

NOMURA
Office Fund



NOMURA OFFICE FUND

Thirteenth Fiscal Period

Semi-Annual Report November 1, 2009 ▶ April 30, 2010

NOMURA REAL ESTATE OFFICE FUND, INC.



NOMURA
Office Fund

Profile

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

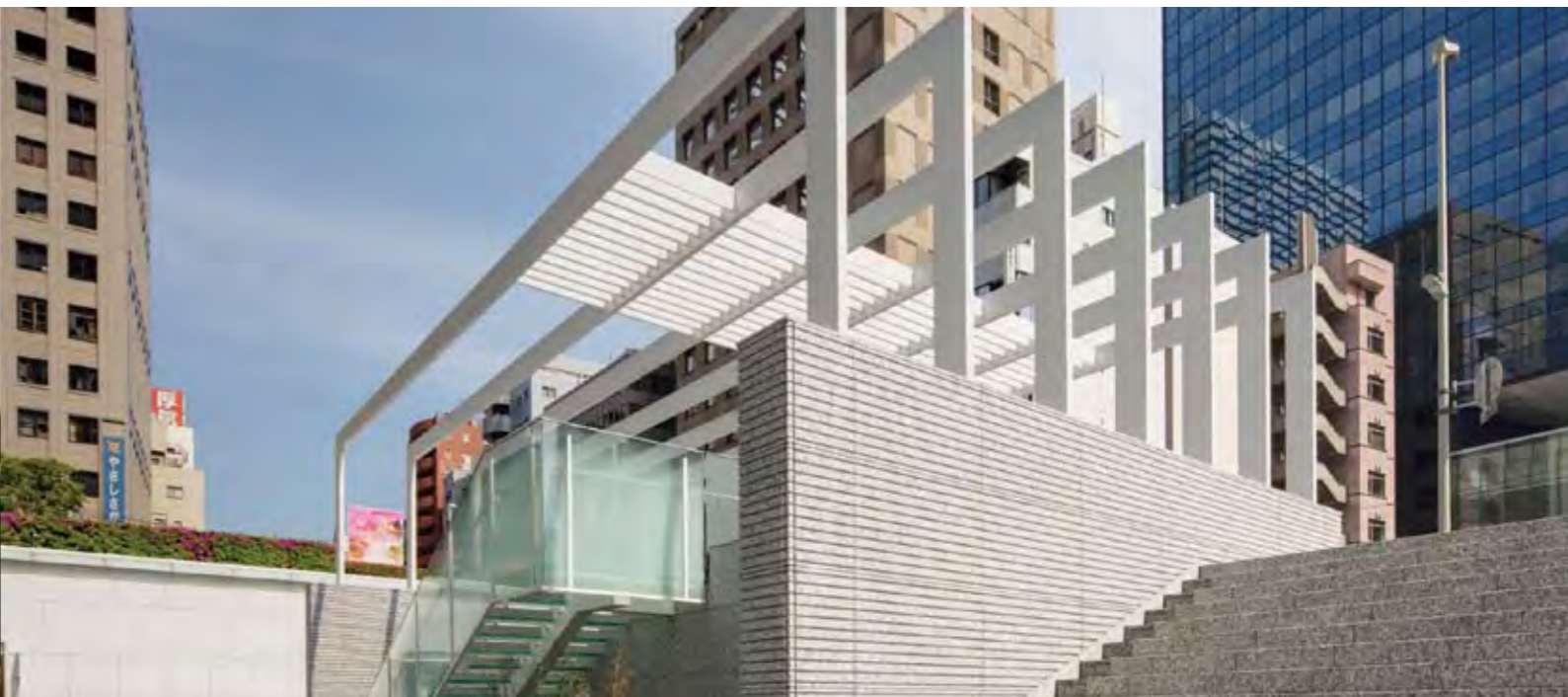
Nomura Real Estate Asset Management Co., Ltd. (referred to as “NREAM” hereafter), a wholly owned subsidiary of Nomura Real Estate Holdings, Inc. is in charge of asset management on behalf of Nomura Office Fund in accordance with the basic investment policy as described above. Through coordination with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

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Investor Oriented



To Our Investors

Dear Investors,

We are delighted to be able to present to you the financial results for the thirteenth fiscal period (ended April 30, 2010) and report on our activities during the period herein.

We booked operating revenues for this period of ¥13,686 million, current profits of ¥5,035 million, and net income of ¥5,034 million. Cash distribution per unit was ¥16,500.

In this fiscal period, the Japanese economy started to show some signs of bottoming out, but with lingering uncertainty about future outlook, the office leasing market remained weak. Meanwhile, in order to maintain the occupancy rate of our portfolio, we actively engaged in tenant leasing activities. As a result, we are successful in continuing stable fund management despite the unfavorable market environment, with a portfolio occupancy rate of 95.0% as of the end of the thirteenth fiscal period.

In this period, we have also completed the acquisition of "NOF Nagoya Fushimi Building" (real estate located in Naka-ku, Nagoya City with the acquisition price of ¥4.05 billion), for which the purchase agreement was concluded in July 2008. As a result, our portfolio consists of 51 properties (total leasable floor space: 439,139.15 m²) totaling ¥378.6 billion. The Company continues to maintain close relationships with financial institutions, which allow the Company continued access to stable financing sources, ensuring healthy financial conditions.

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

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



Yuichi Maruko

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

Highlights of the Thirteenth Fiscal Period

Thirteenth period results

Cash distribution per unit **¥16,500**

Operating revenues **¥13,686 million**

Operating profits **¥6,747 million**

Net income **¥5,034 million**

NOI return of portfolio **5.3%**

Portfolio

Number of properties **51 properties**

Total leasable floor space **439,139.15 m²**

Total number of tenants **686**

Total acquisition price **¥378,607 million**

Average occupancy rate **95.0%**

Finance

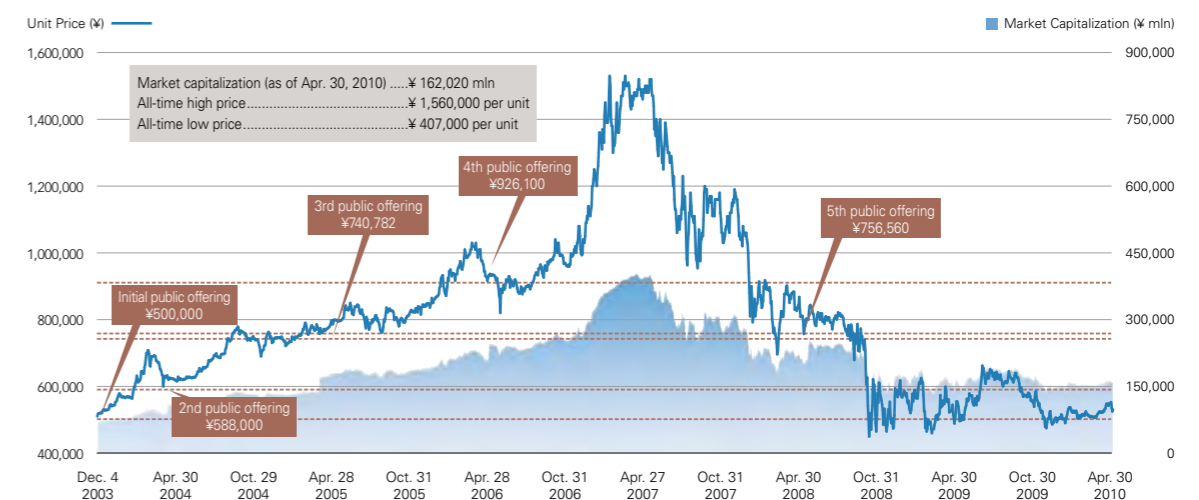
Ratio of long-term debts **80.8%**

Average remaining duration of long-term fixed debts **4.0 years**

Ratio of fixed-rate debts **90.2%**

Weighted average of interest rate of all the debts **1.67%**

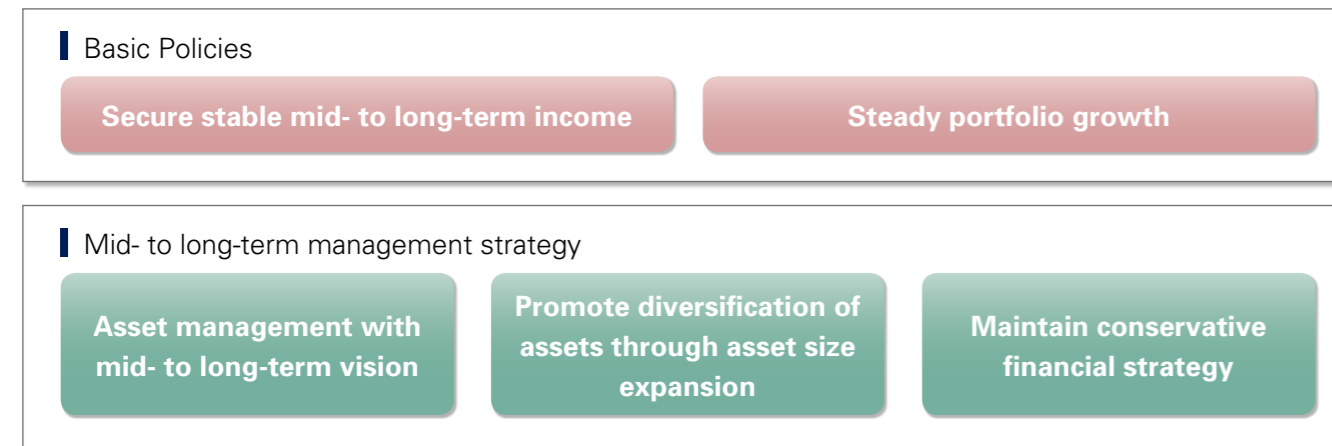
CHANGES IN UNIT PRICE AND MARKET CAPITALIZATION



Management Summary of the Thirteenth Fiscal Period

Activity summary for this period and management strategy for the future

This section describes the activities of the Company during this period and the management strategy to be implemented in future periods based on our “Basic Management Policy” and “Mid- to Long-term Management Strategy” below.



Activity summary for this period and the management strategy for the future

	Activity summary for this period	Management strategy for the future
Acquisitions	<ul style="list-style-type: none"> Completed the acquisition of NOF Nagoya Fushimi Bldg. (¥4.05 billion) Monitored market developments through property information gathering Maintained and secured the pipeline of promising properties 	<p>We will seek opportunities for acquiring prime properties by actively collecting and analyzing information about potential transactions with the aim of achieving revenue growth and stable management of the fund through enlargement of portfolio. We will also consider replacement of properties in the portfolio for the purpose of improving the overall quality of the portfolio.</p>
Asset Management	<ul style="list-style-type: none"> Maintained the occupancy rate at high levels through reinforcement of tenant marketing functions (95.0% as of the end of the thirteenth period) Avoided significant lease cancellation through flexible negotiations with tenants (cancelled space decreased for two consecutive fiscal periods) Reduced rental business expenses 	<p>We will continue to work to maintain and enhance revenue by maintaining the occupancy rate at high levels, strengthening our capability to reach a successful rent revision negotiation with tenants, and further reducing leasing costs. We also place a high priority on strategic refurbishment and renovation that enhance the competitiveness of the properties, thereby striving to secure sufficient revenue to realize stable cash distribution.</p>
Financial Activities	<ul style="list-style-type: none"> Completed refinance totaling ¥22.9 billion Issued short-term investment corporation bonds (¥6 billion) Increased the number of lenders to 32 	<p>We will maintain close relationships with financial institutions to keep sufficient financing capability and control interest payments on interest-bearing debt at appropriate levels. We will also continue to adopt a conservative financial policy to realize stable cash distribution.</p>
IR	<ul style="list-style-type: none"> Conducted the first investor questionnaire (January-February 2010)* Participated in an event targeted at individual investors (the J-REIT Fair, etc.) Conducted IR activities targeted at domestic and foreign institutional investors 	<p>We will actively engage in various IR activities. We will also consider the possibility of conducting investor questionnaire on a regular basis. We will strive to enhance our reputation by factoring the result of communication with the current investors into our fund management practices and promoting recognition among a wide variety of investors.</p>

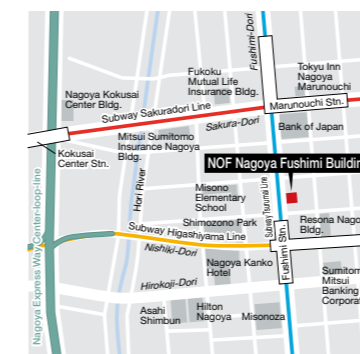
* Conducted only for domestic individual investors

Investment in a new property

In the thirteenth fiscal period, we have newly acquired the “NOF Nagoya Fushimi Building” at an acquisition price of ¥4.05 billion.

NOF Nagoya Fushimi Building

This property is a newly constructed office building with an earthquake-resistance structure and other state-of-the-art facilities, located in a prominent business district of Nagoya City. Having seen the continued weakening in the office leasing market in Nagoya since fall 2008 due to the economic slowdown and oversupply of office buildings, leasing activities of enterprises started to increase in the second half of 2009. As a result, tenants’ interest in this property is also increasing. Since Fushimi-dori, along which this property is located, is the area whose position as a prominent business district is increasingly established, high tenant demand for the property can be expected in a long-term period.



