-
Distributions to unitholders	(3,938,995)	(3,721,941)
Net cash (used in) provided by financing activities	887,797	(3,971,941)
Net Increase (Decrease) in Cash and Cash Equivalents	(445,240)	1,692,196
Cash and Cash Equivalents at Beginning of Period	32,193,947	30,501,751
Cash and Cash Equivalents at End of Period	¥31,748,707	¥32,193,947

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

Notes to Financial Statements

1. ORGANIZATION

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

On August 7, 2003, the Company was incorporated under the 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 April 30, 2015, the Company owned a portfolio of 55 office properties containing an aggregate of approximately 430,973.52 square meters of leasable area and leased office space to 840 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	3 - 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. The capitalized property related taxes amounted to ¥18,293 thousand for the six-month period ended April 30, 2015. No capitalized property related taxes were incurred for the six-month period ended October 31, 2014 .

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 April 30, 2015 and October 31, 2014 consist of the following:

	Thousands of Yen	
	As of April 30, 2015	As of October 31, 2014
Cash and bank deposits	¥31,748,707	¥32,193,947
Cash and cash equivalents	¥31,748,707	¥32,193,947

5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of April 30, 2015 and October 31, 2014 consist of the following:

	Thousands of Yen			
	As of April 30, 2015		As of October 31, 2014	
	Acquisition costs	Acquisition costs	Acquisition costs	Book value
Land	¥86,784,497	¥86,784,497	¥83,320,976	¥83,320,976
Buildings and structures	42,043,488	42,043,488	40,212,092	
Accumulated depreciation	(6,052,785)	(6,052,785)	(5,548,521)	34,663,571
Machinery and equipment	797,866	797,866	713,821	
Accumulated depreciation	(315,018)	(315,018)	(292,044)	421,777
Tools, furniture and fixtures	47,393	47,393	35,223	
Accumulated depreciation	(13,748)	(13,748)	(11,237)	23,986
Construction in progress	-	-	1,922	1,922
Land in trust	204,369,362	204,369,362	204,369,362	204,369,362
Buildings and structures in trust	100,014,151	100,014,151	99,015,381	
Accumulated depreciation	(26,667,142)	(26,667,142)	(25,433,793)	73,581,588
Machinery and equipment in trust	1,039,554	1,039,554	1,018,793	
Accumulated depreciation	(667,270)	(667,270)	(638,281)	380,512
Tools, furniture and fixtures in trust	434,252	434,252	410,114	
Accumulated depreciation	(240,495)	(240,495)	(223,759)	186,355
Leased assets in trust	43,692	43,692	43,692	
Accumulated depreciation	(15,848)	(15,848)	(11,829)	31,863
Construction in progress in trust	106,540	106,540	40,772	40,772
Total	¥401,708,489	¥401,708,489	¥397,022,684	¥397,022,684

6. SHORT-TERM DEBT

Short-term debt as of April 30, 2015 and October 31, 2014 consist of the following:

	Thousands of Yen			
	As of April 30, 2015		As of October 31, 2014	
	Amount	Weighted-average interest rate (Note 1)	Amount	Weighted-average interest rate (Note 1)
Unsecured loans from banks due on December 24, 2014	-	1.55800%	¥6,350,000	1.55800%
Unsecured loans from an insurance company due on February 26, 2015	-	1.91875%	3,000,000	1.91875%
Unsecured loans from a financial institution due on February 26, 2015	-	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 a bank due on August 27, 2015	1,500,000	0.52000%	1,500,000	0.53000%
Unsecured loans from a bank due on August 27, 2015	1,000,000	0.52182%	1,000,000	0.56000%
Unsecured loans from a bank due on December 26, 2015	500,000	0.55000%	-	-
Unsecured loans from banks due on February 27, 2016	5,500,000	0.90800%	-	-
Unsecured loans from a bank due on June 25, 2016 (Note 2)	500,000	1.97000%	500,000	1.97000%
Total	¥18,000,000		¥24,350,000	
Unsecured loans from banks due on December 24, 2014	-	1.55800%	¥6,350,000	1.55800%
Unsecured loans from an insurance company due on February 26, 2015	-	1.91875%	3,000,000	1.91875%
Unsecured loans from a financial institution due on February 26, 2015	-	1.69300%	3,000,000	1.69300%

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 credit facilities in the form of commitment lines with five financial institutions for the six-month periods ended April 30, 2015 and October 31, 2014. The total unused amounts of such credit facilities were ¥30,000 million as of April 30, 2015 and October 31, 2014.

