



NOMURA
Residential Fund

Semi-Annual Report

17th fiscal period

December 1, 2014 >>> May 31, 2015

NOMURA REAL ESTATE RESIDENTIAL FUND

Profile

Nomura Real Estate Residential Fund, Inc. (referred to as “Nomura Residential Fund” or the “Company” hereinafter) was listed on the Tokyo Stock Exchange on February 14, 2007 as a real estate investment corporation formed to own and invest in Residential properties, subject to the Act on Investment Trusts and Investment Corporations of Japan. The Company’s basic investment policy is to assure stable rent revenues and steady portfolio growth over the medium-to-long-term.

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

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To Our Investors

On behalf of Nomura Real Estate Residential Fund, Inc. (the Company), I would like to express our gratitude for your continuing trust and patronage.

With the Company having closed the accounts for the 17th fiscal period ending May 31, 2015, allow me to present an overview of the management status and financial results.

Continuing forward from previous fiscal periods, the 17th fiscal period saw further promotion of the property replacement strategy to enhance portfolio quality, and three properties were acquired for a total price of 6,300 million yen. Stable revenues are expected from these properties going forward as all are located in popular areas and are close to their nearest stations. Meanwhile, five properties that were expected to show decreased competitiveness in the market due to aging and other factors as well as increased maintenance costs, were transferred during the 17th fiscal period for a total price of 1,827 million yen. As a result, assets at the end of the 17th fiscal period (as of May 31, 2015) totaled 148 properties amounting to 163,792 million yen (total acquisition price).

In terms of portfolio property management, we implemented proactive leasing activities and enhanced our advertising activities to further increase the high occupancy status of portfolio properties even as the period contained the year end in which there are many tenant replacements. As a result, the average portfolio occupancy rate in the 17th fiscal period was 96.8%, the highest level since the listing of the Company. Furthermore, with regard to properties whose rents are expected to increase, active leasing activities were carried out according to the characteristics of the properties. As a result, unit rent for the entire portfolio as of the end of the 17th fiscal period made a turnaround to an increase.

Concerning financial activities, a conservative financial strategy was implemented as with the previous fiscal periods in order to secure stable revenues in the mid- to long-term and for the steady growth of portfolio assets.

As a result of management activities, we achieved operating revenue of 5,678 million yen, ordinary income of 1,873 million yen and net income of 1,872 million yen. Cash distribution per unit for the period was 11,642 yen.

The Company concluded a merger agreement with Nomura Real Estate Master Fund Inc. and Nomura Real Estate Office Fund Inc. on May 27, 2015. We believe that the merger will lead to the further increase of unitholder value as both growth and stable management can be expected in the future.

We ask our investors for their continued support and encouragement.

Shozo Matsumura
Executive Director
Nomura Real Estate Residential Fund, Inc.