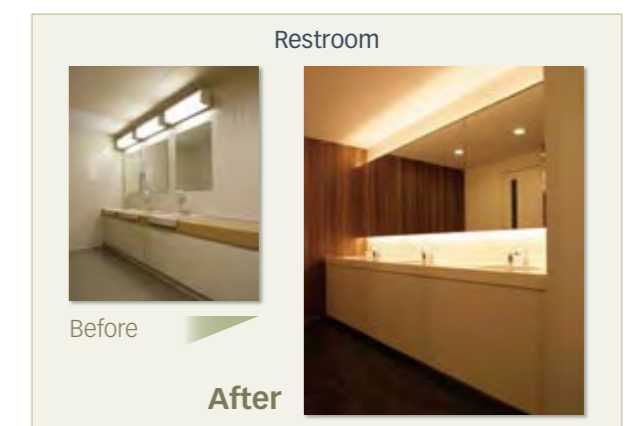
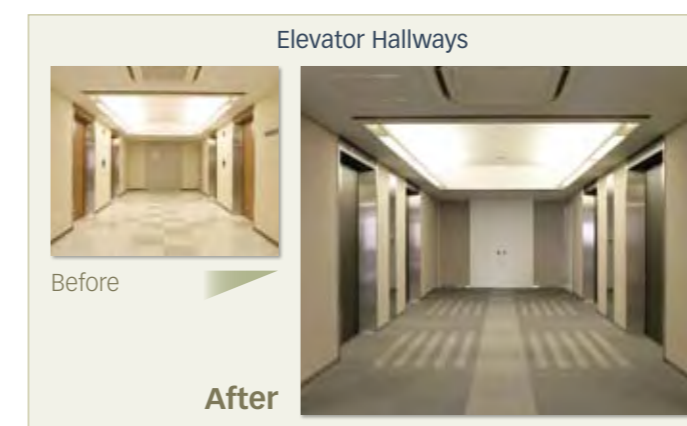
Location: Naka-ku, Nagoya City
Acquisition Date: December 25, 2009
Acquisition Price: ¥4,050 million



Enhancement of property competitiveness through strategic refurbishment

Example Sapporo North Plaza

We have completed the refurbishment of standard floor elevator halls and the restroom of Sapporo North Plaza. Their chic interior design enhances the perceived image of this property, differentiating it from other buildings in the neighborhood, as well as providing comfortable office space to achieve higher tenant satisfaction. This refurbishment will deliver substantial efficiency gains in maintaining and improving the profitability of this property in the mid- to long-term.



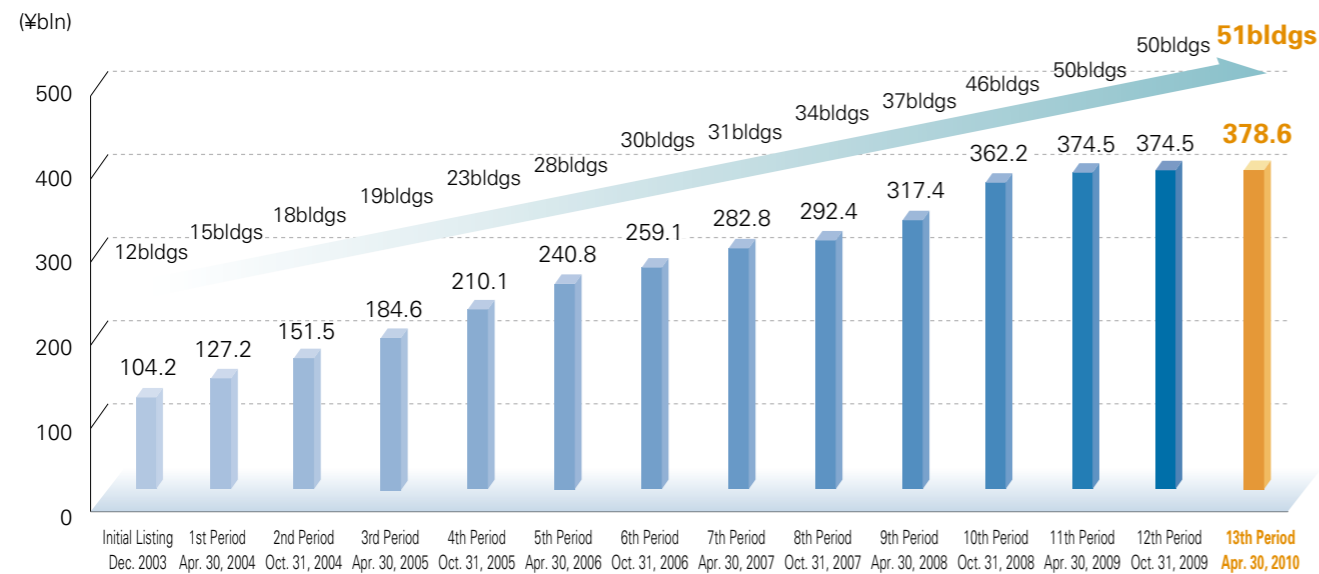
Portfolio Highlights

Ongoing Portfolio Growth

Nomura Office Fund has invested in properties focusing on the geographic diversification and diversification within each property in order to reduce risk of income fluctuation. The average occupancy rate at the end of the thirteenth fiscal period: 95.0%.

CHANGES IN SIZE OF PORTFOLIO

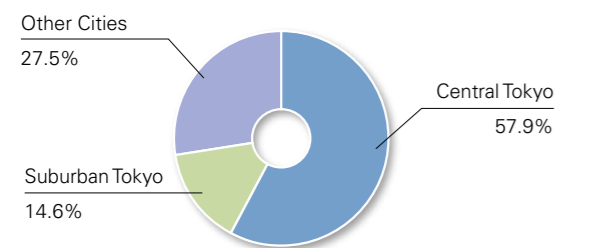
As indicated below, diversification of the portfolio, which has steadily increased since listing.



DIVERSIFICATION BY AREA AND PROPERTY

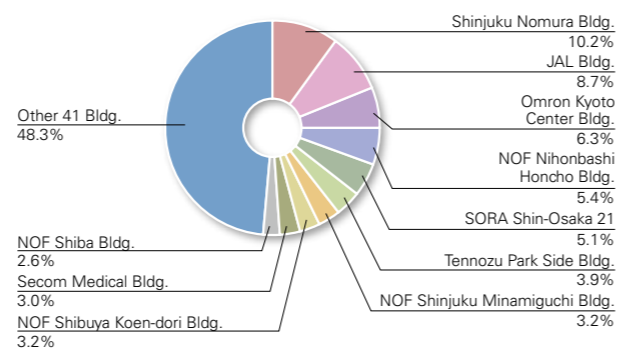
The area and property diversification as of the end of the thirteenth fiscal period are as follows.

Area Diversification



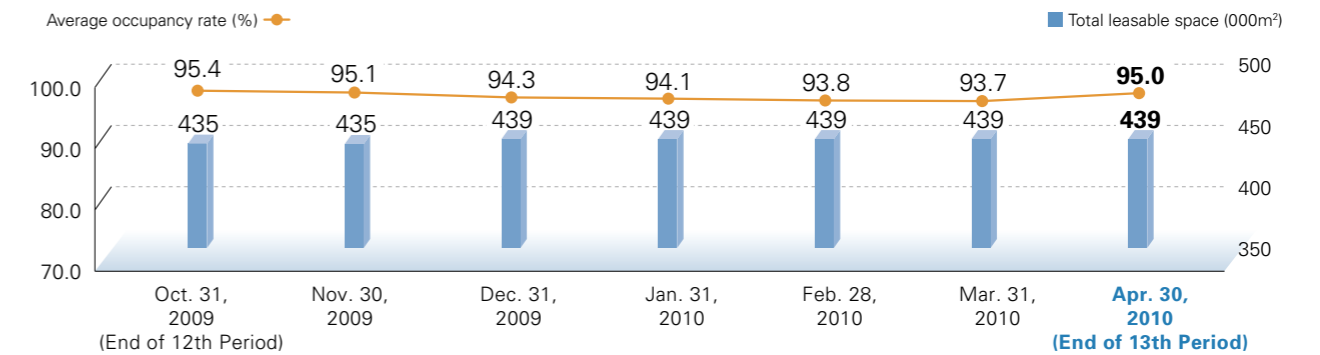
Note: Central Tokyo — Six central wards consisting of Chiyoda, Chuo, Minato, Shinjuku, Shinagawa and Shibuya
 Suburban Tokyo — Other areas of Tokyo and the Surrounding three prefectures including Kanagawa, Saitama and Chiba
 Other Cities — Major regional cities in other areas
 Note: Based on the acquisition price

Property Diversification (Top 10 Properties and other)



CHANGES IN OCCUPANCY RATE (AVERAGE)

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



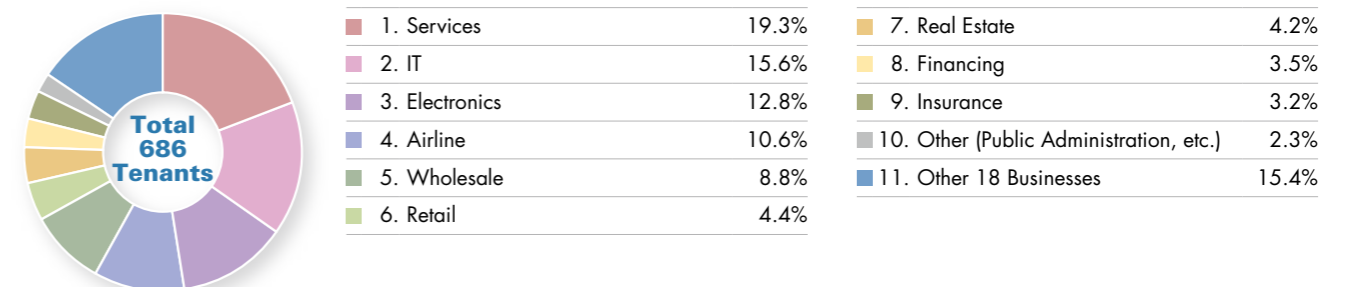
MAJOR TENANTS

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

Rank	Tenant	Industry	Property	Expiry of contract	Leased space (m ²)	Weight in portfolio (%)
1	Flagship Properties Private Company	Real Estate	JAL Bldg.	Mar. 31, 2015	42,084.11	10.1
2	OMRON Corporation	Electronic Devices	Omron Kyoto Center Bldg.	Mar. 29, 2021	34,616.84	8.3
3	XYMAX AXIS CORPORATION	Real Estate	NOF Toyo-cho Bldg.	Nov. 30, 2014	18,218.17	4.4
			NOF Tenjin-Minami Bldg.	Mar. 31, 2013	737.02	0.2
4	SECOM Co., Ltd.	Services	Secom Medical Bldg.	Feb. 28, 2025	8,821.24	2.1
5	JCB Co., Ltd.	Financing	NOF Sendai Aoba-dori Bldg.	Dec. 31, 2010	755.69	0.2
			JCB Sapporo Higashi Bldg.	Feb. 7, 2018	9,062.04	2.2
6	Nomura Facilities Co., Ltd.	Real Estate	Shinjuku Nomura Bldg.	May 31, 2011	574.11	0.1
			NOF Utsunomiya Bldg.	Dec. 31, 2011	1,140.85	0.3
			NRE Yotsubashi Bldg.	Nov. 30, 2011	1,847.63	0.4
			NRE Hiroshima Bldg.	Oct. 31, 2011	2,834.48	0.7
7	Nomura Real Estate Development Co., Ltd.	Real Estate	Shinjuku Nomura Bldg.	Nov. 30, 2013	4,539.05	1.1
			NRE Osaka Bldg.	Jun. 30, 2010	345.37	0.1
			NRE Yotsubashi Bldg.	Nov. 30, 2013	1,266.19	0.3
8	FUJITSU LIMITED	Electronic Devices	NOF Technoport Kamata Center Bldg.	Apr. 30, 2012	3,813.62	0.9
			Faret Tachikawa Center Square	Dec. 31, 2011	255.15	0.1
			NOF Shin-Yokohama Bldg.	Sep. 30, 2010	1,293.78	0.3
9	SOMPO JAPAN INSURANCE INC.	Insurance	Shinjuku Nomura Bldg.	May 31, 2011	4,065.64	1.0
			NRE Hiroshima Bldg.	Feb. 28, 2012	283.02	0.1
10	KYORIN Co., Ltd.	Wholesale	NOF Surugadai Plaza Bldg.	Mar. 31, 2013	4,160.94	1.0
Total					140,714.94	33.7

DIVERSIFICATION IN TENANTS' BUSINESS

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



Financial Status

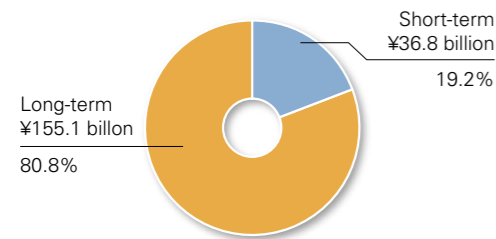
Carried Out Steady Refinancing

Nomura Office Fund has the basic financial policy for the purpose of securing financial stability and avoiding future interest rate risks. In this period, the Company completed the refinancing of ¥22.93 billion and outstanding interest-bearing debt as of the end of the thirteenth fiscal period is ¥191.98 billion.

THE RATIO OF LONG- AND SHORT-TERM DEBT AND FIXED- AND FLOATING-RATE DEBT (as of the end of the Thirteenth fiscal period)

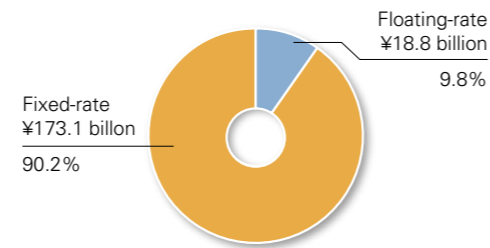
The Company has secured financial stability through promotion of long-term, fixed-rate interest-bearing debt to prepare for the future interest rate hikes.