7. LONG-TERM DEBT

Long-term debt as of April 30, 2015 and October 31, 2014 consist of the following:

	As of April 30, 2015		As of October 31, 2014	
	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 December 26, 2015	-	0.55000%	¥500,000	0.56000%
Unsecured loans from banks due on February 27, 2016	-	0.90800%	5,500,000	0.90800%
Unsecured loans from an insurance company due on May 26, 2016	¥1,000,000	0.59273%	1,000,000	0.63000%
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%	2,000,000	0.79750%
Unsecured loans from banks due on August 26, 2016	3,000,000	0.50000%	3,000,000	0.51000%
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%	2,000,000	0.88700%
Unsecured loans from banks due on February 26, 2017	4,500,000	0.55000%	4,500,000	0.56000%
Unsecured loans from banks due on March 11, 2017	5,000,000	0.45000%	-	-
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%	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 a bank due on June 26, 2018	2,000,000	1.09000%	2,000,000	1.09000%
Unsecured loans from a bank due on August 26, 2018	2,000,000	1.03500%	2,000,000	1.03500%
Unsecured loans from banks due on November 26, 2018	2,000,000	0.93600%	2,000,000	0.93600%
Unsecured loans from banks due on November 26, 2018	3,000,000	0.77650%	3,000,000	0.77650%
Unsecured loans from banks due on February 26, 2019	3,000,000	1.44450%	3,000,000	1.44450%
Unsecured loans from an insurance company due on February 26, 2019	2,000,000	0.90759%	2,000,000	0.90759%
Unsecured loans from banks due on February 26, 2019	5,300,000	0.87695%	5,300,000	0.87695%
Unsecured loans from banks due on August 26, 2019	5,700,000	1.25200%	5,700,000	1.25200%
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	2,200,000	1.22000%
Unsecured loans from insurance companies due on August 26, 2019	2,500,000	1.27625%	2,500,000	1.27625%
Unsecured loans from banks due on August 26, 2019	4,700,000	0.81080%	4,700,000	0.81080%
Unsecured loans from banks due on February 26, 2020	5,750,000	1.01150%	5,750,000	1.01150%
Unsecured loans from a bank due on August 26, 2020	1,100,000	1.53674%	1,100,000	1.53674%
Unsecured loans principally from banks due on August 26, 2020	4,500,000	1.08100%	4,500,000	1.08100%
Unsecured loans principally from banks due on February 26, 2021	5,000,000	1.35250%	5,000,000	1.35250%
Unsecured loans from insurance companies due on February 26, 2021	2,000,000	1.19211%	2,000,000	1.19211%
Unsecured loans from a financial institution due on February 26, 2021	3,000,000	0.86350%	-	-
Unsecured loans from banks due on February 26, 2021	2,120,000	0.85050%	-	-
Unsecured loans from banks due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
Unsecured loans from a bank due on January 26, 2022	3,500,000	1.48300%	3,500,000	1.48300%
Unsecured loans from a bank due on February 26, 2022	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from banks due on February 26, 2022	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from an insurance company due on August 26, 2022	3,000,000	1.09133%	-	-
Unsecured loans from a bank due on November 26, 2022	1,800,000	1.05000%	-	-
Unsecured loans from banks due on November 26, 2022	4,550,000	1.11000%	-	-
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.15850%	-	-
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.14850%	-	-
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.18032%	-	-
Unsecured loans from banks due on November 26, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from a bank due on June 25, 2016 (Note 2)	6,750,000	1.97000%	7,000,000	1.97000%
Total	¥144,450,000		¥128,230,000	

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

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

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

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
Long-term debt	28,250,000	26,800,000	19,300,000	20,850,000

8. INVESTMENT CORPORATION BONDS

Investment Corporation Bonds

Details of investment corporation bonds outstanding are summarized as follows:

	As of April 30, 2015		As of October 31, 2014	
	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	-	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	-	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%
Tenth Series of Unsecured Investment Corporation Bonds Due on November 25, 2024	6,000,000	1.02000%	-	-
Total	¥34,500,000		¥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	10,000,000	5,000,000	4,000,000	-	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 April 30, 2015 and October 31, 2014 were as follows:

	For the period from November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Net asset values per unit	¥577,631	¥578,511
Net income per unit	¥9,699	¥10,579

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 November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Net income (Thousands of Yen)	¥3,613,463	¥3,941,262
Amount not available to ordinary unitholders (Thousands of Yen)	-	-
Net income available to ordinary unitholders (Thousands of Yen)	¥3,613,463	¥3,941,262
Average number of units during the period	372,553	372,553

11. RELATED PARTY TRANSACTIONS

For the periods from November 1, 2014 to April 30, 2015 and from May 1, 2014 to October 31, 2014