Summary of Portfolio Properties

#	Name of Property	Location	Acquisition Price (thousands of yen)	Percentage of Total (%)	Leasable Floor Area (sqm)	Leasable Units (units)	Occupancy Rate (May 2015)(%)
1	PROUD FLAT Shirokane Takanawa	Minato-ku, Tokyo	3,510,000	2.1	2,950.11	106	99.1
2	PROUD FLAT Yoyogi Uehara	Shibuya-ku, Tokyo	1,100,000	0.7	1,151.34	44	97.8
3	PROUD FLAT Hatsudai	Shibuya-ku, Tokyo	865,000	0.5	958.98	31	94.4
4	PROUD FLAT Shibuya Sakuragaoka	Shibuya-ku, Tokyo	800,000	0.5	638.70	30	96.7
5	PROUD FLAT Gakugei Daigaku	Meguro-ku, Tokyo	812,000	0.5	934.39	41	100.0
6	PROUD FLAT Meguro Gyoninzaka	Meguro-ku, Tokyo	882,000	0.5	855.23	40	100.0
7	PROUD FLAT Sumida Riverside	Chuo-ku, Tokyo	2,260,000	1.4	3,055.21	110	93.7
8	PROUD FLAT Kagurazaka	Shinjuku-ku, Tokyo	1,540,000	0.9	1,793.43	70	97.5
9	PROUD FLAT Waseda	Shinjuku-ku, Tokyo	1,110,000	0.7	1,450.91	60	100.0
10	PROUD FLAT Shinjuku Kawadacho	Shinjuku-ku, Tokyo	1,010,000	0.6	1,102.20	41	96.3
11	PROUD FLAT Sangen Jaya	Setagaya-ku, Tokyo	1,350,000	0.8	1,277.82	48	96.2
12	PROUD FLAT Kamata	Ota-ku, Tokyo	1,140,000	0.7	1,541.64	67	100.0
13	PROUD FLAT Kamata II	Ota-ku, Tokyo	2,980,000	1.8	4,051.72	169	97.4
14	PROUD FLAT Shinotsuka	Toshima-ku, Tokyo	695,000	0.4	752.09	35	86.0
15	PROUD FLAT Kiyosumi Shirakawa	Koto-ku, Tokyo	900,000	0.5	1,209.56	55	100.0
16	PROUD FLAT Monzen Nakacho II	Koto-ku, Tokyo	650,000	0.4	830.55	35	97.5
17	PROUD FLAT Monzen Nakacho I	Koto-ku, Tokyo	1,130,000	0.7	1,191.08	55	98.2
18	PROUD FLAT Fujimidai	Nerima-ku, Tokyo	1,370,000	0.8	2,222.05	94	100.0
19	PROUD FLAT Asakusa Komagata	Taito-ku, Tokyo	1,960,000	1.2	2,685.39	79	98.8
20	PROUD FLAT Yokohama	Yokohama-shi, Kanagawa	2,340,000	1.4	3,118.12	113	95.5
21	PROUD FLAT Kamiooka	Yokohama-shi, Kanagawa	2,770,000	1.7	4,872.17	200	100.0
22	PROUD FLAT Tsurumi II	Yokohama-shi, Kanagawa	1,430,000	0.9	2,219.74	81	98.0
23	PRIME URBAN Azabu Juban	Minato-ku, Tokyo	991,000	0.6	1,222.13	40	94.8
24	PRIME URBAN Akasaka	Minato-ku, Tokyo	956,000	0.6	1,062.05	25	100.0
25	PRIME URBAN Tamachi	Minato-ku, Tokyo	941,000	0.6	1,107.36	48	93.8
26	PRIME URBAN Shibaura LOFT	Minato-ku, Tokyo	1,510,000	0.9	1,905.39	68	94.6
27	PRIME URBAN Hatagaya	Shibuya-ku, Tokyo	452,000	0.3	650.60	38	100.0
28	PRIME URBAN Yoyogi	Shibuya-ku, Tokyo	408,000	0.2	439.56	19	96.0
29	PRIME URBAN Ebisu II	Shibuya-ku, Tokyo	1,030,000	0.6	1,184.81	35	100.0
30	PRIME URBAN Bancho	Chiyoda-ku, Tokyo	1,170,000	0.7	1,277.04	52	98.2
31	PRIME URBAN Chiyoda Fujimi	Chiyoda-ku, Tokyo	707,000	0.4	793.87	32	100.0
32	PRIME URBAN Idabashi	Chiyoda-ku, Tokyo	2,030,000	1.2	2,087.70	90	95.8
33	PRIME URBAN Ebisu	Meguro-ku, Tokyo	1,200,000	0.7	1,444.40	29	100.0
34	PRIME URBAN Naka Meguro	Meguro-ku, Tokyo	1,320,000	0.8	1,302.42	49	93.9
35	PRIME URBAN Gakugei Daigaku	Meguro-ku, Tokyo	886,000	0.5	1,008.39	32	100.0
36	PRIME URBAN Senzoku	Meguro-ku, Tokyo	536,000	0.3	655.27	22	92.5
37	PRIME URBAN Meguro Riverside	Meguro-ku, Tokyo	464,000	0.3	453.77	24	100.0
38	PRIME URBAN Meguro Ohashi Hills	Meguro-ku, Tokyo	3,580,000	2.2	2,955.74	99	94.9
39	PRIME URBAN Meguro Aobadai	Meguro-ku, Tokyo	1,190,000	0.7	1,464.14	40	100.0
40	PRIME URBAN Gakugei Daigaku II	Meguro-ku, Tokyo	916,000	0.6	1,109.87	41	100.0
41	PRIME URBAN Naka Meguro II	Meguro-ku, Tokyo	2,800,000	1.7	2,393.45	66	100.0
42	PRIME URBAN Kachidoki	Chuo-ku, Tokyo	2,290,000	1.4	4,524.00	145	95.1
43	PRIME URBAN Shinkawa	Chuo-ku, Tokyo	2,250,000	1.4	3,600.61	46	94.9
44	PRIME URBAN Nihonbashi Yokoyamacho	Chuo-ku, Tokyo	3,530,000	2.2	5,926.17	124	95.4
45	PRIME URBAN Nihonbashi Hamacho	Chuo-ku, Tokyo	1,470,000	0.9	2,026.44	52	94.3
46	PRIME URBAN Hongo Ikizaka	Bunkyo-ku, Tokyo	647,000	0.4	662.58	27	100.0
47	PRIME URBAN Hakusan	Bunkyo-ku, Tokyo	893,000	0.5	1,069.82	42	100.0
48	PRIME URBAN Yotsuya Gaien Higashi	Shinjuku-ku, Tokyo	1,700,000	1.0	1,759.11	51	89.8
49	PRIME URBAN Naka Ochiai	Shinjuku-ku, Tokyo	655,000	0.4	1,237.98	18	94.0
50	PRIME URBAN Ochiai	Shinjuku-ku, Tokyo	324,000	0.2	517.53	32	94.1
51	PRIME URBAN Nishi Shinjuku I	Shinjuku-ku, Tokyo	1,290,000	0.8	1,459.86	60	95.2
52	PRIME URBAN Nishi Shinjuku II	Shinjuku-ku, Tokyo	1,000,000	0.6	1,162.55	46	95.6
53	PRIME URBAN Shinjuku Naitomachi	Shinjuku-ku, Tokyo	512,000	0.3	578.18	14	100.0
54	PRIME URBAN Nishi Waseda	Shinjuku-ku, Tokyo	503,000	0.3	507.11	28	100.0
55	PRIME URBAN Shinjuku Ochiai	Shinjuku-ku, Tokyo	635,000	0.4	1,053.39	28	100.0
56	PRIME URBAN Mejiro	Shinjuku-ku, Tokyo	1,260,000	0.8	1,755.52	65	96.9
57	PRIME URBAN Kagurazaka	Shinjuku-ku, Tokyo	2,640,000	1.6	2,853.82	100	97.9
58	PRIME URBAN Kamiuma	Setagaya-ku, Tokyo	900,000	0.5	1,739.86	37	96.9
59	PRIME URBAN Sangen JayaIII	Setagaya-ku, Tokyo	755,000	0.5	1,018.72	47	93.0
60	PRIME URBAN Chitose Karasuyama	Setagaya-ku, Tokyo	730,000	0.4	1,774.01	27	96.2
61	PRIME URBAN Sangen Jaya II	Setagaya-ku, Tokyo	539,000	0.3	810.98	17	100.0
62	PRIME URBAN Sangen Jaya	Setagaya-ku, Tokyo	835,000	0.5	874.15	33	94.2
63	PRIME URBAN Minami Karasuyama	Setagaya-ku, Tokyo	840,000	0.5	1,049.73	41	100.0
64	PRIME URBAN Karasuyama Galleria	Setagaya-ku, Tokyo	645,000	0.4	835.05	33	97.0
65	PRIME URBAN Karasuyama Court	Setagaya-ku, Tokyo	413,000	0.3	576.20	23	100.0
66	PRIME URBAN Kamikitazawa	Setagaya-ku, Tokyo	738,000	0.5	1,384.45	29	100.0
67	PRIME URBAN Chitose Funabashi	Setagaya-ku, Tokyo	885,000	0.5	1,027.44	38	97.2
68	PRIME URBAN Yoga	Setagaya-ku, Tokyo	1,150,000	0.7	1,773.05	54	100.0
69	PRIME URBAN Shinagawa Nishi	Shinagawa-ku, Tokyo	624,000	0.4	961.25	46	95.9
70	PRIME URBAN Osaki	Shinagawa-ku, Tokyo	1,700,000	1.0	2,106.16	99	96.9
71	PRIME URBAN Oimachi II	Shinagawa-ku, Tokyo	1,100,000	0.7	1,794.85	93	97.7
72	PRIME URBAN Yukigaya	Ota-ku, Tokyo	970,000	0.6	1,536.59	94	95.8
73	PRIME URBAN Omori	Ota-ku, Tokyo	824,000	0.5	1,190.70	54	96.3
74	PRIME URBAN Denenchofu Minami	Ota-ku, Tokyo	900,000	0.5	1,100.17	44	95.9
75	PRIME URBAN Nagahara Kamiikedai	Ota-ku, Tokyo	1,720,000	1.1	2,282.62	61	84.3
76	PRIME URBAN Nakano	Nakano-ku, Tokyo	472,000	0.3	801.30	51	98.3
77	PRIME URBAN Nakano Kamitakada	Nakano-ku, Tokyo	640,000	0.4	818.75	33	95.0
78	PRIME URBAN Takaido	Suginami-ku, Tokyo	1,080,000	0.7	1,746.20	107	99.1
79	PRIME URBAN Nishi Ogikubo	Suginami-ku, Tokyo	435,000	0.3	543.09	24	95.9
80	PRIME URBAN Nishi Ogikubo II	Suginami-ku, Tokyo	1,780,000	1.1	2,225.33	76	90.0
81	PRIME URBAN Otsuka	Toshima-ku, Tokyo	794,000	0.5	944.99	46	97.9
82	PRIME URBAN Komagome	Toshima-ku, Tokyo	412,000	0.3	991.94	22	95.5
83	PRIME URBAN Ikebukuro	Toshima-ku, Tokyo	3,310,000	2.0	4,376.95	131	97.6
84	PRIME URBAN Monzen Nakacho	Koto-ku, Tokyo	2,200,000	1.3	3,207.92	118	99.2
85	PRIME URBAN Kameido	Koto-ku, Tokyo	705,000	0.4	1,117.34	52	98.1