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



Note: "Short-term" includes the current portion of long-term debt

■ Ratio of fixed and floating interest-bearing debts



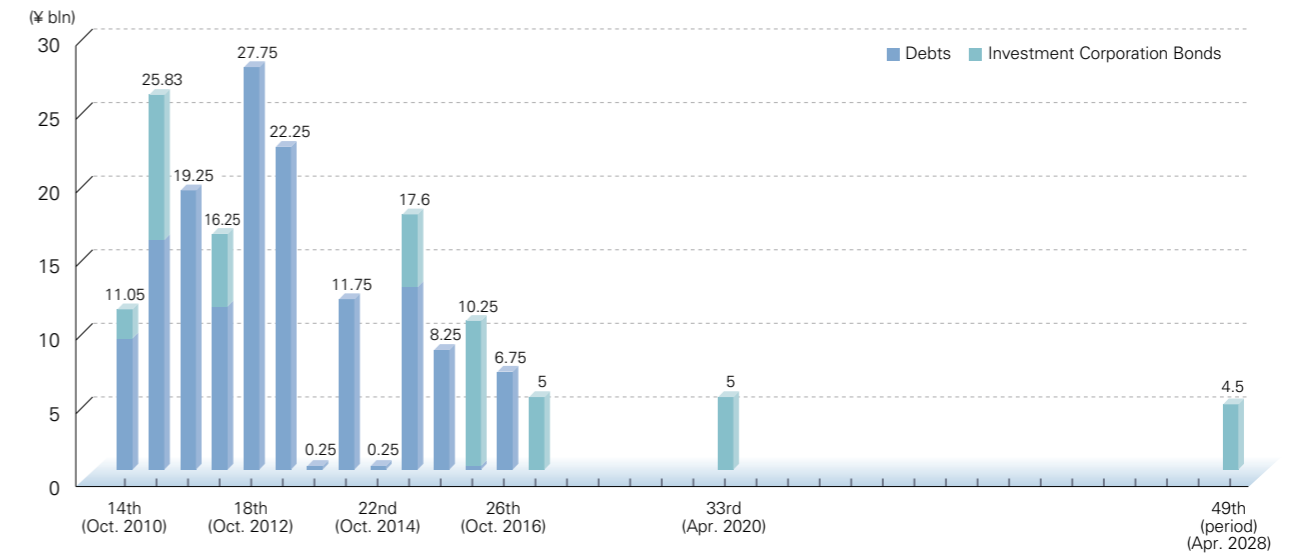
Note: "Fixed" includes floating-rate debts with fixed-rates through interest-rate swap transactions.

LIST OF LENDERS

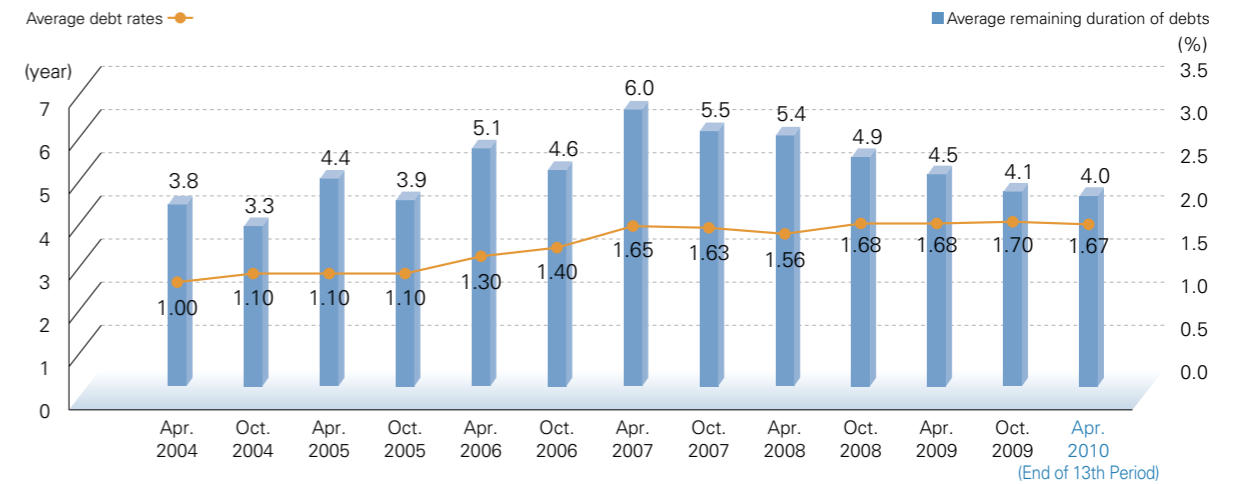
The number of lenders as of the end of the thirteenth fiscal period is 32 financial institutions.

Lender	Total Amount of Debt Remaining (¥mln)	Lender	Total Amount of Debt Remaining (¥mln)	Lender	Total Amount of Debt Remaining (¥mln)
Bank of Tokyo-Mitsubishi UFJ	23,400	Norinchukin Bank	3,000	Yamanashi Chuo Bank	1,500
Sumitomo Mitsui Banking Corp.	21,900	Taiyo Life Insurance	3,000	Hyakujushi Bank	1,500
Development Bank of Japan Inc.	15,750	Hachijuni Bank	2,000	Chiba Bank	1,000
Mitsubishi UFJ Trust and Banking Corp.	11,550	Daido Life Insurance	2,000	Keiyo Bank	1,000
Sumitomo Trust & Banking Corp.	10,980	Chugoku Bank	2,000	Mitsui Life Insurance	1,000
Mizuho Corporate Bank	7,400	Bank of Fukuoka	2,000	Mitsui Sumitomo Insurance	1,000
The Dai-ichi Life Insurance Company, Limited	5,000	Zenkyoren	2,000	Nippon Life Insurance Company	1,000
Sumitomo Life Insurance Company	5,000	Mizuho Trust & Banking	2,000	Sompo Japan Insurance Inc.	1,000
Nomura Trust and Banking	4,000	Shinkin Central Bank	2,000	The 77 Bank	1,000
Iyo Bank	3,500	Nishi-Nippon City Bank	2,000	Aozora Bank	500
Chuo Mitsui Trust and Banking	3,000	Hiroshima Bank	1,500	Total borrowings	145,480
		(Reference)		Short-term Investment Corp. Bonds	2,000
				Investment Corporation Bonds	44,500
				Total	46,500

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



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



CREDIT RATINGS (as of the end of the Thirteenth fiscal period)

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

Summary of Portfolio Properties



MAP No.	Name of Property	Location	Leasable Floor Space (m ²)	Date Acquired	Acquisition Price (¥/m ²)	Ratio (%)
Central Tokyo						
01	Shinjuku Nomura Building	Shinjuku-ku, Tokyo	31,500.89	Dec. 8, 2003	38,730	10.2
02	JAL Building	Shinagawa-ku, Tokyo	42,084.11	Mar. 18, 2005	33,080	8.7
03	NOF Nihonbashi Honcho Building	Chuo-ku, Tokyo	19,178.72	Dec. 5, 2003	20,600	5.4
04	Tennozu Park Side Building	Shinagawa-ku, Tokyo	18,051.60	Feb. 27, 2004	14,800	3.9
05	NOF Shinjuku Minamiguchi Building	Shibuya-ku, Tokyo	6,685.52	Jun. 25, 2008	12,300	3.2
06	NOF Shibuya Koen-dori Building	Shibuya-ku, Tokyo	3,420.16	Sep. 28, 2004	12,000	3.2
07	Secom Medical Building	Chiyoda-ku, Tokyo	8,821.24	Sep. 1, 2006	11,500	3.0
08	NOF Shiba Building	Minato-ku, Tokyo	8,165.10	May 25, 2004	10,000	2.6
09	Nishi-Shinjuku Showa Building	Shinjuku-ku, Tokyo	5,662.39	Nov. 30, 2005	8,800	2.3
10	NRE Shibuya Dogenzaka Building	Shibuya-ku, Tokyo	3,436.67	Sep. 26, 2008	7,660	2.0
11	NOF Tameike Building	Minato-ku, Tokyo	4,715.20	Sep. 29, 2005	7,400	2.0
12	Iwamoto-cho Toyo Building	Chiyoda-ku, Tokyo	4,117.26	Jun. 25, 2008	6,020	1.6
13	NOF Shinagawa Konan Building	Shinagawa-ku, Tokyo	7,667.55	Dec. 8, 2003	5,500	1.5
14	NOF Surugadai Plaza Building	Chiyoda-ku, Tokyo	4,160.94	Feb. 27, 2004	5,150	1.4
15	PMO Nihonbashi Honcho	Chuo-ku, Tokyo	2,450.06	Nov. 5, 2008	5,000	1.3
16	NRE Higashi-nihonbashi Building	Chuo-ku, Tokyo	4,554.98	Jan. 14, 2009	4,060	1.1
17	Hatchobori NF Building	Chuo-ku, Tokyo	2,854.83	Aug. 10, 2007	3,160	0.8
18	NOF Kanda Iwamoto-cho Building	Chiyoda-ku, Tokyo	4,076.38	Feb. 26, 2004	3,080	0.8
19	NOF Takanawa Building	Shinagawa-ku, Tokyo	3,361.48	Feb. 27, 2009	3,010	0.8
20	Central Kyobashi Building	Chuo-ku, Tokyo	1,720.05	Jun. 25, 2008	2,550	0.7
21	NOF Minami Shinjuku Building	Shibuya-ku, Tokyo	2,464.71	Jun. 25, 2004	2,280	0.6

MAP No.	Name of Property	Location	Leasable Floor Space (m ²)	Date Acquired	Acquisition Price (¥/m ²)	Ratio (%)
22	Central Shintomicho Building	Chuo-ku, Tokyo	2,465.86	Jun. 25, 2008	1,750	0.5
23	Sunworld Yotsuya Building	Shinjuku-ku, Tokyo	2,367.51	Jun. 25, 2008	778	0.2
Total Central Tokyo (23 Properties)			193,983.21		219,208	57.9
Suburban Tokyo						
24	NRE Ueno Building	Taito-ku, Tokyo	4,873.20	Jan. 14, 2009	7,830	2.1
25	NOF Toyo-cho Building	Koto-ku, Tokyo	18,218.17	Dec. 5, 2003	7,550	2.0
26	NOF Technoport Kamata Center Building	Ota-ku, Tokyo	13,652.45	Dec. 5, 2003	6,416	1.7
27	Toho Edogawabashi Building	Bunkyo-ku, Tokyo	2,058.97	Mar. 28, 2008	2,080	0.5
28	Toshin Meguro Building	Meguro-ku, Tokyo	1,610.07	Jun. 25, 2008	1,340	0.4
29	Crystal Park Building	Musashino City, Tokyo	3,900.85	Feb. 28, 2006	3,700	1.0
30	NOF Kichijoji Honcho Building	Musashino City, Tokyo	1,936.40	Jan. 14, 2009	1,800	0.5
31	Faret Tachikawa Center Square	Tachikawa City, Tokyo	6,851.48	Dec. 5, 2003	3,290	0.9
32	NOF Kawasaki Higashiguchi Building	Kawasaki City, Kanagawa	8,266.67	Jun. 30, 2005	9,500	2.5
33	NOF Yokohama Nishiguchi Building	Yokohama City, Kanagawa	6,817.76	May 12, 2005	5,050	1.3
34	NOF Shin-Yokohama Building	Yokohama City, Kanagawa	8,074.83	Dec. 5, 2003	3,600	1.0
35	Yokohama Odori Koen Building	Yokohama City, Kanagawa	4,234.19	Sep. 28, 2007	2,993	0.8
Total Suburban Tokyo (12 Properties)			80,495.04		55,149	14.6
Other Cities						
36	Sapporo North Plaza	Sapporo City, Hokkaido	13,619.76	Jun. 1, 2006	6,820	1.8
37	NRE Sapporo Building	Sapporo City, Hokkaido	6,559.34	Nov. 5, 2008	5,300	1.4
38	JCB Sapporo Higashi Building	Sapporo City, Hokkaido	9,062.04	Feb. 8, 2008	3,700	1.0
39	NOF Sendai Aoba-dori Building	Sendai City, Miyagi	6,098.91	Nov. 30, 2005	3,200	0.8
40	NOF Utsunomiya Building	Utsunomiya City, Tochigi	5,887.40	Dec. 5, 2003	2,970	0.8
41	NOF Nagoya Fushimi Building	Nagoya City, Aichi	3,282.90	Dec. 25, 2009	4,050	1.1
42	NOF Nagoya Yanagibashi Building	Nagoya City, Aichi	4,655.74	Sep. 29, 2005	3,550	0.9
43	Omron Kyoto Center Building	Kyoto City, Kyoto	34,616.84	Mar. 20, 2007	23,700	6.3
44	SORA Shin-Osaka 21	Osaka City, Osaka	21,462.47	Apr. 25, 2008	19,251	5.1
45	NRE Osaka Building	Osaka City, Osaka	16,977.79	Dec. 5, 2003	6,410	1.7
46	NRE Nishi-Umeda Building	Osaka City, Osaka	5,213.02	Sep. 26, 2008	5,660	1.5
47	NRE Yotsubashi Building	Osaka City, Osaka	11,558.68	Dec. 5, 2003	3,940	1.0
48	NOF Kobe Kaigan Building	Kobe City, Hyogo	6,425.16	Dec. 5, 2003	3,280	0.9
49	NRE Hiroshima Building	Hiroshima City, Hiroshima	7,902.21	Dec. 5, 2003	1,930	0.5
50	NOF Hakata Ekimae Building	Fukuoka City, Fukuoka	7,504.29	Jun. 27, 2008	6,750	1.8
51	NOF Tenjin-Minami Building	Fukuoka City, Fukuoka	3,834.35	Mar. 27, 2009	3,739	1.0
Total Other Cities (16 Properties)			164,660.90		104,250	27.5
Grand Total (51 Properties)			439,139.15		378,607	100.0

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

Note: "Ratio" refers to the ratio of each asset based on acquisition price to the entire portfolio (total of 51 properties). As the figures in the above table have been rounded to the first decimal place, the total may not be 100.0%.

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

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

Note: Names of following properties have been changed as listed. The same shall apply hereinafter.