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 34% for the six-month periods ended April 30, 2015 and October 31, 2014. 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 ¥3,613,391 thousand and ¥3,941,239 thousand for the six-month periods ended April 30, 2015 and October 31, 2014, respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes. The following summarizes the significant differences between the statutory tax rate and the effective tax rate:

	For the period from November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Statutory tax rate	34.15%	34.16%
Deductible cash distributions	(34.14)	(34.15)
Other	0.02	0.02
Effective tax rate	0.03%	0.03%

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 November 1, 2014 to April 30, 2015

The following table summarizes the carrying value and the estimated fair values of financial instruments as of April 30, 2015. 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	14,860,960	14,860,960	-
(ii) Cash and bank deposits in trust	16,887,747	16,887,747	-
Total assets	31,748,707	31,748,707	-
(iii) Current portion of investment corporation bonds	(10,000,000)	(10,097,200)	97,200
(iv) Current portion of long-term debt	(18,000,000)	(18,052,817)	52,817
(v) Investment corporation bonds	(24,500,000)	(26,153,660)	1,653,660
(vi) Long-term debt	(144,450,000)	(146,241,065)	1,791,065
Total liabilities	(196,950,000)	(200,544,742)	3,594,742
(vii) Derivative transactions	-	-	-

For the period from May 1, 2014 to October 31, 2014

The following table summarizes the carrying value and the estimated fair values of financial instruments as of October 31, 2014. 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	14,811,727	14,811,727	-
(ii) Cash and bank deposits in trust	17,382,220	17,382,220	-
Total assets	32,193,947	32,193,947	-
(iii) Current portion of investment corporation bonds	(11,000,000)	(11,029,333)	29,333
(iv) Current portion of long-term debt	(24,350,000)	(24,491,681)	141,681
(v) Investment corporation bonds	(28,500,000)	(30,303,349)	1,803,349
(vi) Long-term debt	(128,230,000)	(129,959,704)	1,729,704
Total liabilities	(192,080,000)	(195,784,067)	3,704,067
(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) Current portion of investment corporation bonds (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 ¥6,750,509 thousand as of October 31, 2014 and ¥6,802,594 thousand as of April 30, 2014) and security deposits in trust (with a carrying value of ¥15,656,746 thousand as of October 31, 2014 and ¥15,835,771 thousand as of April 30, 2014) 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 April 30, 2015

	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	14,860,960	-	-	-	-	-
Cash and bank deposits in trust	16,887,747	-	-	-	-	-
Total	31,748,707	-	-	-	-	-

Redemption schedule for cash and bank deposits and cash and bank deposits in trust as of October 31, 2014

	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	14,811,727	—	—	—	—	—
Cash and bank deposits in trust	17,382,220	—	—	—	—	—
Total	32,193,947	—	—	—	—	—

Note 5: Redemption schedule for investment corporation bonds and debt as of April 30, 2015

	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
Investment corporation bonds	10,000,000	5,000,000	4,000,000	—	5,000,000	10,500,000
Long-term debt	18,000,000	28,250,000	26,800,000	19,300,000	20,850,000	49,250,000
Total	28,000,000	33,250,000	30,800,000	19,300,000	25,850,000	59,750,000

: Redemption schedule for investment corporation bonds and debt as of October 31, 2014

	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
Investment corporation bonds	11,000,000	10,000,000	5,000,000	4,000,000	—	9,500,000
Long-term debt	24,350,000	22,000,000	20,400,000	17,900,000	30,400,000	37,530,000
Total	35,350,000	32,000,000	25,400,000	21,900,000	30,400,000	47,030,000

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 November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Carrying value		
Balance at beginning of period	¥402,155,611	¥402,801,560
Change during period	4,685,805	(645,949)
Balance at end of period	406,841,416	402,155,611
Fair value	¥356,868,000	¥348,841,000

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, 2015 was mainly due to the acquisitions of PMO Nihombashi Kayabacho (¥4,966,904 thousand).

Note 3: The fair value as of April 30, 2015 and October 31, 2014 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 April 30, 2015 and October 31, 2014 are presented in “16. Breakdown of Real Estate Rental Revenues and Expenses.”

15. SEGMENT INFORMATION

For the periods from November 1, 2014 to April 30, 2015 and from May 1, 2014 to October 31, 2014

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

(a) 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.