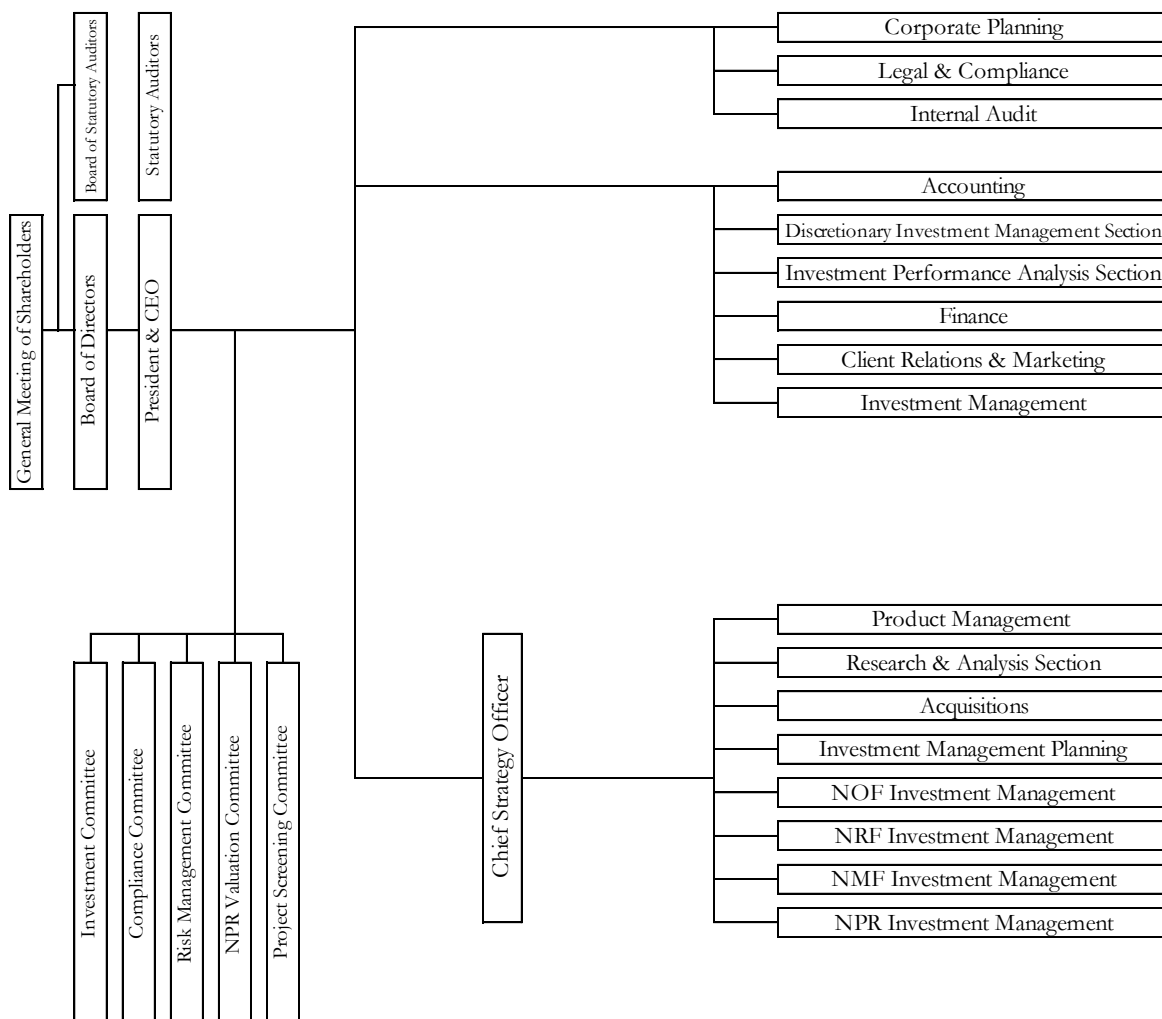
#	Name of Property	Location	Acquisition Price (thousands of yen)	Percentage of Total (%)	Leasable Floor Area (sqm)	Leasable Units (units)	Occupancy Rate (May 2015)(%)
86	PRIME URBAN Sumiyoshi	Koto-ku, Tokyo	552,000	0.3	813.52	40	100.0
87	PRIME URBAN Mukojima	Sumida-ku, Tokyo	487,000	0.3	1,108.91	55	100.0
88	PRIME URBAN Kinshi Koen	Sumida-ku, Tokyo	1,180,000	0.7	1,886.50	77	97.4
89	PRIME URBAN Kinshicho	Sumida-ku, Tokyo	668,000	0.4	991.62	49	100.0
90	PRIME URBAN Hirai	Edogawa-ku, Tokyo	700,000	0.4	1,095.91	53	98.1
91	PRIME URBAN Kasai	Edogawa-ku, Tokyo	637,000	0.4	905.81	45	97.8
92	PRIME URBAN Kasai II	Edogawa-ku, Tokyo	958,000	0.6	1,437.84	68	92.6
93	PRIME URBAN Kasai East	Edogawa-ku, Tokyo	940,000	0.6	1,884.62	78	100.0
94	PRIME URBAN Ekoda	Nerima-ku, Tokyo	385,000	0.2	872.49	35	94.3
95	PRIME URBAN Itabashi Kuyakushomae	Itabashi-ku, Tokyo	940,000	0.6	1,742.64	68	98.3
96	PRIME URBAN Asakusa	Taito-ku, Tokyo	350,000	0.2	876.70	22	95.4
97	PRIME URBAN Machiya South Court	Arakawa-ku, Tokyo	1,740,000	1.1	4,141.56	77	97.7
98	PRIME URBAN Musashi Koganei	Koganei-shi, Tokyo	2,390,000	1.5	5,999.80	98	95.9
99	PRIME URBAN Musashino Hills	Koganei-shi, Tokyo	1,590,000	1.0	2,961.06	80	100.0
100	PRIME URBAN Koganei Honcho	Koganei-shi, Tokyo	725,000	0.4	1,604.72	43	93.1
101	PRIME URBAN Kumegawa	Higashimurayama-shi, Tokyo	1,370,000	0.8	2,610.05	91	96.6
102	PRIME URBAN Musashi Kosugi comodo	Kawasaki-shi, Kanagawa	2,150,000	1.3	3,692.44	56	96.8
103	PRIME URBAN Kawasaki	Kawasaki-shi, Kanagawa	1,150,000	0.7	1,706.46	80	98.0
104	PRIME URBAN Shinyurigaoka	Kawasaki-shi, Kanagawa	1,210,000	0.7	1,708.19	64	100.0
105	PRIME URBAN Tsurumi Teraya	Yokohama-shi, Kanagawa	457,000	0.3	952.06	50	98.3
106	PRIME URBAN Urayasu II	Urayasu-shi, Chiba	277,000	0.2	437.94	27	100.0
107	PRIME URBAN Urayasu	Urayasu-shi, Chiba	840,000	0.5	1,264.84	60	98.3
108	PRIME URBAN Gyotoku I	Ichikawa-shi, Chiba	635,000	0.4	1,151.36	52	100.0
109	PRIME URBAN Gyotoku II	Ichikawa-shi, Chiba	741,000	0.5	1,244.00	58	100.0
110	PRIME URBAN Gyotoku Ekimae	Ichikawa-shi, Chiba	476,000	0.3	778.19	37	97.3
111	PRIME URBAN Gyotoku Ekimae II	Ichikawa-shi, Chiba	561,000	0.3	927.33	46	100.0
112	PRIME URBAN Gyotoku III	Ichikawa-shi, Chiba	948,000	0.6	1,766.47	77	98.7
113	PRIME URBAN Nishi Funabashi	Funabashi-shi, Chiba	772,000	0.5	1,237.80	60	98.3
114	PRIME URBAN Kawaguchi	Kawaguchi-shi, Saitama	2,170,000	1.3	2,477.11	98	98.4
Greater Tokyo Area			133,385,000	81.4	186,962.79	6,605	97.0
115	PROUD FLAT Itsutsubashi	Sendai-shi, Miyagi	682,000	0.4	1,861.56	60	100.0
116	PROUD FLAT Kawaramachi	Sendai-shi, Miyagi	724,000	0.4	1,967.54	64	100.0