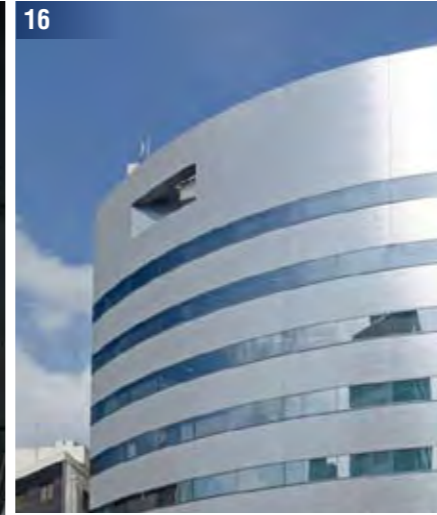
New name	Previous name	Date changed
NOF Shinjuku Minamiguchi Building	Shinjuku Sanshin Building	April 1, 2010
NOF Takanawa Building	MY Higashi Gotanda Building	
NOF Kichijoji Honcho Building	Kichijoji Mark Building	
NOF Hakata Ekimae Building	EME Hakata Ekimae Building	

Major Properties



01 | Shinjuku Nomura Building

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



44 | SORA Shin-Osaka 21

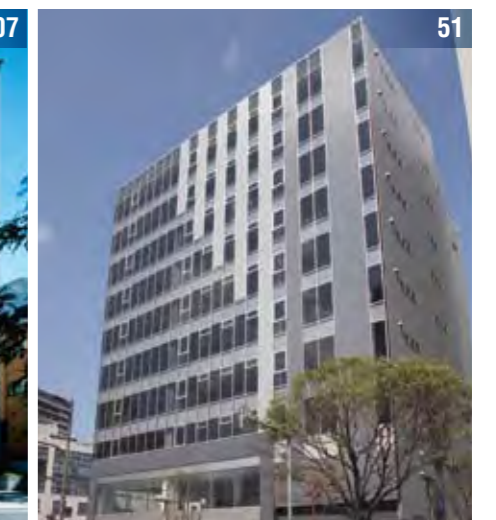
2-1-3 Nishi-Miyahara Yodogawa-ku, Osaka City, Osaka

16 | NRE Higashi-nihonbashi Building

1-1-7 Higashi-nihonbashi, Chuo-ku, Tokyo

37 | NRE Sapporo Building

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



15 | PMO Nihonbashi Honcho

4-12-20 Nihonbashi Honcho, Chuo-ku, Tokyo

43 | Omron Kyoto Center Building

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

07 | Secom Medical Building

7-7 Nibancho Chiyoda-ku, Tokyo

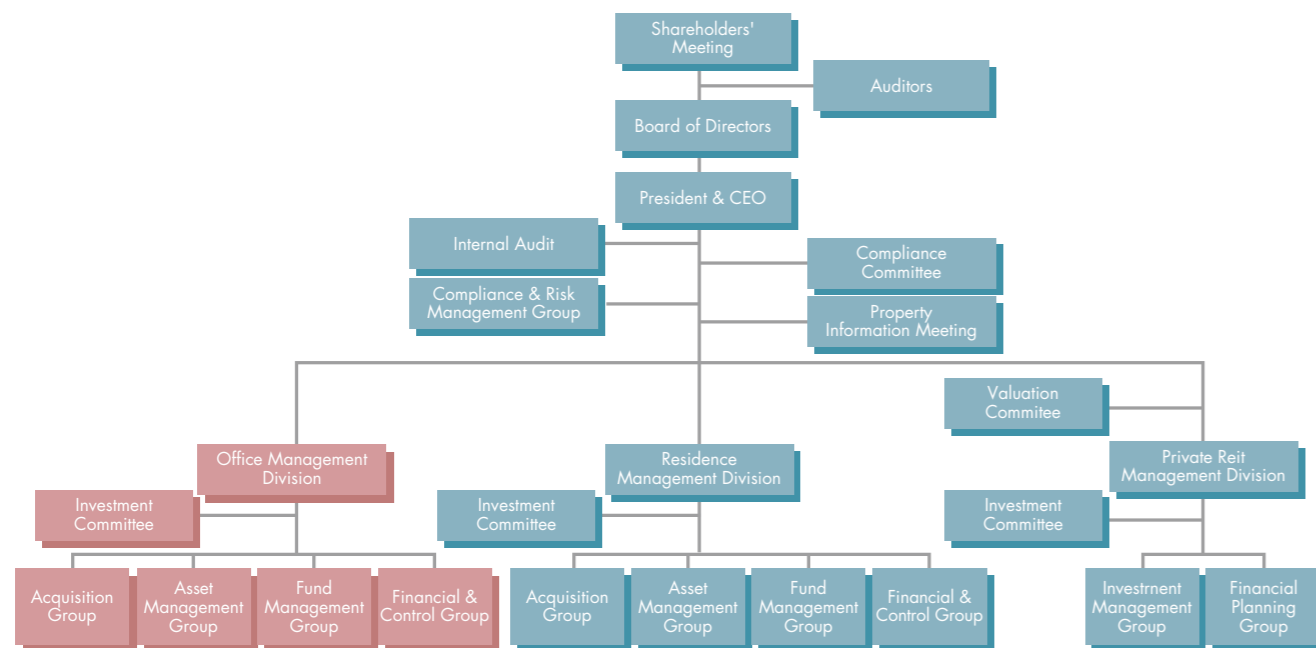
51 | NOF Tenjin-Minami Building

3-6-15 Watanabe Dori, Chuo-ku, Fukuoka City, Fukuoka

The Company has appointed the asset management company, Nomura Real Estate Asset Management, to provide full range of professional asset management services to the Company.

Company: Nomura Real Estate Asset Management Co., Ltd.
 Capital: ¥300 million (as of April 30, 2010)
 Shareholder: Nomura Real Estate Holdings, Inc. (100%)
 Incorporation: January 24, 2003

Organization of the asset management company



- Specialized in investment and management of office buildings
- Started operation in 2003



Profile of the President and General Manager

President & CEO Atsushi Ogata



Apr. 1987 Entered NRED
Nov. 1987 International Business Dept.
Dec. 1989 Overseas Project Dept.
Apr. 1992 Corporate Sales Division
Jun. 1995 Entrusted Sales Division
Apr. 2001 External assignment, Nomura Real Estate Urban Net Co., Ltd.
Jan. 2003 Asset Management Division
Apr. 2003 External Assignment, NREAM
Jun. 2005 Director, NREAM (current position)
Apr. 2006 General Manager, Office Management Division, NREAM
Apr. 2010 President and Chief Executive Officer, NREAM (current position)

General Manager Hirotaka Furugori



Apr. 1988 Entered NRED
Jun. 1988 Mid-to-high-rise Residence Development Dept.
Jan. 1991 Residential Sales Dept.
Jun. 1994 Customer Relations Dept.
Oct. 1995 Meidaimae Branch
Apr. 1997 Human Resource Dept.
Apr. 2005 Corporate Planning Dept., NRED and external assignment, Nomura Real Estate Holdings, External Assignment, Nomura Real Estate Investment Management
Apr. 2005 Head of Investment Management & Advisory Company, NRED
Oct. 2007 Head of Investment Management & Advisory Company, NRED
Apr. 2010 External Assignment, General Manager, Office Management Division, NREAM (current position)



Shinjuku Nomura Building

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Asset Management Report

1. CHANGES IN KEY INDICATORS

		13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009	11th Period from Nov. 1, 2008 to Apr. 30, 2009	10th Period from May 1, 2008 to Oct. 31, 2008	9th Period from Nov. 1, 2007 to Apr. 30, 2008
Operating Revenues	¥mln	13,686	14,203	15,409	13,925	12,183
of which Real Estate Rental Revenues	¥mln	13,686	14,203	14,281	13,925	12,183
Operating Expenses	¥mln	6,938	7,065	8,331	6,993	6,359
of which Real Estate Rental Expenses	¥mln	5,667	5,761	5,917	5,790	5,213
Operating Profits	¥mln	6,747	7,138	7,078	6,932	5,823
Current Profits	¥mln	5,035	5,339	5,393	5,256	4,500
Net Income	¥mln	5,034	5,338	5,392	5,255	4,499
Total Assets	¥mln	410,127	408,312	409,353	401,684	353,730
(Changes from Previous Period)	%	(+0.4)	(Δ0.3)	(+1.9)	(+13.6)	(+8.3)
Interest-Bearing Debts	¥mln	191,980	188,730	188,730	182,100	165,700
Net Assets	¥mln	190,490	190,793	190,847	190,711	161,267
(Changes from Previous Period)	%	(Δ0.2)	(Δ0.0)	(+0.1)	(+18.3)	(Δ0.0)
Unitholders' Capital	¥mln	185,455	185,455	185,455	185,455	156,767
Number of Units Issued	Units	305,123	305,123	305,123	305,123	265,903
Net Assets per Unit	¥	624,306	625,301	625,478	625,031	606,488
Total Cash Distribution	¥mln	5,034	5,338	5,392	5,255	4,499
Cash Distribution per Unit	¥	16,500	17,496	17,673	17,225	16,923
of which Cash Distribution of Profits	¥	16,500	17,496	17,673	17,225	16,923
of which Cash Distribution in excess of Profits	¥	–	–	–	–	–
ROA (Return on Assets) (Note 1)	%	1.2	1.3	1.3	1.4	1.3
Annualized ROA (Note 2)	%	2.5	2.6	2.7	2.7	2.7
ROE (Return on Equity) (Note 3)	%	2.6	2.8	2.8	2.8	2.8
Annualized ROE (Note 2)	%	5.3	5.5	5.7	5.6	5.6
Capital Adequacy Ratio (Note 4)	%	46.4	46.7	46.6	47.5	45.6
(Changes from Previous Period)	%	(Δ0.3)	(+0.1)	(Δ0.9)	(+1.9)	(Δ3.8)
LTV (Loan-to-Value) (Note 5)	%	46.8	46.2	46.1	45.3	46.8
Number of Operating Days	days	181	184	181	184	182
Payout Ratio (Note 6)	%	99.9	99.9	100.0	99.9	99.9
Number of Properties Held	bldgs	51	50	50	46	37
Total Leasable Floor Space	m ²	439,139.15	435,901.82	436,094.41	430,487.81	395,330.99
Number of Tenants	tenants	686	666	661	676	583
Occupancy Rate	%	95.0	95.4	96.4	97.3	97.6
Depreciation	¥mln	1,865	1,835	1,862	1,793	1,601
Capital Expenditures	¥mln	692	779	1,376	1,552	1,346
NOI (Net Operating Income) (Note 7)	¥mln	9,884	10,278	10,226	9,927	8,572
FFO (Funds from Operation) (Note 8)	¥mln	6,908	7,180	7,167	7,087	6,134
FFO per Unit (Note 9)	¥	22,640	23,534	23,488	23,228	23,069

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

As for the 10th 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. 9th Period: 182 days, 10th Period: 184 days, 11th Period: 181 days, 12th Period: 184 days, and 13th 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 the 10th period, Net Assets is 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 THIRTEENTH FISCAL PERIOD

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

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

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

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

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

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

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

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

(1) Market Environments

During this fiscal period, driven by the growth of emerging economies, particularly China, the world economy has been on a path to recovery. The Japanese economy also started to show some signs of bottoming out including an increase in export, recovery in personal consumption, and rebound in corporate earnings, in addition to an improvement in Financial Position DI, a component index of the Bank of Japan's Short-term Economic Survey of Enterprises (Tankan). Furthermore, the Cabinet Office in its monthly economic report for May indicated that the business conditions started to improve. In this context, a concern for a double-dip recession seems to be subsiding. However, there is still uncertainty about the economic outlook characterised by a number of lingering negative factors such as a high unemployment rate, continuing deflation, and turmoil in overseas markets.

(a) Office Leasing Market

The office leasing market continues to experience difficulties due to persisting cost-consciousness among tenants. However, the occupancy rates seem to be bottoming out with the decreasing number of relocations for office consolidation purposes as part of enterprises' business rationalization efforts, while some tenants have started to take positive actions capitalizing on rent declines, such as expanding office space or upgrading locations. New asking rents are nearing the bottom, as the number of lease cancellations for business rationalization purposes is decreasing and demand from tenants is increasing, driven by a recovery in corporate earnings, despite the downward tendency in renewal rents for existing tenants will continue for the time being.

(b) Real Estate Sales Market

The volume of information on properties offered for sale in this period has eventually turned to an increase from the level of the previous period. However, information on prime properties for sale has been constrained within a limited range, and the number of actual transactions remains low due to the pricing gap between potential sellers and buyers.

Meanwhile, some of the business companies, foreign-affiliated funds, and J-REITs restarted acquisition activities, in anticipation of transaction prices for prime properties bottoming out. Some J-REITs have also been working on reconstruction of their portfolios, which led to an increase in the number of transactions between J-REITs.

(2) Status of Managements for the Thirteenth Fiscal Period

To comply with the basic policy of acquiring only such properties that would generate stable cash flow over the mid- to long-term, the Company continues to invest in properties with strong competitiveness both in terms of locations and basic building features.

In accordance with the above mentioned policy, the Company completed acquisition of NOF Nagoya Fushimi Building (Naka-ku, Nagoya City, ¥4.05 billion, real estate). The Company's total assets under management ("portfolio") as of the end of the thirteenth fiscal period (April 30, 2010) was 51 properties (total leasable floor space: 439,139.15m²) totaling ¥378.6 billion (total acquisition price).

In property management, against the backdrop of the environment described in "(1) Market Environments (a) Office Leasing Market" above, a downward pressure on rents from tenants continued to be strong. However, the number of cancellation notices, which had been increasing until the previous period, started decreasing. The Company concentrated on the maintenance and improvement of the occupancy rate through aggressively approaching prospective tenants and maintaining close communications with the existing tenants. Upon renewal of lease contracts, the Company engaged in active negotiation with its tenants to minimize declines in rent levels, while responding flexibly to the needs of each tenant, considering the deviation from the market asking-rent, the size of leasing space, and the leasing period. As a result, the average rent for the 51 properties declined only 2.6% compared to the previous fiscal period, and the occupancy rate remained high at 95.0% at the end of the period.

In addition, we have maintained stable profits, through securing profits by utilizing the know-how of the Nomura Real Estate Group (Note) to reduce asset management expenses, such as reviewing property management specifications for each building.

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 risks. Based on this policy, the Company has implemented funding through long-term debts and issuance of investment corporation bonds, while establishing a total of ¥40 billion of commitment line for the purpose of flexible funding at the time of property acquisition and reduction of refinancing risks, from the perspective of securing stable funding base.