(b) 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 periods ended April 30, 2015 and October 31, 2014 consist of the following:

	Thousands of Yen	
	For the period from November 1, 2014 to April 30, 2015	For the period from May 1, 2014 to October 31, 2014
Real estate rental revenues	¥13,025,024	¥13,105,730
Rental revenues	11,601,464	11,747,351
Rental revenues	9,544,015	9,624,984
Common area charges	2,057,449	2,122,367
Other rental revenues	1,423,560	1,358,379
Parking revenues	279,111	274,831
Incidental income	858,926	998,174
Other miscellaneous revenues	285,523	85,374
Real estate rental expenses	6,597,381	6,403,536
Property management costs	1,250,389	1,246,782
Property management fees	264,754	247,817
Property and other taxes	1,139,644	1,156,612
Utility expenses	1,076,776	1,238,961
Casualty insurance	19,334	21,061
Repairs and maintenance	630,234	376,287
Depreciation	1,845,111	1,806,362
Other rental expenses	371,139	309,654
Real estate rental profits	¥6,427,643	¥6,702,194

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 April 30, 2015 and October 31, 2014 are summarized as follows:

	Thousands of Yen	
	As of April 30, 2015	As of October 31, 2014
Due within one year	¥4,663,012	¥4,025,198
Due after one year	10,877,237	12,136,777
Total	¥15,540,249	¥16,161,975

18. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of April 30, 2015

(1) There were no derivative financial instruments not applying hedge accounting.

(2) Derivative financial instruments applying 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	98,600,000	93,100,000	(*)	/

* 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").

Derivative transactions as of October 31, 2014

(1) There were no derivative financial instruments not applying hedge accounting.

(2) Derivative financial instruments applying 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	97,280,000	87,930,000	(*)	/

* 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").

19. SIGNIFICANT SUBSEQUENT EVENTS

Merger with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Residential Fund, Inc.

NOF, Nomura Real Estate Master Fund, Inc. ("NMF") and Nomura Real Estate Residential Fund, Inc. ("NRF"; and NMF, NOF and NRF are individually referred to as the "Consolidated Investment Corporation" hereinafter) respectively have determined at each of the board of directors meetings held on May 27, 2015 to implement a consolidation-type merger (the "Merger"), whereby October 1, 2015 is set as the date of incorporation of investment corporation (the "New Investment Corporation") incorporated through the consolidation-type merger, and that the companies have entered into a merger agreement (the "Merger Agreement") dated May 27, 2015. A proposal of the Merger Agreement is planned to be submitted for approval at the general meeting of unitholders scheduled to be held on July 30, 2015. The name of the new company following the merger shall be Nomura Real Estate Master Fund, Inc.

(1) Purpose of Merger

NOF believes that the Merger will expand acquisition opportunities, stabilize the portfolio, enhance risk tolerance, increase competitive strength for asset acquisitions and stabilize the financial base by increasing the asset size and diversifying target investment sectors. In addition, NOF believes that it can achieve both growth and stable management by effectively leveraging the wide-range of know-hows and brands held by Nomura Real Estate Group, one of the major comprehensive real estate developers in Japan. As such, NOF is confident that the Merger is the best option for its unitholders and has therefore entered into the Merger Agreement.

(2) Merger Ratio

Upon the merger, 3.60 New Investment Corporation units will be allotted for each NOF unit, 4.45 New Investment Corporation units will be allotted for each NRF unit and 1 New Investment Corporation units will be allotted for each NMF unit.

(3) Cash Distribution on Merger

Instead of cash distributions for NOF's final fiscal period ending on September 30, 2015 (the period from May 1, 2015 to September 30, 2015), the New Investment Corporation will make a cash distribution on merger to the unitholders listed or recorded on the final unitholders register of NOF as of the day immediately prior to the date of incorporation of the New Investment Corporation, in an amount equivalent to the cash distributions for the final fiscal period based on NOF's distributable profit.

(4) Overview of Preceding Periods of the Consolidated Investment Corporations (NMF (period ended February 2015) and NRF (period ended November 2014))

NMF (period ended February 2015)

Line of business: Management as investment in specific assets, mainly assets, based on the Investment Trust Act

Operating revenue	10,066 million yen
Net income	4,145 million yen
Assets	276,539 million yen
Liabilities	111,272 million yen
Net assets	165,267 million yen

NRF (period ended November 2014)

Line of business: Management as investment in specific assets, mainly assets, based on the Investment Trust Act

Operating revenue	5,480 million yen
Net income	1,877 million yen
Assets	164,852 million yen
Liabilities	89,703 million yen
Net assets	75,148 million yen

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 April 30, 2015, 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 April 30, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