117	PROUD FLAT Shin Osaka	Osaka-shi, Osaka	1,430,000	0.9	2,990.68	112	93.9
118	PRIME URBAN Yamahana	Sapporo-shi, Hokkaido	377,000	0.2	1,518.58	33	97.5
119	PRIME URBAN Kita Juyo Jo	Sapporo-shi, Hokkaido	336,000	0.2	1,155.60	36	93.6
120	PRIME URBAN Odori Koen I	Sapporo-shi, Hokkaido	530,000	0.3	1,850.20	53	100.0
121	PRIME URBAN Odori Koen II	Sapporo-shi, Hokkaido	322,000	0.2	1,148.72	36	100.0
122	PRIME URBAN Kita Juichi Jo	Sapporo-shi, Hokkaido	600,000	0.4	1,851.39	60	95.0
123	PRIME URBAN Miyanosawa	Sapporo-shi, Hokkaido	576,200	0.4	2,114.53	54	98.4
124	PRIME URBAN Odori Higashi	Sapporo-shi, Hokkaido	424,000	0.3	1,494.36	36	89.7
125	PRIME URBAN Chiji Koukan	Sapporo-shi, Hokkaido	337,900	0.2	1,007.30	42	97.6
126	PRIME URBAN Maruyama	Sapporo-shi, Hokkaido	283,200	0.2	911.07	27	96.3
127	PRIME URBAN Kita Nijuyo Jo	Sapporo-shi, Hokkaido	503,700	0.3	1,773.90	36	91.6
128	PRIME URBAN Sapporo Idaimae	Sapporo-shi, Hokkaido	731,600	0.4	2,439.90	58	95.7
129	PRIME URBAN Sapporo Riverfront	Sapporo-shi, Hokkaido	3,500,000	2.1	15,552.59	311	97.6
130	PRIME URBAN Kita Sanjo Dori	Sapporo-shi, Hokkaido	1,450,000	0.9	5,094.29	114	97.0
131	PRIME URBAN Nagamachi Ichhome	Sendai-shi, Miyagi	1,110,000	0.7	3,411.24	60	97.3
132	PRIME URBAN Yaotome Chuo	Sendai-shi, Miyagi	428,000	0.3	1,380.21	43	100.0
133	PRIME URBAN Tsutsumidori Amamiya	Sendai-shi, Miyagi	969,000	0.6	4,251.91	65	98.2
134	PRIME URBAN Aoi	Nagoya-shi, Aichi	724,000	0.4	1,571.04	46	96.2
135	PRIME URBAN Kanayama	Nagoya-shi, Aichi	632,000	0.4	1,391.02	58	100.0
136	PRIME URBAN Tsurumai	Nagoya-shi, Aichi	1,189,096	0.7	2,502.11	104	97.1
137	PRIME URBAN Kamimaezu	Nagoya-shi, Aichi	1,250,000	0.8	3,541.43	101	90.6
138	PRIME URBAN Izumi	Nagoya-shi, Aichi	2,800,000	1.7	7,543.10	250	96.7
139	PRIME URBAN Esaka I	Suita-shi, Osaka	672,000	0.4	1,189.12	48	89.5
140	PRIME URBAN Esaka II	Suita-shi, Osaka	790,000	0.5	1,392.00	57	93.1
141	PRIME URBAN Esaka III	Suita-shi, Osaka	1,535,000	0.9	2,151.67	79	85.9
142	PRIME URBAN Tamatsukuri	Osaka-shi, Osaka	906,000	0.6	2,373.10	80	94.7
143	PRIME URBAN Sakaisuji Honmachi	Osaka-shi, Osaka	1,780,000	1.1	3,909.90	82	84.7
144	PRIME URBAN Hakata	Fukuoka-shi, Fukuoka	830,000	0.5	2,176.23	67	97.3
145	PRIME URBAN Yakui Minami	Fukuoka-shi, Fukuoka	351,000	0.2	897.84	34	91.7
146	PRIME URBAN Kashii	Fukuoka-shi, Fukuoka	396,000	0.2	1,222.34	39	91.7
147	PRIME URBAN Hakata Higashi	Fukuoka-shi, Fukuoka	693,000	0.4	1,854.13	65	94.3
148	PRIME URBAN Chihaya	Fukuoka-shi, Fukuoka	545,000	0.3	1,740.70	48	96.1
Other Areas			30,407,696	18.6	85,402.20	2,334	95.6
Total			163,792,696	100.0	272,364.99	8,939	96.6