As to debts, a total of ¥22.93 billion was borrowed as a part of repayment funds for existing debts. In addition, ¥4.0 billion of short-term investment corporation bond has issued for the payment of property acquisition. As a result, outstanding interest-bearing debt as of the end of thirteenth fiscal period was ¥191.9 billion.

3. STATUS OF CAPITAL

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

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

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

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

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

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

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

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

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

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

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

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

[Changes in Price at the Tokyo Stock Exchange]

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

		13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009	11th Period from Nov. 1, 2008 to Apr. 30, 2009	10th Period from May 1, 2008 to Oct. 31, 2008	9th Period from Nov. 1, 2007 to Apr. 30, 2008
High	(¥)	588,000	683,000	645,000	874,000	1,200,000
Low	(¥)	465,000	495,000	431,000	407,000	655,000

4. CASH DISTRIBUTION

In order to qualify for special tax treatment under Article 67-15 of the Special Taxation Measures Law (Law No. 26 of 1957) to have maximum cash distribution amount treated as deductible dividends, the Company distributed the entire unappropriated retained earnings except for fractional amounts smaller than one yen per each investment unit. As a result, the amount of cash distribution per unit for this fiscal period was ¥16,500.

		13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009	11th Period from Nov. 1, 2008 to Apr. 30, 2009	10th Period from May 1, 2008 to Oct. 31, 2008	9th Period from Nov. 1, 2007 to Apr. 30, 2008
Retained Earnings	(¥000)	5,034,679	5,338,534	5,392,502	5,255,922	4,500,000
Accumulated earnings	(¥000)	149	102	64	178	124
Total cash distribution	(¥000)	5,034,529	5,338,432	5,392,438	5,255,743	4,499,876
(Cash distribution per unit)	(¥)	(16,500)	(17,496)	(17,673)	(17,225)	(16,923)
of which distribution of profits	(¥000)	5,034,529	5,338,432	5,392,438	5,255,743	4,499,876
(Distribution of profits per unit)	(¥)	(16,500)	(17,496)	(17,673)	(17,225)	(16,923)
of which refund of capital	(¥000)	-	-	-	-	-
(Refund of capital per unit)	(¥)	(-)	(-)	(-)	(-)	(-)

5. INVESTMENT POLICY AND FUTURE ISSUES

(1) Investment Environments

Although there are increasing signs of recovery, with lingering uncertainty about future outlook against the backdrop of weak stock prices and the strong yen, the Japanese economy is expected to search for the timing of bottoming out and recovery amid the global economic downturn.

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

(2) Investment Policy and Future Issues

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

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

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

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

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

(b) Enlargement of Portfolio by Acquisition of New Properties

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

In order for us to make right investments in properties of good value, we will ensure to collect information on properties for sale in an early stage, and conduct an in-depth due diligence to assess the potential risks involved in such investments. As part of

our efforts to carry out this investment policy, we will work to find investment opportunities through further expansion of our own sourcing network as well as cooperation with other companies of Nomura Real Estate Group, and to make appropriate investment decisions based on our market research capabilities and technical expertise.

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

(c) Continuation of Conservative Financial Policy

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

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

6. IMPORTANT EVENTS SUBSEQUENT TO THE THIRTEENTH FISCAL PERIOD

There is no relevant matter under this subject.

Profile of the Company

1. STATUS OF UNITHOLDERS' CAPITAL

		13th Period (as of Apr. 30, 2010)	12th Period (as of Oct. 31, 2009)	11th Period (as of Apr. 30, 2009)	10th Period (as of Oct. 31, 2008)	9th Period (as of Apr. 30, 2008)
Maximum number of units allowed to issue	(Unit)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued	(Unit)	305,123	305,123	305,123	305,123	265,903
Amount of unitholders' capital	(¥ mln)	185,455	185,455	185,455	185,455	156,767
Number of unitholders		12,970	12,565	12,503	12,406	11,120

2. MATTERS CONCERNING THE INVESTMENT UNITS

The 10 largest unitholders as of April 30, 2010 were as follows.

Name	Number of Units Held (Unit)	Portion in the Total Units Issued (%)
Japan Trustee Service Bank, Ltd. (Trust Accounts)	30,966	10.15
NCT Trust and Banking Corporation (Trust Accounts)	23,539	7.71
Trust & Custody Services Bank, Ltd. (Securities Trust Accounts)	20,186	6.62
Nomura Real Estate Development Co., Ltd.	15,287	5.01
The Master Trust Bank of Japan, Ltd. (Trust Accounts)	13,639	4.47
The Nomura Trust and Banking Co., Ltd. (Trust Accounts)	13,035	4.27
Kawasaki Gakuen	7,000	2.29
The Bank of Ikeda, Ltd.	5,669	1.86
AIG Edison Life Insurance Company	5,280	1.73
Zenkyoren	3,996	1.31
Total	138,597	45.42

3. BREAKDOWN OF UNITHOLDERS

The breakdown of unitholders as of April 30, 2010 was as follows.

	Number of Unitholders	Portion (%)	Number of Units per Unitholder	Portion (%)
Private and other investors	12,338	95.1	33,358	10.9
Financial institutions (Including sales agents for financial instruments firm)	143	1.1	167,282	54.8
Other domestic corporate investors	213	1.6	29,848	9.8
Foreign corporate investors, etc.	276	2.1	74,635	24.5
Total	12,970	100.0	305,123	100.0

4. DIRECTORS AND AUDITOR

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

Title	Name	Other Major Title(s)	Total Amount of Fees Paid during the 13th Period (¥000)
Executive Director	Yuichi Maruko	Corporate Auditor, MEGALOS, Co., Ltd.	2,400
Supervisory Director	Shuhei Yoshida	Representative Lawyer, Yoshida Shuhei Law Office Supervisory Director, Nomura Real Estate Residential Fund, Inc.	2,400
Supervisory Director	Eitoku Aikawa	Director, Fair Appraisers, K.K. Supervisory Director, Nomura Real Estate Residential Fund, Inc.	2,400
Supervisory Director	Saneaki Ichijo	Partner, Anderson Mori & Tomotsune Law Firm	2,400
Supervisory Director	Naohito Miya	Manager of Miya Naohito CPA Firm	2,400
Accounting Auditor	Earnst & Young ShinNihon LLC	—	14,500

Note 1: No Executive Directors or Supervisory Directors are in possession of the Company's investment units either under their own or other person's name other than Mr. Yuichi Maruko possesses two units of the Company's investment units as of April 30, 2010. Executive Directors and Supervisory Directors might serve as directors of other companies, but there are no mutual business interests whatsoever between such companies and the Company.

Note 2: At the fourth General Unitholders' Meeting held on July 27, 2009, Mr. Atsushi Ogata, President and Chief Executive Officer of the Asset Management Company, Nomura Real Estate Asset Management Co., Ltd., has been appointed as substitute Executive Director, to provide against vacancy of the Executive Director's position or lack of statutory quorum.

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

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

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

5. ASSET MANAGEMENT COMPANY, CUSTODIANS AND ADMINISTRATORS

Asset Management Company, custodians and administrators as of April 30, 2010 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., Citigroup Global Markets Japan Inc., Mizuho Securities Co., Ltd.
Administrative agent (short-term investment corporation bonds)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.

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

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

Status of Investment Assets of the Company

1. COMPOSITION OF ASSETS

Type of Assets	Area (Note 1)	13th Period (as of Apr. 30, 2010)		12th Period (as of Oct. 31, 2009)	
		Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)	Total Amount (¥ mln) (Note 2)	Portion (%) (Note 3)
Real estate	Central Tokyo	30,909	7.5	31,018	7.6
	Suburban Tokyo	16,431	4.0	16,489	4.0
	Other Regional Cities	37,948	9.3	33,954	8.3
Real estate in trust	Central Tokyo	187,411	45.7	187,897	46.0
	Suburban Tokyo	37,501	9.1	37,513	9.2
	Other Regional Cities	65,648	16.0	65,917	16.1
Subtotal		375,851	91.6	372,790	91.3
Cash, deposits and other assets		34,275	8.4	35,522	8.7
Grand Total		410,127	100.0	408,312	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 Apr. 30, 2010 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.	39,433	31,500.89	29,643.35	94.1	13.0	Office
JAL Bldg.	32,835	42,084.11	42,084.11	100.0	(Note 3)	Office
Omron Kyoto Center Bldg.	22,762	34,616.84	34,616.84	100.0	(Note 3)	Office
NOF Nihonbashi Honcho Bldg.	20,701	19,178.72	16,562.88	86.4	5.1	Office
SORA Shin-Osaka 21	19,122	21,462.47	20,184.33	94.0	4.1	Office
Tennozu Park Side Bldg.	13,028	18,051.60	16,086.72	89.1	5.3	Office
NOF Shibuya Koen-dori Bldg.	12,629	3,420.16	3,420.16	100.0	2.6	Office
NOF Shinjuku Minamiguchi Bldg.	12,322	6,685.52	6,685.52	100.0	2.4	Office
Secom Medical Bldg.	11,239	8,821.24	8,821.24	100.0	(Note 3)	Medical Office (Note 4)
NOF Shiba Bldg.	10,105	8,165.10	8,165.10	100.0	2.5	Office
Total	194,181	193,986.65	186,270.25	96.0	47.8 (Note 5)	

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

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

Note 3: Not disclosed due to compelling reasons.

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

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

4. OUTSTANDING AMOUNT AND CURRENT PRICE OF SPECIFIED TRANSACTIONS

The outstanding amount and current price of the specified transactions as of April 30, 2010 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)	90,850	83,350	△1,100
Total		90,850	83,350	△1,100

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, 2010.

6. STATUS OF ASSETS BY COUNTRY AND REGION

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

Country	Total Portfolio Amount (Note 1)	Appraisal Value as of Apr. 30, 2010 (Note 2)		
			Portion of Total Portfolio	Number of Properties
Japan	¥375,851 million	¥367,066 million	100.0%	51
Total	¥375,851 million	¥367,066 million	100.0%	51

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

Note 2: Appraisal value as of Apr. 30, 2010 stands for the value appraised by the real estate appraisers.

Capital Expenditures

1. PLAN OF CAPITAL EXPENDITURES

The table below lists major capital expenditures in conjunction with the refurbishment and/or renewal works scheduled for the future (finished in part) on the properties held as of April 30, 2010. 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) (Note 1)		
			Total	Paid during 13th Period	Paid before 13th Period
Shinjuku Nomura Bldg. (Shinjuku-ku, Tokyo)	Renovation of passenger elevator control system (Low/middle level (4 units for each)) (To increase quality) (Note 2)	From: May 2010 To: Oct. 2011	354	-	-
Sapporo North Plaza (Chuo-ku, Sapporo City)	Renovation of multistoried parking facility (To increase quality)	From: Aug. 2010 To: Oct. 2010	70	-	-
Sapporo North Plaza (Chuo-ku, Sapporo City)	Refurbishment of exclusively owned area (To increase revenues)	From: Aug. 2010 To: Apr. 2011	83	-	-

Note 1: 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.

Note 2: These works have already been implemented as of the date of this report.

2. CAPITAL EXPENDITURES DURING THE THIRTEENTH FISCAL PERIOD

The table below lists capital expenditures during the thirteenth fiscal period in conjunction with the major works of renovation. During the period, we have conducted engineering works totalling ¥939 million: capital expenditures of ¥692 million and repair expenses of ¥246 million combined all together.

Name of Property (Location)	Description of Works (Purpose)	Period of Works		Cost of Works (¥ mln)
		From:	To:	
NOF Shibuya Koen-dori Bldg. (Shibuya-ku, Tokyo)	Renewal of air-conditioning system (To increase quality)	Nov. 2009	Nov. 2009	57
NOF Technoport Kamata Center Bldg. (Ota-ku, Tokyo)	Renewal of through the wall air-conditioning system (To increase quality)	Nov. 2009	Mar. 2010	81
Sapporo North Plaza (Chuo-ku, Sapporo City)	Renovation of multistoried parking facility (To increase quality)	Mar. 2010	Apr. 2010	48
Sapporo North Plaza (Chuo-ku, Sapporo City)	Refurbishment of exclusively owned area (To increase revenues)	Mar. 2010	Apr. 2010	31
Other Properties	Improvement of features	Nov. 2009	Apr. 2010	472
Total				692

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.

	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009	11th Period from Nov. 1, 2008 to Apr. 30, 2009	10th Period from May 1, 2008 to Oct. 31, 2008	9th Period from Nov. 1, 2007 to Apr. 30, 2008
	¥ mln	¥ mln	¥ mln	¥ mln	¥ mln
Balance brought forward from the previous period	436	368	238	290	596
Amount reserved during the period	975	1,570	1,894	1,716	1,118
Amount used during the period	1,013	1,502	1,764	1,768	1,424
Balance brought forward to the next period	397	436	368	238	290

Expenses and Liabilities

1. EXPENSES RELATED TO ASSET MANAGEMENT

	13th Period from Nov. 1, 2009 to Apr. 30, 2010	12th Period from May 1, 2009 to Oct. 31, 2009
	¥000	¥000
Asset management fees (Note)	1,075,895	1,100,252
of which Management Fee I	712,258	722,256
of which Management Fee II	363,637	377,996
of which Management Fee III	-	-
Custodian fees	29,061	29,100
General administrative fees	64,959	65,245
Directors' compensation	12,000	12,000
Other expenses	89,953	97,359
Total	1,271,869	1,303,957

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

3. STATUS OF INVESTMENT CORPORATION BONDS

The status of investment corporation bonds issued as of April 30, 2010 is as follows.