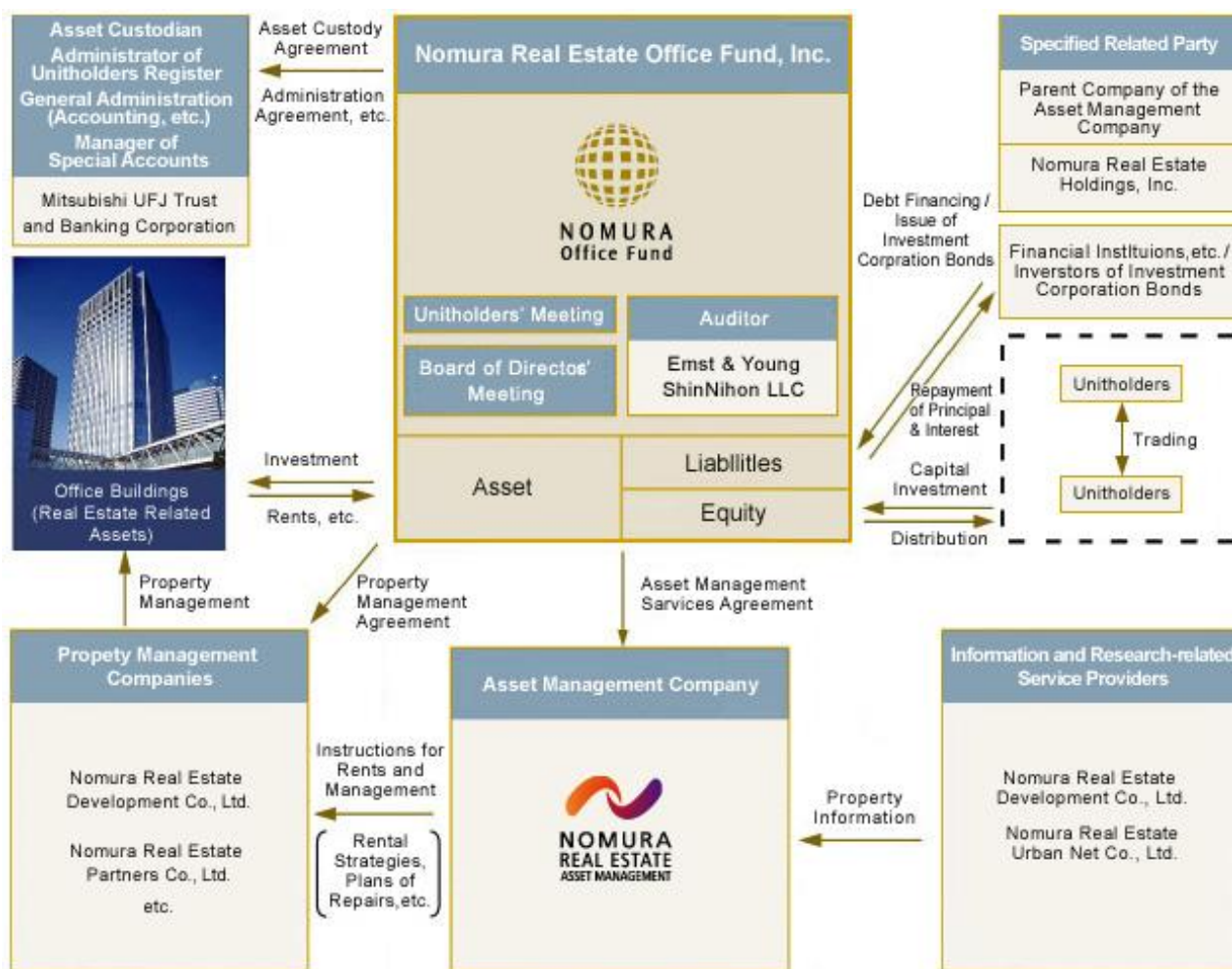
Emphasis of Matter

We draw attention to Note 19 to the financial statements, which describes Nomura Real Estate Office Fund, Inc., Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Residential Fund, Inc. have entered into a merger agreement dated May 27, 2015. Our opinion is not qualified in respect of this matter.

Ernst & Young ShinNihon LLC

July 24, 2015
Tokyo, Japan

Business Structure



Corporate Data

Corporate Name

Nomura Real Estate Office Fund, Inc.

Corporate Office

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

Date of Incorporation

August 7, 2003

Stock Listing

Tokyo Stock Exchange (Securities Code: 8959)

Fiscal Period

Six months ending on April 30 and October 31

Capital

¥211,430,494,385 (as of April 30, 2014)

Number of Units Issued

372,553 (as of April 30, 2014)

Number of Unitholders

18,495 (as of April 30, 2014)

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 the news by year and subject

Posting the latest information on the top page
*RSS compatible

Posting the latest fund data

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

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.

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