Profile of the Asset Management Company

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

Company	: Nomura Real Estate Asset Management Co., Ltd.
Capital	: ¥300 million (as of May 31, 2015)
Shareholder	: Nomura Real Estate Holdings, Inc. (100%)
Incorporation	: January 24, 2003

• Organization of the asset management company



• Profile of General Manager , NRF Investment Management



Tetsuya Ohira

Apr. 1989	Entered Nomura Real Estate Development Co., Ltd.
Jul. 1989	Yokohama Business Park Department
Dec. 1992	Osaka Office
Jun. 2003	Residential Sales Section, Residential Sales Department, Residential Company
Apr. 2004	Development Section, Second Business Development Department, Residential Company
Apr. 2007	Development Section, Investment Development Department, Residential Company
Apr. 2011	Development Manager, Investment Development Department, Residential Company
Oct. 2014	Executive Officer, Head of NRF Investment Management Department

Performance Report

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Asset Management Report

1. CHANGES IN KEY INDICATORS

		17th Period from Dec. 1, 2014 to May 31, 2015	16th Period from Jun. 1, 2014 to Nov. 30, 2014	15th Period from Dec. 1, 2013 to May 31, 2014	14th Period from Jun. 1, 2013 to Nov. 30, 2013	13th Period from Dec. 1, 2012 to May 31, 2013
Operating Revenues (¥mln)		5,678	5,480	5,594	5,406	5,257
of which Real Estate Rental Revenues (¥mln)		5,659	5,427	5,556	5,356	5,238
Operating Expenses (¥mln)		3,253	3,057	3,080	2,848	2,823
of which Real Estate Rental Expenses (¥mln)		2,543	2,353	2,453	2,250	2,252
Operating Profit (¥mln)		2,424	2,423	2,513	2,558	2,433
Ordinary Income (¥mln)		1,873	1,878	1,956	1,966	1,878
Net Income (¥mln)		1,872	1,877	1,955	1,965	1,876
Total Assets (¥mln)		169,316	164,852	167,940	168,019	156,576
(Changes from Previous Period)	(%)	(+2.7)	(-1.8)	(-0.0)	(+7.3)	(-0.1)
Interest-Bearing Debts (¥mln)		91,130	86,820	89,750	89,840	83,002
Net Assets (¥mln)		75,155	75,148	75,226	75,236	70,838
(Changes from Previous Period)	(%)	(+0.0)	(-0.1)	(-0.0)	(+6.2)	(+0.0)
Unitholders' Capital (¥mln)		73,231	73,231	73,231	73,231	68,961
Number of Units Issued (Units)		160,800	160,800	160,800	160,800	150,936
Net Assets per Unit (¥)		467,382	467,340	467,827	467,887	469,326
Total Cash Distribution (¥mln)		1,872	1,865	1,955	1,965	1,836
Cash Distribution per Unit (¥)		11,642	11,600	12,161	12,221	12,170
of which Cash Distribution of Profits (¥)		11,642	11,600	12,161	12,221	12,170
of which Cash Distribution in excess of Profits (¥)		—	—	—	—	—
ROA (Return on Assets) (Note 1) (%)		1.1	1.1	1.2	1.2	1.2
Annualized ROA (Note 2) (%)		2.2	2.3	2.3	2.4	2.4
ROE (Return on Equity) (Note 3) (%)		2.5	2.5	2.6	2.7	2.6
Annualized ROE (Note 2) (%)		5.0	5.0	5.2	5.4	5.3
Capital Adequacy Ratio (Note 4) (%)		44.4	45.6	44.8	44.8	45.2
(Changes from Previous Period)	(%)	(-1.2)	(+0.8)	(+0.0)	(-0.5)	(+0.0)
LTV (Loan-to-Value) (Note 5) (%)		53.8	52.7	53.4	53.5	53.0
Number of Operating Days (days)		182	183	182	183	182
Payout Ratio (Note 6) (%)		100.0	99.3	99.9	100.0	97.8
Number of Properties Held (bldgs)		148	150	153	155	152
Total Leasable Floor Space (m ²)		276,194.09	272,627.52	274,346.62	277,166.54	262,961.11
Number of Tenants (tenants)		148	150	153	155	152
Occupancy Rate (%)		96.6	96.2	95.8	96.2	96.4
Depreciation (¥mln)		1,072	1,052	1,053	1,012	967
Capital Expenditures (¥mln)		76	136	95	94	138
NOI (Net Operating Income) (Note 7) (¥mln)		4,187	4,126	4,156	4,118	3,953
FFO (Funds from Operation) (Note 8) (¥mln)		2,948	2,929	2,979	2,934	2,833
FFO per Unit (Note 9) (¥)		18,336	18,218	18,528	18,251	18,773