Name of Bonds	Issue Date	Balance as of Apr. 30, 2010 (¥ mln)	Balance as of Oct. 31, 2009 (¥ mln)	Interest Rate (%)	Maturity Date	Method of Repayment	Use of Proceeds	Note
First Series Unsecured Investment Corporation Bonds	Mar. 16, 2005	5,000	5,000	1.85	Mar. 16, 2015	Balloon payment	(Note 1)	(Note 2)
Second Series Unsecured Investment Corporation Bonds	Mar. 16, 2005	5,000	5,000	2.47	Mar. 16, 2020	Balloon payment	(Note 1)	(Note 2)
Third Series Unsecured Investment Corporation Bonds	Nov. 28, 2005	10,000	10,000	1.19	Nov. 29, 2010	Balloon payment	(Note 1)	(Note 3)
Fourth Series Unsecured Investment Corporation Bonds	Nov. 28, 2005	10,000	10,000	2.05	Nov. 30, 2015	Balloon payment	(Note 1)	(Note 3)
Fifth Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	5,000	5,000	1.61	Mar. 19, 2012	Balloon payment	(Note 1)	(Note 3)
Sixth Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	5,000	5,000	2.21	Mar. 17, 2017	Balloon payment	(Note 1)	(Note 3)
Seventh Series Unsecured Investment Corporation Bonds	Mar. 19, 2007	4,500	4,500	2.90	Mar. 17, 2028	Balloon payment	(Note 1)	(Note 3)
Total		44,500	44,500					

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

The status of short-term investment corporation bonds issued as of April 30, 2010 is as follows.

Name of Bonds	Issue Date	Balance as of Apr. 30, 2010 (¥ mln)	Issue Price (¥ mln)	Maturity Value (¥ mln)	Maturity Date	Note
Fourth Series Short-term Investment Corporation Bonds	Mar. 15, 2010	1,998	1,997	2,000	Jun. 24, 2010	Unsecured/Uninsured
Total		1,998	1,997	2,000		

Trading during the Thirteenth Fiscal Period

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

Type of Asset	Name of Property	Acquisition		Disposition			
		Date	Price (¥ mln) (Note)	Date	Price (¥ mln) (Note)	Book Value (¥ mln)	Gain (Loss) (¥ mln)
Real estate	NOF Nagoya Fushimi Bldg.	Dec. 25, 2009	4,050	–	–	–	–
Total			4,050				

Note: "Acquisition price" and "Disposition price" do not include various costs (intermediary fees, taxes and duties, etc.) required for acquisition or disposition 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/Disposition	Type of Asset	Name of Property	Acquisition/Disposition		Appraisal Value (¥ mln)
			Date	Price (¥ mln)	
Acquisition	Real estate	NOF Nagoya Fushimi Bldg.	Dec. 25, 2009	4,050	2,370

Note 1: The price investigation procedures were conducted by Ernst & Young ShinNihon LLC at the time of acquisition or disposition in accordance with the guidance under "Price Investigation of Specified Assets Held by Investment Trusts and Investment Corporations", Industry Audit Committee Report No. 23 issued by The Japanese Institute of Certified Public Accountants. The Company has received detailed reports including the location and lot number to identify these properties.

Note 2: "Acquisition price" and "Disposition price" do not include various costs (intermediary fees, taxes and duties, etc.) required for acquisition or disposition 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

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

For the thirteenth fiscal period (from November 1, 2009 to April 30, 2010), two OTC derivatives transactions were subject to investigation. Ernst & Young ShinNihon LLC was requested to investigate the details of three transactions including the name of counterparty, issues, the number of execution, financial instruments/monetary indicators, put/call options, exercise prices, the period of execution of right, the trading period, etc. The investigation report has been received.

4. TRANSACTIONS WITH RELATED PARTIES AND MAJOR SHAREHOLDERS

(1) Transactions

Not applicable.

(2) Fees Paid to Related Parties and Major Shareholders

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

	Name of Related Party and Major Shareholders	Amount Paid (A) (¥000)	Total Amount Paid (B) (¥000)	Portion (A) / (B) (%)
Contract-out fees	Nomura Building Management Co., Ltd. (Note 2)	638,178	1,071,346	59.6
	Flagship Properties, Inc. (Note 3)	916		
Property management fees	Nomura Real Estate Development Co., Ltd.	161,191	247,516	65.1
	Nomura Building Management Co., Ltd.	26,986		
Other expenses	Nomura Real Estate Development Co., Ltd.	26,200	98,123	26.7
	Nomura Building Management Co., Ltd.	29,712		
	NREG Toshiba Real Estate Co., Ltd.	509		

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

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

Note 3: The Company has entrusted certain jobs such as receipt of rents, payment of disbursements and notification of repairs in conjunction with the sublease of JAL Building to Flagship Properties. The Contract-out fees paid to Flagship Properties include remuneration for these services.

Note 4: Besides the above, the Company has made the following payments for repair works during the thirteenth fiscal period.

Name of Related Party	Amount Paid (¥000)
Nomura Real Estate Development Co., Ltd.	15,681
Nomura Building Management Co., Ltd.	449,746

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

Name of Property	Property Management Company	Property Management Fees (¥000) (Note 1) (Note 2)
Shinjuku Nomura Bldg.	Nomura Real Estate Development Co., Ltd.	33,438
JAL Bldg.	Nomura Real Estate Development Co., Ltd.	3,540
Tennozu Park Side Bldg.	Nomura Real Estate Development Co., Ltd.	13,867
NOF Shibuya Koen-dori Bldg.	Nomura Real Estate Development Co., Ltd.	5,773
Secom Medical Bldg.	Nomura Real Estate Development Co., Ltd.	3,824
Nishi-Shinjuku Showa Bldg.	Nomura Real Estate Development Co., Ltd.	7,055
NRE Shibuya Dogenzaka Bldg.	Nomura Real Estate Development Co., Ltd.	3,890
NOF Tameike Bldg.	Nomura Real Estate Development Co., Ltd.	4,136
NOF Shinagawa Konan Bldg.	Nomura Real Estate Development Co., Ltd.	5,159
NOF Surugadai Plaza Bldg.	Nomura Real Estate Development Co., Ltd.	5,213
PMO Nihonbashi Honcho	Nomura Real Estate Development Co., Ltd.	3,236
NRE Higashi-nihonbashi Bldg.	Nomura Real Estate Development Co., Ltd.	3,060
Hatchobori NF Bldg.	Nomura Real Estate Development Co., Ltd.	2,505
NOF Minami-Shinjuku Bldg.	Nomura Real Estate Development Co., Ltd.	2,170
NRE Ueno Bldg.	Nomura Real Estate Development Co., Ltd.	4,418
NOF Technoport Kamata Center Bldg.	Nomura Real Estate Development Co., Ltd.	9,878
NOF Kichijoji Honcho Bldg.	Nomura Real Estate Development Co., Ltd.	1,543
Faret Tachikawa Center Square	Nomura Real Estate Development Co., Ltd.	4,586
NOF Yokohama Nishiguchi Bldg.	Nomura Real Estate Development Co., Ltd.	4,615
NOF Shin-Yokohama Bldg.	Nomura Real Estate Development Co., Ltd.	3,371
NRE Sapporo Bldg.	Nomura Real Estate Development Co., Ltd.	4,057
Omron Kyoto Center Bldg.	Nomura Real Estate Development Co., Ltd.	5,718
NRE Osaka Bldg.	Nomura Real Estate Development Co., Ltd.	13,894
NRE Nishi-Umeda Bldg.	Nomura Real Estate Development Co., Ltd.	3,944
NRE Yotsubashi Bldg.	Nomura Real Estate Development Co., Ltd.	8,291
NOF Shinjuku Minamiguchi Bldg.	Nomura Building Management Co., Ltd.	4,057
NOF Takanawa Bldg.	Nomura Building Management Co., Ltd.	2,244
Central Kyobashi Bldg.	Nomura Building Management Co., Ltd.	1,519
Central Shintomicho Bldg.	Nomura Building Management Co., Ltd.	987
Sunworld Yotsuya Bldg.	Nomura Building Management Co., Ltd.	574
NOF Toyo-cho Bldg.	Nomura Building Management Co., Ltd.	2,194
Toshin Meguro Bldg.	Nomura Building Management Co., Ltd.	600
NOF Kawasaki Higashiguchi Bldg.	Nomura Building Management Co., Ltd.	5,890
NOF Utsunomiya Bldg.	Nomura Building Management Co., Ltd.	3,751
NOF Nagoya Yanagibashi Bldg.	Nomura Building Management Co., Ltd.	2,112
NRE Hiroshima Bldg.	Nomura Building Management Co., Ltd.	3,053

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

There is no relevant matter under this subject as Nomura Real Estate Asset Management Co., Ltd., the asset management company of the Company, is not in any subsidiary business.

Other Information

1. NOTICE

Not applicable.

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

Not applicable.

3. OTHER MATTERS

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



NRE Sapporo Building

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Balance Sheets

	Thousands of Yen	
	As of April 30, 2010	As of October 31, 2009
ASSETS		
Current Assets:		
Cash and bank deposits	¥ 33,216,353	¥ 34,422,911
Rental receivables	179,932	233,750
Corporate taxes refundable	346	2,092
Other current assets	367,012	335,316
Total current assets	33,763,643	34,994,069
Property and Equipment, at Cost:		
Land	265,986,741	263,529,890
Buildings and structures	124,291,975	122,015,809
Machinery and equipment	1,415,304	1,230,024
Tools, furniture and fixtures	228,961	222,166
Leased assets	30,946	30,946
Construction in progress	81,166	82,141
Subtotal	392,035,093	387,110,976
Less accumulated depreciation	(18,084,506)	(16,221,547)
Net property and equipment	373,950,587	370,889,429
Investments and Other Assets:		
Leasehold rights	1,900,905	1,900,905
Intangible assets	2,621	2,909
Long-term prepaid expenses	14,582	24,626
Security deposits	410,850	410,850
Deferred investment corporation bond issuance costs	83,814	90,165
Total investments and other assets	2,412,772	2,429,455
Total Assets	¥ 410,127,002	¥ 408,312,953

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

	Thousands of Yen	
	As of April 30, 2010	As of October 31, 2009
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥ 546,960	¥ 728,735
Other accounts payable	1,200,171	1,395,019
Short-term investment corporation bonds	1,998,818	-
Short-term debt	8,380,000	13,730,000
Current portion of investment corporation bonds	10,000,000	-
Current portion of long-term debt	16,500,000	13,000,000
Accrued expenses	857,801	921,848
Accrued consumption taxes	204,430	210,822
Rent received in advance	2,164,533	2,270,821
Other current liabilities	124,814	185,018
Total current liabilities	41,977,527	32,442,263
Long-term Liabilities:		
Investment corporation bonds	34,500,000	44,500,000
Long-term debt	120,600,000	117,500,000
Security deposits from tenants	22,547,218	23,061,123
Other long-term liabilities	12,131	15,586
Total long-term liabilities	177,659,349	185,076,709
Total Liabilities	219,636,876	217,518,972
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	185,455,447	185,455,447
Retained earnings	5,034,679	5,338,534
Total unitholders' equity	190,490,126	190,793,981
Total Net Assets	190,490,126	190,793,981
Total Liabilities and Net Assets	¥ 410,127,002	¥ 408,312,953

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

Statements of Income and Retained Earnings

	Thousands of Yen	
	For the period from November 1, 2009 to April 30, 2010	For the period from May 1, 2009 to October 31, 2009
Operating Revenues and Expenses		
Operating Revenues:		
Real estate rental revenues	¥ 13,686,232	¥ 14,203,926
	13,686,232	14,203,926
Operating Expenses:		
Real estate rental expenses	5,667,025	5,761,133
Asset management fees	1,075,895	1,100,252
Administrative service and custodian fees	94,021	94,346
Bad debts expenses	-	6,119
Other operating expenses	101,953	103,241
	6,938,894	7,065,091
Operating Profit	6,747,338	7,138,835
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	6,867	8,946
Other non-operating revenues	35,739	20,738
	42,606	29,684
Non-Operating Expenses:		
Interest expense	1,160,559	1,179,077
Loan arrangement fees	103,181	145,409
Interest expense on short-term investment corporation bonds	5,708	-
Interest expense on investment corporation bonds	428,087	433,413
Amortization of investment corporation bond issuance costs	8,089	6,637
Other non-operating expenses	48,716	64,491
	1,754,340	1,829,027
Income before Income Taxes	5,035,604	5,339,492
Income Taxes:		
Current	1,027	1,027
Deferred	-	(5)
Net Income	5,034,577	5,338,470
Retained earnings brought forward	102	64
Retained Earnings at End of Period	¥ 5,034,679	¥ 5,338,534

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

Statements of Changes in Net Assets

For the period from November 1, 2009 to April 30, 2010

	Thousands of Yen						
	Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	Deferred Hedge Gains (Losses)	Total Valuation and Translation Adjustments	Total Net Assets
Balance as of October 31, 2009	305,123	¥185,455,447	¥5,338,534	¥190,793,981	-	-	¥190,793,981
Cash distribution paid	-	-	(5,338,432)	(5,338,432)	-	-	(5,338,432)
Net income	-	-	5,034,577	5,034,577	-	-	5,034,577
Balance as of April 30, 2010	305,123	¥185,455,447	¥5,034,679	¥190,490,126	-	-	¥190,490,126

For the period from May 1, 2009 to October 31, 2009

	Thousands of Yen						
	Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity	Deferred Hedge Gains (Losses)	Total Valuation and Translation Adjustments	Total Net Assets
Balance as of April 30, 2009	305,123	¥185,455,447	¥5,392,503	¥190,847,950	-	-	¥190,847,950
Cash distribution paid	-	-	(5,392,439)	(5,392,439)	-	-	(5,392,439)
Net income	-	-	5,338,470	5,338,470	-	-	5,338,470
Balance as of October 31, 2009	305,123	¥185,455,447	¥5,338,534	¥190,793,981	-	-	¥190,793,981

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

Statements of Cash Flows

Cash Flows	Thousands of Yen	
	For the period from November 1, 2009 to April 30, 2010	For the period from May 1, 2009 to October 31, 2009
Cash Flows from Operating Activities		
Income before income taxes	¥ 5,035,604	¥ 5,339,492
Depreciation	1,865,416	1,835,796
Amortization of long-term prepaid expenses	15,711	16,566
Amortization of investment corporation bond issuance costs	8,089	6,637
Interest income	(6,867)	(8,946)
Interest expense	1,594,355	1,612,490
Loss on disposal of property and equipment	10,319	19,230
Decrease in rental receivables	53,818	41,813
(Decrease) in trade accounts payable	(181,775)	(10,986)
(Decrease) Increase in other accounts payable	(141,237)	71,638
(Decrease) Increase in accrued consumption taxes	(6,393)	156,069
(Decrease) in rent received in advance	(106,289)	(15,796)
Changes in other current assets/liabilities	(93,776)	133,259
Subtotal	8,046,975	9,197,262
Interest received	6,867	15,598
Interest paid	(1,656,483)	(1,623,599)
Income taxes refund	720	739
Net cash provided by operating activities	6,398,079	7,590,000
Cash Flows from Investing Activities		
Proceeds from time deposits	–	2,260,000
Payments for purchases of property and equipment	(4,999,910)	(1,029,940)
Reimbursement of security deposits to tenants	(1,173,235)	(1,608,402)
Proceeds from security deposits from tenants	659,330	522,913
Net cash used in investing activities	(5,513,815)	144,571
Cash Flows from Financing Activities		
Proceeds from short-term debt	7,580,000	2,800,000
Repayment of short-term debt	(12,930,000)	(24,800,000)
Proceeds from short-term investment corporation bonds	5,991,530	–
Redemption of short-term investment corporation bonds	(4,000,000)	–
Proceeds from long-term debt	13,350,000	22,000,000
Repayment of long-term debt	(6,750,000)	–
Distributions to unitholders	(5,332,352)	(5,384,677)
Net cash provided by financing activities	(2,090,822)	(5,384,677)
Net Increase in Cash and Cash Equivalents	(1,206,558)	2,349,894
Cash and Cash Equivalents at Beginning of Period	34,422,911	32,073,017
Cash and Cash Equivalents at End of Period	¥ 33,216,353	¥ 34,422,911

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

Notes to Financial Statements

1. ORGANIZATION

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

On August 7, 2003, the Company was incorporated under the Law Concerning Investment Trusts and Investment Corporations (the "Investment Trust Law") of Japan. On December 4, 2003, the Company was listed on the Tokyo Stock Exchange as the 9th J-REIT and started operations on the following day. As of April 30, 2010, the Company owned a portfolio of 51 office properties containing an aggregate of approximately 439,139.15 square meters of leasable area and leased office space to 686 tenants.

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment (Except for leased assets)

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

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

Intangible assets (Except for leased assets)

Intangible assets are amortized by the straight-line method.

Leased assets

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

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other income. Rental revenues are generally recognized on an

accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts are reasonably estimated.

Property related taxes

Property and equipment is subject to property related taxes, urban planning taxes and depreciable property taxes on a calendar year basis. These taxes are generally charged to income during the period. The sellers of the properties were liable for property related taxes for the calendar year including the period from the date of purchase by the Company through the end of the year since the taxes are imposed on the owner registered in the record as of January 1st based on the assessment made by the local government. No such taxes were imposed for the six-month period ended October 31, 2009 as the Company did not acquire any properties. The capitalized property related taxes amounted to ¥11,876 thousand for the six-month period ended April 30, 2010.

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 statements 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 deferred recognition of gains or losses resulting from changes in the fair value of interest-rate swap contracts which meet the criteria for deferral 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, 2010 and October 31, 2009 consist of the following:

	Thousands of Yen	
	As of April 30, 2010	As of October 31, 2009
Cash and bank deposits	¥33,216,353	¥34,422,911
Cash and cash equivalents	¥33,216,353	¥34,422,911

5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of April 30, 2010 and October 31, 2009 consist of the following:

	Thousands of Yen			
	As of April 30, 2010		As of October 31, 2009	
	Acquisition Costs	Book Value	Acquisition Costs	Book Value
Land	¥ 57,405,168	¥ 57,405,168	¥ 54,948,317	¥ 54,948,317
Buildings and structures	27,308,860		25,611,320	
Accumulated depreciation	(1,840,648)	25,468,212	(1,403,845)	24,207,475
Machinery and equipment	590,835		465,199	
Accumulated depreciation	(87,515)	503,320	(64,660)	400,539
Tools, furniture and fixtures	6,636		4,911	
Accumulated depreciation	(1,050)	5,586	(556)	4,355
Construction in progress	6,210	6,210	-	-
Land in trust	208,581,573	208,581,573	208,581,573	208,581,573
Buildings and structures in trust	96,983,115		96,404,489	
Accumulated depreciation	(15,639,650)	81,343,465	(14,288,144)	82,116,345
Machinery and equipment in trust	824,469		764,825	
Accumulated depreciation	(414,206)	410,263	(381,312)	383,513
Tools, furniture and fixtures in trust	222,325		217,255	
Accumulated depreciation	(88,716)	133,609	(73,700)	143,555
Leased assets in trust	30,946		30,946	
Accumulated depreciation	(12,721)	18,225	(9,330)	21,616
Construction in progress in trust	74,956	74,956	82,141	82,141
Total	¥373,950,587	¥373,950,587	¥370,889,429	¥370,889,429

6. SHORT-TERM DEBT

Short-term debt as of April 30, 2010 and October 31, 2009 consist of the following:

	As of April 30, 2010		As of October 31, 2009	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note1)
Unsecured loans from banks due on December 24, 2009	-	-	¥ 5,000,000	1.44333%
Unsecured loans from banks due on December 24, 2009	-	-	3,930,000	1.17545%
Unsecured loans from a financial institution due on February 26, 2010	-	-	3,000,000	1.77500%
Unsecured loans from an insurance company due on February 26, 2010	-	-	1,000,000	1.50625%
Unsecured loans principally from banks due on February 26, 2010	-	-	2,500,000	1.48375%
Unsecured loans from banks due on March 26, 2010	-	-	2,000,000	1.18417%
Unsecured loans from banks due on June 24, 2010	¥ 2,800,000	1.12727%	2,800,000	1.22545%
Unsecured loans from insurance companies due on August 26, 2010	2,000,000	1.65500%	2,000,000	1.65500%
Unsecured loans from banks due on August 26, 2010	4,000,000	0.90727%	4,000,000	1.01455%
Unsecured loans principally from banks due on December 8, 2010	2,500,000	1.04000%	-	-
Unsecured loans from banks due on December 24, 2010	2,580,000	1.12727%	-	-
Unsecured loans from banks due on February 26, 2011	7,500,000	1.68000%	-	-
Unsecured loans from banks due on February 26, 2011	1,000,000	1.10727%	-	-
Unsecured loans from a financial institution due on February 28, 2011	2,000,000	1.10727%	-	-
Unsecured loans from a bank due on June 25, 2016 (Note 2)	500,000	1.97000%	500,000	1.97000%
Total	¥24,880,000		¥26,730,000	

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

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

The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the six-month periods ended April 30, 2010 and October 31, 2009. The total unused amounts of such credit facilities were ¥40,000 million as of April 30, 2010 and ¥33,000 million as of October 31, 2009.

7. LONG-TERM DEBT

Long-term debt as of April 30, 2010 and October 31, 2009 consists of the following:

	As of April 30, 2010		As of October 31, 2009	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans principally from banks due on December 8, 2010	-	-	¥ 2,500,000	1.12182%
Unsecured loans from banks due on February 26, 2011	-	-	7,500,000	1.68000%
Unsecured loans from banks due on June 10, 2011	¥ 8,500,000	1.43200%	8,500,000	1.43200%
Unsecured loans from banks due on August 25, 2011	4,500,000	1.44800%	4,500,000	1.44800%
Unsecured loans from banks due on August 26, 2011	4,000,000	1.63825%	4,000,000	1.63825%
Unsecured loans from banks due on September 25, 2011	2,000,000	1.43950%	2,000,000	1.43950%
Unsecured loans from banks due on February 26, 2012	11,000,000	1.89764%	11,000,000	1.89764%
Unsecured loans from banks due on June 24, 2012	12,000,000	1.39575%	12,000,000	1.39575%
Unsecured loans principally from insurance companies due on August 26, 2012	5,000,000	1.43750%	5,000,000	1.43750%
Unsecured loans from a financial institution due on August 26, 2012	1,000,000	1.53625%	1,000,000	1.53625%
Unsecured loans from banks due on August 26, 2012	7,500,000	1.46000%	7,500,000	1.46000%
Unsecured loans from banks due on September 25, 2012	2,000,000	1.61150%	2,000,000	1.61150%
Unsecured loans from banks due on November 4, 2012	10,000,000	1.51175%	10,000,000	1.51175%
Unsecured loans from banks due on December 27, 2012	5,000,000	1.87200%	5,000,000	1.87200%
Unsecured loans from a bank due on February 26, 2013	1,000,000	1.75250%	1,000,000	1.75250%
Unsecured loans from an insurance company due on February 26, 2013	2,000,000	1.99250%	2,000,000	1.99250%
Unsecured loans from banks due on February 26, 2013	4,000,000	1.22636%	-	-
Unsecured loans from banks due on December 8, 2013	7,500,000	1.68680%	7,500,000	1.68680%
Unsecured loans from insurance companies due on March 19, 2014	4,000,000	1.98000%	4,000,000	1.98000%
Unsecured loans from banks due on December 24, 2014	6,350,000	1.55800%	-	-
Unsecured loans from an insurance company due on February 26, 2015	3,000,000	1.91875%	3,000,000	1.91875%
Unsecured loans from a financial institution due on February 26, 2015	3,000,000	1.69300%	-	-
Unsecured loans principally from insurance companies due on June 24, 2015	8,000,000	2.31750%	8,000,000	2.31750%
Unsecured loans from a bank due on June 25, 2016 (Note 2)	9,250,000	1.97000%	9,500,000	1.97000%
Total	¥120,600,000		¥117,500,000	

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.

Long-term debt	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
	30,500,000	50,000,000	12,000,000	12,850,000

8. INVESTMENT CORPORATION BONDS

Investment Corporation Bonds

Details of investment corporation bonds outstanding are summarized as follows:

	As of April 30, 2010		As of October 31, 2009	
	Amount (Thousands of Yen)	Weighted- average interest rate	Amount (Thousands of Yen)	Weighted- average interest rate
First Series of Unsecured Investment Corporation Bonds Due on March 16, 2015	¥ 5,000,000	1.85000%	¥ 5,000,000	1.85000%
Second Series of Unsecured Investment Corporation Bonds Due on March 16, 2020	5,000,000	2.47000%	5,000,000	2.47000%
Third Series of Unsecured Investment Corporation Bonds Due on November 29, 2010	10,000,000	1.19000%	10,000,000	1.19000%
Fourth Series of Unsecured Investment Corporation Bonds Due on November 30, 2015	10,000,000	2.05000%	10,000,000	2.05000%
Fifth Series of Unsecured Investment Corporation Bonds Due on March 19, 2012	5,000,000	1.61000%	5,000,000	1.61000%
Sixth Series of Unsecured Investment Corporation Bonds Due on March 17, 2017	5,000,000	2.21000%	5,000,000	2.21000%
Seventh Series of Unsecured Investment Corporation Bonds Due on March 17, 2028	4,500,000	2.90000%	4,500,000	2.90000%
Total	¥44,500,000		¥44,500,000	

Short-term Investment Corporation Bonds

Details of short-term investment corporation bonds outstanding are summarized as follows:

	As of April 30, 2010		As of October 31, 2009	
	Amount (Thousands of Yen)	Redemption price (Thousands of Yen)	Amount (Thousands of Yen)	Redemption price (Thousands of Yen)
Fourth Series of Short-term Investment Corporation Bonds due on June 24, 2010	¥1,999,818	¥2,000,000	–	–
Total	¥1,999,818	¥2,000,000	–	–

9. UNITHOLDERS' EQUITY

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

10. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of April 30, 2010 and October 31, 2009 were as follows:

	For the period from November 1, 2009 to April 30, 2010	For the period from May 1, 2009 to October 31, 2009
Net asset values per unit	¥624,306	¥625,301
Net income per unit	¥ 16,500	¥ 17,496

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.

	As of April 30, 2010	As of October 31, 2009
Net income (Thousands of Yen)	¥5,034,577	¥5,338,470
Amount not available to ordinary unitholders (Thousands of Yen)	–	–
Net income available to ordinary unitholders (Thousands of Yen)	¥5,034,577	¥5,338,470
Average number of units during the period	305,123	305,123

11. RELATED PARTY TRANSACTIONS

Parent Company, corporate shareholders and other

Not applicable

Directors, individual shareholders and other

Not applicable

Subsidiary companies and other

Not applicable

Fellow subsidiary companies and other

Not applicable

12. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 40% for the six-month periods ended April 30, 2010 and October 31, 2009. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Special Taxation Measures Law of Japan. Under this law, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed approximately 100% of its distributable income in the form of cash distributions totaling ¥5,034,529 thousand and ¥5,338,432 thousand for the six-month periods ended April 30, 2010 and October 31, 2009, 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, 2009 to April 30, 2010	For the period from May 1, 2009 to October 31, 2009
Statutory tax rate	39.33%	39.33%
Deductible cash distributions	(39.32)	(39.32)
Other	0.01	0.01
Effective tax rate	0.02%	0.02%

13. FINANCIAL INSTRUMENTS

Effective the six-month period ended April 30, 2010, "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No.10, March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19, March 10, 2008) have been applied.

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 risk 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 of a tenant terminates the rental contract. However, the effect of such risk is limited by reserving sufficient funds to allow the Company to meet the obligation to return such deposits.

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

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "17. Derivatives and Hedge Accounting" below do not represent the market risk involved in these derivative transactions.

Fair Value of Financial Instruments

The following table summarizes the carrying value and the estimated fair values of financial instruments as of April 30, 2010. The following table does not include financial instruments whose fair value is extremely difficult to estimate (see Note 3).