Note 1: "ROA (Return on Assets)" = Ordinary Income / {(Total Assets at the beginning of the period + Total Assets at the end of the period) / 2} x 100

As for 14th 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. 13th Period: 182 days, 14th Period: 183 days, 15th Period: 182 days, 16th Period: 183 days and 17th Period: 182 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 14th period, Net Assets were time-adjusted due to the additional issuance of investment units.

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

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

Note 6: Rounded off to the first decimal place.

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

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

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

2. OUTLINE OF INVESTMENTS IN THE 15TH FISCAL PERIOD

Nomura Real Estate Residential Fund was incorporated on August 3, 2006 under the Act on Investment Trusts and Investment Corporations of Japan, and listed Investment Securities that represent the units of investment equity of the Company in the Real Estate Investment Trust (REIT) Market of the Tokyo Stock Exchange (TSE) on February 14, 2007 (TSE code: 3240).

The Company's basic investment policy is to assure stable income and steady portfolio asset growth over the medium-to-long-term through investment in specified assets such as properties and property-related securities.

We invest in properties with a focus on residential use in accordance with the Company's basic policy (securities specified for residential properties). In addition, in order to realize stable income over the medium-to-long term, we carry out expeditious asset management according to property characteristics and market conditions (medium-to-long term stable management).

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 Tokyo Stock Exchange is referred to hereinafter as the "TSE".

The units of investment equity means the units of investment equity of the Company.

The term "property (ies)" refers to those assets defined in Section 29, Paragraph 1, Article (1) and (2), and "property-backed securities" refers to those assets defined in Section 29, 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".

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

(1) Market Environments and fund performance

The Japanese economy during the fiscal period experienced an ongoing gradual recovery given the bottoming out of domestic demand which had been sluggish since the consumption tax hike in April 2014. Furthermore, corporate performance is seen to be improving and capital investment increasing boosted by the postponement of further increase of consumption tax and decrease of commodity prices due to low oil prices in addition to the advancing yen depreciation and high stock prices resulting from the effects of additional monetary easing measures by the Bank of Japan. According to the Bank of Japan's March 2015 Short-Term Economic Survey of Enterprises in Japan (Tankan), the business conditions DI for all enterprises and all industries improved 1 point from the previous survey. Regarding the future of the economy, the recovery trend is thought to continue as steady improvements are seen in the employment and income environments and underlying support from private consumption is expected.

Under such circumstances, new J-REITs are being listed (IPOs) and existing REITs are actively acquiring properties through public offerings, backed by hopes for improvements in real estate rental revenues and as well as the excellent fund procurement environment due to monetary easing.


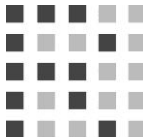
In the rental housing market as well, J-REIT-owned rental housing continues to maintain high occupancy rate and the recovery trend can be seen such as with properties at which the rent level is rising. In the backdrop are the continuing inflow of population to the Greater Tokyo Area (Tokyo, Kanagawa, Chiba and Saitama prefectures) and major regional cities which are the main areas of investment for J-REITs as well as the continued stable demand from single and small households due in part to such factors as the trend for later marriage and declining birth rates. Furthermore, in terms of supply, rental housing construction starts is lower than the peak in 2006, implying that the balance of supply and demand for rental housing will remain favorable for some time.

On the other hand, in the real estate transaction market competition over acquisitions is overheated due in part to an increase in participants. Furthermore, the supply of rental housing is still limited, which has created a severe environment for the acquisition of properties.

In the management environment described above, the Company made the following management achievements in the 17th fiscal period (ended May 2015).

(a) Asset Acquisition and Disposition.

The Company has fully utilized the strong sourcing routes of each property brand listed in the table below, and has continued acquisition activities.

Brand	Acquisition Strategy
<p>PROUD FLAT</p>  <p>Properties planned/development by Nomura Real Estate Development (Note:1)</p>	<p>Strategic Cooperation with Nomura Real Estate Development</p> <p>The strategic cooperation with Nomura Real Estate Development enables the Fund to undertake the development and acquisition of PROUD FLAT, a residential property brand, which utilizes residential property related know-how for land acquisition, product planning, management, etc. This plays the pivotal role of the Fund's growth strategy and the Fund will utilize it to the full extent.</p>
<p>PRIME URBAN</p>  <p>PRIME URBAN</p> <p>Properties planned/developed by companies other than Nomura Real Estate Development (Note:2)</p>	<p>Utilization of Networks with Providers Utilization of Nomura Real Estate Group Information Networks</p> <p>Proactively utilizing the network with providers built through the management of private funds which extends over 5 years and the Fund's management which extends over 8 years. By utilizing the expansive brokerage network held by Nomura Real Estate Group, pursuit of collecting adequate information on properties for selling will be fulfilled.</p>

(Note) Hereinafter, Nomura Real Estate Development refers to Nomura Real Estate Development Co., Ltd. Nomura Real Estate Group refers to a corporate group consisting of the consolidated subsidiaries of Nomura Real Estate Holdings, Inc. including Nomura Real Estate Development but excluding Nomura Real Estate Asset Management Co., Ltd., to which the Company assigns asset management-related operations.