	Thousands of Yen		
	Carrying Value (Note 1)	Fair Value (Note 1)	Difference
(i) Cash and bank deposits	14,358,510	14,358,510	–
(ii) Cash and bank deposits in trust	18,857,843	18,857,843	–
(iii) Short-term investment corporation bonds	(1,998,818)	(1,998,818)	–
(iv) Short-term debt	(8,380,000)	(8,380,000)	–
(v) Current portion of investment corporation bonds	(10,000,000)	(10,023,500)	23,500
(vi) Current portion of long-term debt	(16,500,000)	(16,548,447)	48,447
(vii) Investment corporation bonds	(34,500,000)	(34,701,300)	201,300
(viii) Long-term debt	(120,600,000)	(121,777,774)	1,177,774
(ix) Derivative transactions	–	–	–

Note 1: The numbers in parenthesis indicate liabilities.

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

(i) Cash and bank deposits and (ii) Cash and bank deposits in trust

As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.

(iii) Short-term investment corporation bonds and (iv) Short-term debt

As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the Carrying Value is reported as the Fair Value.

(v) Current portion of investment corporation bonds and (vii) Investment corporation bonds

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

(vi) Current portion of long-term debt and (viii) 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 in 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 "17. 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.

(ix) Derivative transactions

Refer to "17. Derivatives and Hedge Accounting".

Note 3: The fair value of security deposits (with a carrying value of ¥4,030,823 thousand) and security deposits in trust (with a carrying value of ¥18,516,394 thousand) that have been deposited from tenants under lease contracts are not disclosed because they do not have any market price and their effective deposit period from the lease inception to tenant's termination of the rental contract cannot be reliably determined, thus making it impossible to reasonably estimate their future cash flows, and therefore, it is considered to be extremely difficult to estimate their fair value.

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

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	14,358,510	–	–	–	–	–
Cash and bank deposits in trust	18,857,843	–	–	–	–	–
Total	33,216,353	–	–	–	–	–

Note 5: Redemption schedule for investment corporation bonds and debt

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term investment corporation bonds	2,000,000	–	–	–	–	–
Short-term debt	8,380,000	–	–	–	–	–
Investment corporation bonds	10,000,000	5,000,000	–	–	5,000,000	24,500,000
Long-term debt	16,500,000	30,500,000	50,000,000	12,000,000	12,850,000	15,250,000
Total	36,880,000	35,500,000	50,000,000	12,000,000	17,850,000	39,750,000

14. INVESTMENT AND RENTAL PROPERTIES

Effective the six-month period ended April 30, 2010, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20, November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23, November 28, 2008) have been applied.

The Company owns in its portfolio certain office buildings (including land) for lease located in Tokyo and other areas. The following table summarizes the carrying value and the estimated fair value of these properties as of April 30, 2010.

			Thousands of Yen	
			Carrying Value	Fair Value
As of April 30, 2010	Change during the period	As of October 31, 2009	As of April 30, 2010	
375,851,491	3,061,158	372,790,333	367,066,000	

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

Note 2: The components of net change included increases mainly due to the acquisition of NOF Nagoya Fushimi Building (¥4,228,600 thousand).

Note 3: The fair value as of April 30, 2010 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, 2010 is presented in "15. Breakdown of Real Estate Rental Revenues and Expenses."

15. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the six-month period ended April 30, 2010 and October 31, 2009 consist of the following:

	Thousands of Yen	
	For the period from November 1, 2009 to April 30, 2010	For the period from May 1, 2009 to October 31, 2009
Real estate rental revenues	¥13,686,232	¥14,203,926
Rental revenues	12,502,676	12,871,402
Rental revenues	10,208,784	10,530,796
Common area charges	2,293,892	2,340,606
Other rental revenues	1,183,556	1,332,524
Parking revenues	280,740	292,999
Incidental income	833,623	970,652
Other miscellaneous revenues	69,193	68,873
Real estate rental expenses	5,667,025	5,761,133
Property management costs	1,071,347	1,088,143
Property management fees	247,517	262,147
Property and other taxes	1,129,932	1,129,535
Utility expenses	838,194	953,992
Casualty insurance	26,129	27,218
Repairs and maintenance	246,706	225,282
Depreciation	1,865,203	1,835,578
Other rental expenses	241,997	239,238
Profit	¥ 8,019,207	¥ 8,442,793

16. 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 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, 2010 and October 31, 2009 are summarized as follows:

	Thousands of Yen	
	As of April 30, 2010	As of October 31, 2009
Due within one year	¥5,230,358	¥5,339,508
Due after one year	26,857,725	29,267,009
Total	¥32,088,083	¥34,606,517

17. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of October 31, 2009

The Company has entered into interest-rate swap contracts with several Japanese financial institutions to hedge its variable rate long-term debt obligations. The Company utilizes interest-rate swap contracts, which are derivative financial instruments, only for the purpose of mitigating future risk of fluctuation of interest rates, but does not enter into such transactions for speculative or trading purposes. The Company entered into such derivative transactions to hedge risk in accordance with its Articles of Incorporation and the established risk management policies of NREAM.

The following summarizes the notional amount and the estimated fair value of the interest-rate related positions outstanding as of October 31, 2009:

	Thousands of Yen		
	Notional amount	Estimated fair value	Unrealized loss
As of October 31, 2009			
Interest-rate swaps:			
Received/floating and paid/fixed	¥84,500,000	(¥955,814)	(¥955,814)

Derivative transactions as of April 30, 2010

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

(2) Derivative financial instruments subject to hedge accounting were as follows:

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
				Due after one year		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	90,850,000	83,350,000	(*)	/

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



ERNST & YOUNG

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Report of Independent Auditors

To the Board of Directors of
Nomura Real Estate Office Fund, Inc.

We have audited the accompanying balance sheets of Nomura Real Estate Office Fund, Inc. as of April 30, 2010 and October 31, 2009, and the related statements of income and retained earnings, changes in net assets and cash flows for the six-month periods then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

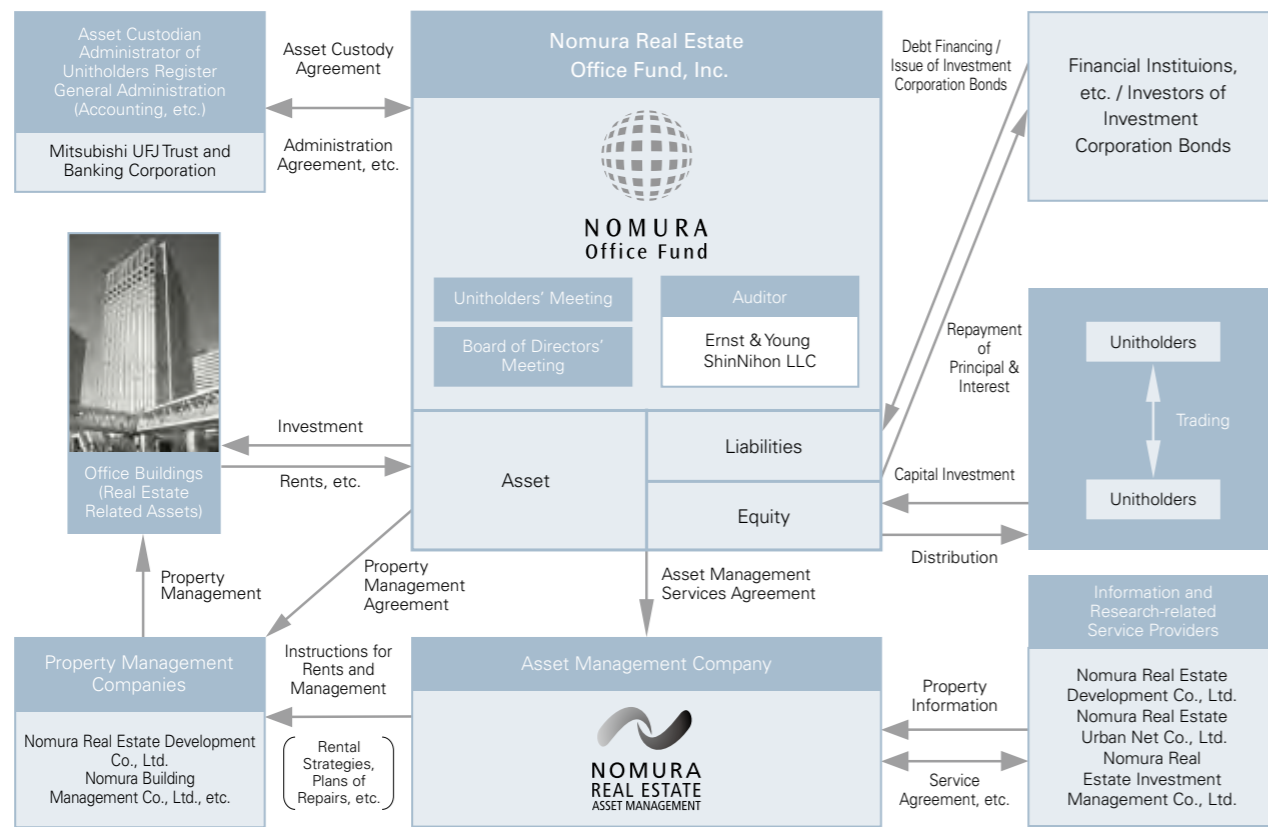
We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Office Fund, Inc. at April 30, 2010 and October 31, 2009, and the results of its operations and its cash flows for the six-month periods then ended in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

July 15, 2010

Business Structure



Corporate Data

Corporate Name

Nomura Real Estate Office Fund, Inc.

Corporate Office

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

Date of Incorporation

August 7, 2003

Stock Listing

Tokyo Stock Exchange (Securities Code: 8959)

Fiscal Period

Six months ending on April 30 and October 31

Capital

¥185,455,446,935 (as of April 30, 2010)

Number of Units Issued

305,123 (as of April 30, 2010)

Number of Unitholders

12,970 (as of April 30, 2010)

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,
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Investor Relations

For further information, please contact the Asset Management Company:
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Tel: +81-3-3365-0507

Website

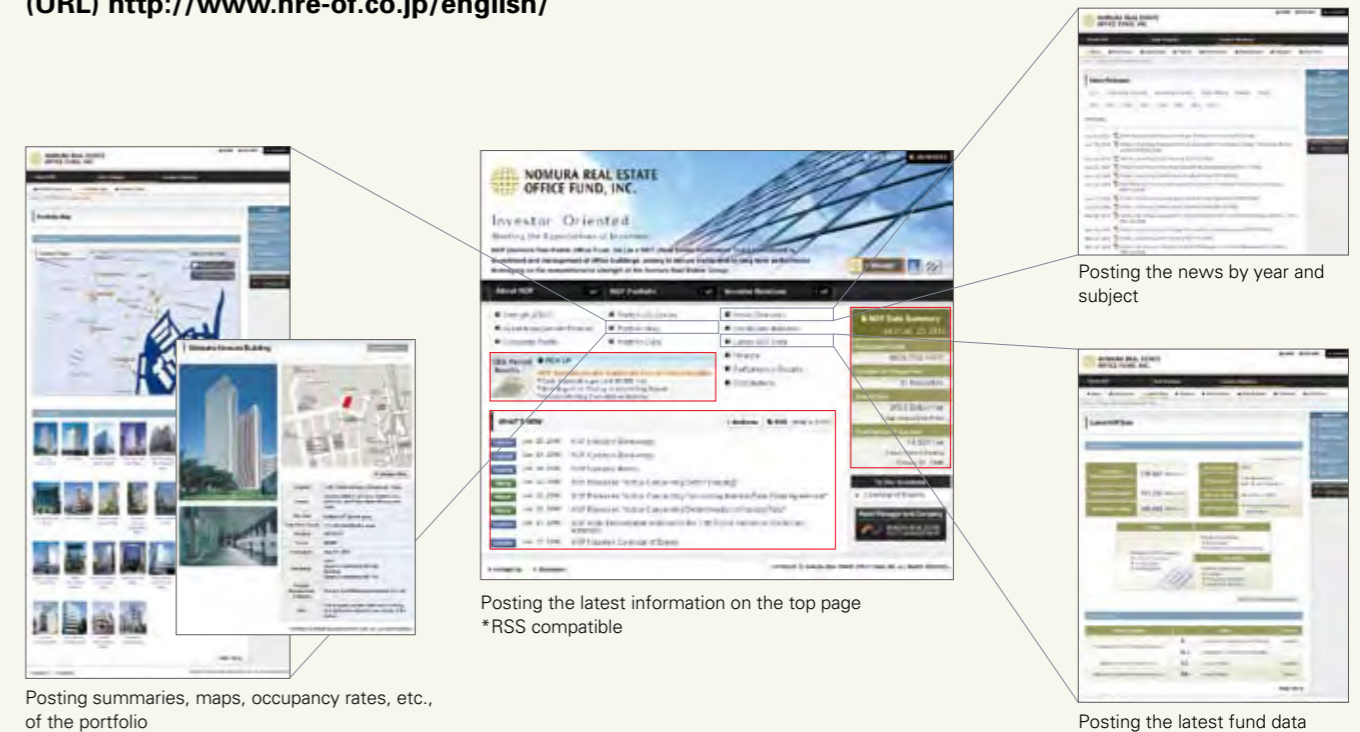
Nomura Office Fund's Website

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

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

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

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



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

Posting the latest fund data

Disclaimer

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

In general, accounting principles and practices used by real estate investment corporations in Japan ("J-REITs") in preparing its financial statements conform with accounting principles generally accepted in Japan ("Japanese GAAP"). However, they may differ from generally accepted accounting principles applied in certain other countries. Potential investors should consult their own professional advisors for an understanding of the differences between Japanese GAAP and generally accepted accounting principles in the United States ("U.S. GAAP") or other jurisdictions and how those differences might affect the financial information contained herein.

Estimates for Nomura Office Fund's future operating results contained in this semiannual report are forward-looking statements and are based on information currently available to Nomura Office Fund and its asset management company and are subject to risks and uncertainties. Consequently, these projections should not be relied upon as the sole basis for evaluating Nomura Office Fund. Actual results may differ substantially from the projections depending on a number of factors.



NOMURA
Office Fund

NOMURA REAL ESTATE OFFICE FUND, INC.

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