As in previous fiscal periods, the Company continued to implement its strategy for property replacement in the 17th fiscal period to enhance portfolio profitability and quality. Three properties (PRIME URBAN Naka Meguro II, PRIME URBAN Nagahara Kamiikedai and PRIME URBAN Nishi Ogikubo II) totaling 6,300 million yen (sum total of acquisition prices) were acquired during the period while five properties (PRIME URBAN Roka Koen, PRIME URBAN Karasuyama, PRIME URBAN Oimachi, PRIME URBAN Hino and PRIME URBAN Minami Gyotoku III) totaling approx. 1,827 million yen (sum total of transfer prices) were transferred during the period.

As a result of the above, assets at the end of the 17th fiscal period (as of May 31, 2015) totaled 148 properties amounting to approx. 163,792 million yen (sum total of acquisition prices).

As indicated in "3. Important Events Subsequent to the 17th Fiscal Period," two properties (PRIME URBAN Naka Ochiai and PRIME URBAN Kamiuma) totaling approx. 1,613 million yen (sum total of transfer prices) were transferred after the 17th fiscal period.

(b) Property Management

In terms of portfolio property management, even as the period contained the year end in which there are many tenant replacements, the Company enhanced advertising activities and actively utilized model rooms of properties to lease up the three properties newly acquired in December 2014 and to maintain the high occupancy rate of existing portfolio properties.

In leasing, the Company worked to maintain and enhance property competitiveness through renovations as well as by raising unit rents through a flexible review of advertised terms and conditions in light of the status of respective properties. In addition, the Company endeavored, as it has in previous fiscal periods, to shorten vacancy through more effective control of the time required to restore units to their original state. These and other efforts allowed the Company to post a portfolio occupancy rate of 96.6% at the end of the 17th fiscal period, an occupancy rate consistent with the high rate that we have maintained since the previous period.

The Company is continuing its efforts to maintain and improve occupancy rates, rent levels and tenant satisfaction by meeting market needs.

(c) Status of Funding

In order to assure stable income and the steady growth of portfolio assets over the medium- to long-term, the Company continued the conservative financial strategies described below in the 17th fiscal period.

Regarding the refinancing of 7,700 million yen in existing loans, three long-term loans were refinanced with fixed interest rates (including fixation through interest rate swap transactions). Financial stability was enhanced and the risk of rising interest rates was addressed through the promotion of long-term interest-bearing debt and fixed interest rates.

As a result, the ratio of long-term debt is 78.5%, the ratio of fixed interest debt (including fixation through interest rate swap transactions) is 93.9%, the average maturity of the outstanding interest-bearing debt is 3.14 years (the average maturity of the outstanding long-term interest-bearing debt is 3.88 years). In the end, the rate of interest-bearing debt in the total assets, which is the loan-to-value (LTV) ratio, becomes 53.8%.

Furthermore, while 4,400 million yen was borrowed in December 2014 for the acquisition of the three new properties, the borrowing was partially repaid before schedule after the end of the 17th fiscal period such as with cash on hand from the transferred properties mentioned above.

The table below shows the credit ratings of the Company as of the end of the 17th fiscal period. Moreover, Japan Credit Rating Agency, Ltd. and Standard and Poor's Ratings Services have released press releases dated May 27, 2015 regarding the credit rating of the Company for the reason that the Company concluded a merger agreement as of May 27, 2015 as stated below in "(e) Merger with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Office Fund, Inc."

Rating Company	Rating	Outlook
Japan Credit Rating Agency, Ltd	Long-term Senior Debt Rating : AA	Rating outlook: (Note 1)
Standard & Poor's Ratings Services.	Long-term corporate credit rating : A	Outlook: Stable (Note 2)
	Short-term Corporate Credit Rating : A-1	—

(Note 1) Designation to credit monitor (direction: negative) was announced in a press release dated May 27, 2015).

(Note 2) Credit rating with continued "stable" outlook was announced in a press release dated May 27, 2015.

(d) Financial Performance and Distributions

As a result of the above-mentioned strategies during the 17th fiscal period, the Company recorded 5,678 million yen in operating revenue, 2,424 million yen in operating profit, 1,873 million yen in ordinary income and 1,872 million yen in net income.

Concerning the cash distribution, in accordance with Article 67-15 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957), the Company decided to distribute almost the entire amount of distributable profit. As a result, the amount of cash distribution per unit for this fiscal period was 11,642 yen.

(e) Merger with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Office Fund, Inc.

The Company, Nomura Real Estate Master Fund, Inc. ("NMF") and Nomura Real Estate Office Fund, Inc. ("NOF") (the Company, NMF and NOF are individually referred to as the "Consolidated Investment Corporation" hereinafter) respectively have determined at each of the board of directors meeting held on May 27, 2015 to implement a consolidation-type merger (the "Merger") whereby October 1, 2015 is set as the date of incorporation of investment corporation (the "New Investment Corporation") incorporated through the consolidation-type merger, and have entered into a merger agreement as of May 27, 2015.

We hereby announce that such approvals have been obtained at the general meeting of unitholders of NMF and NOF held on July 30, 2015 and NRF held on July 31.

A. Purpose of Merger

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

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

The Company, NMF and NOF believe that, through becoming with the merger a top-class domestic diversified type J-REIT with an asset size of more than 900 billion yen, with increased asset size and diversified investment sectors that will contribute to expand acquisition opportunities, stabilize the portfolio, enhance risk tolerance, gain competitive strength for asset acquisitions and stabilize the finance basis, in addition to making the best use of the

asset management company's abundant and professional expertise accumulated through management of the Company, NMF and NOF and effectively leveraging wide-range know-hows and brands held by the Nomura Real Estate Group, one of the major comprehensive real estate developers in Japan, both growth and stability can be achieved

In particular, the following demonstrates the Company, NMF and NOF's concept of the Merger:

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

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

B. Merger Ratio

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

C. Cash Distribution on Merger

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

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

3. STATUS OF CAPITAL

Changes in the number of units issued and unitholders' Capital until the end of the 17th fiscal period (as of May 31, 2015) are as follows:

Date	Type of Issue	Number of Units Issued (Unit)		Unitholders' Capital (¥ mln)	
		Change	Balance	Change	Balance
Aug. 3, 2006	Initial private placement (Note 1)	400	400	240	240
Sep. 26, 2006	Private Offering (Note 2)	17,930	18,330	10,758	10,998
Feb.13, 2007	Public offering (Note 3)	47,400	65,730	28,816	39,814
Mar.13, 2007	Third-party allotment (Note 4)	2,370	68,100	1,440	41,255
Feb. 13, 2008	Public offering (Note 5)	27,300	95,400	11,918	53,173
Mar.11, 2008	Third-party allotment (Note 6)	1,365	96,765	595	53,769
Dec. 7, 2009	Public offering (Note 7)	27,400	124,165	7,647	61,417
Dec.24, 2009	Third-party allotment (Note 8)	1,370	125,535	382	61,799
Dec. 1, 2011	Public offering (Note 9)	23,629	149,164	6,662	68,461
Dec.20, 2011	Third-party allotment (Note 10)	1,772	150,936	499	68,961
Aug.26, 2013	Public offering (Note 11)	9,306	160,242	4,028	72,989
Sep.25, 2013	Third-party allotment (Note 12)	558	160,800	241	73,231

Note1: Investment units were issued at issue price of 600,000 yen per unit upon establishment of the Fund.

Note2: Additional investment units were issued at the price of 600,000 yen per unit for the purpose of financing acquisition of new properties, etc. Asset management commenced.

Note3: Additional investment units were issued at 630,000 yen per unit (subscription price: 607,950 yen) in a public offering, for the purpose of financing acquisition of new properties and repayment of debt.

Note4: In conjunction with the public offering on February 13, 2007, investment units were allocated to Nomura Securities Co., Ltd., at 607,950 yen per unit issue price.

Note5: Additional investment units were issued at 451,780 yen per unit (subscription price: 436,567 yen) in a public offering, for the purpose of financing repayment of debt.

Note6: In conjunction with the public offering on February 13, 2008, investment units were allocated to Nomura Securities Co., Ltd., at 436,567 yen per unit issue price.

Note7: Additional investment units were issued at 289,545 yen per unit (subscription price: 279,097 yen) in a public offering, for the purpose of financing acquisition of new properties and repayment of debt.

Note8: In conjunction with the public offering on December 7, 2009, investment units were allocated to Nomura Securities Co., Ltd., at 279,097 yen per unit issue price.

Note9: Additional investment units were issued at 292,193 yen per unit (subscription price: 281,951 yen) in a public offering, for the purpose of financing acquisition of new properties.

Note10: In conjunction with the public offering on December 1, 2011, investment units were allocated to Nomura Securities Co., Ltd., at 281,951 yen per unit issue price.

Note11: Additional investment units were issued at 448,500 yen per unit (subscription price: 432,860 yen) in a public offering, for the purpose of financing acquisition of new properties.

Note12: In conjunction with the public offering on August 26, 2013, investment units were allocated to Nomura Securities Co., Ltd., at 432,860 yen per unit issue price.

[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.

		17th Period from Dec. 1, 2014 to May 31, 2015	16th Period from Jun. 1, 2014 to Nov. 30, 2014	15th Period from Dec. 1, 2013 to May 31, 2014	14th Period from Jun. 1, 2013 to Nov. 30, 2013	13th Period from Dec. 1, 2012 to May 31, 2013
High	(¥)	740,000	672,000	581,000	572,000	670,000
Low	(¥)	642,000	535,000	504,000	439,000	439,000

4. CASH DISTRIBUTION

In order to qualify for special tax treatment under Article 67-15-1 of the Act on Special Measures Concerning Taxation 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 ¥11,642.

		17th Period from Dec. 1, 2014 to May 31, 2015	16th Period from Jun. 1, 2014 to Nov. 30, 2014	15th Period from Dec. 1, 2013 to May 31, 2014	14th Period from Jun. 1, 2013 to Nov. 30, 2013	13th Period from Dec. 1, 2012 to May 31, 2013
Retained Earnings	(¥000)	1,872,053	1,877,325	1,955,587	1,965,201	1,876,958
Accumulated earnings	(¥000)	20	12,045	98	64	40,067
Total cash distribution	(¥000)	1,872,033	1,865,280	1,955,488	1,965,136	1,836,891
(Cash distribution per unit)	(¥)	(11,642)	(11,600)	(12,161)	(12,221)	(12,170)
of which distribution of profits	(¥000)	1,872,033	1,865,280	1,955,488	1,965,136	1,836,891
(Distribution of profits per unit)	(¥)	(11,642)	(11,600)	(12,161)	(12,221)	(12,170)
of which refund of capital	(¥000)	-	-	-	-	-
(Refund of capital per unit)	(¥)	(-)	(-)	(-)	(-)	(-)

5. INVESTMENT POLICY AND FUTURE ISSUES

As described earlier in “2. OUTLINE OF INVESTMENTS IN THE 17TH FISCAL PERIOD,” the Japanese economy is indicating trends of a gradual economic recovery amidst progressive improvements in the employment and income environments. In addition, investment capital is flowing into the J-REIT market and the environment for fund procurement is excellent.

In such a business environment, the Company will aim to secure stable revenues and steady growth of portfolio assets over the medium to long term by conducting management that makes the most of the Company’s strengths. Furthermore, in the case that the Merger is established, we will aim to secure stable mid- to long-term income and maximize unitholders’ value through increasing the portfolio size by maximally exhibiting the asset management company’s abundant expert know-how that has been nurtured such as through the management of each Consolidated Investment Corporation while effectively utilizing the Nomura Real Estate Group’s wide-ranging know-how, in addition to expanding opportunities for property acquisitions, increasing the portfolio’s stability and risk tolerance, strengthening the competitiveness for property acquisitions and stabilizing finances with the backdrop of an increased asset size and diversified investment sectors.

(a) Property Acquisition

The Company will continue striving to make selective investments by utilizing its strong sourcing channels to obtain information on prime properties at an early stage, while taking into consideration the financial composition. By doing so, the Company intends to promote the building of a portfolio that generates stable revenues over the medium to long term, as it works to further diversify the portfolio while keeping its portfolio assets well-balanced in terms of building age, etc.

(b) Property Replacement

The Company will continue to implement property replacement in the portfolio for the purpose of enhancing portfolio quality as well as stabilizing and increasing revenues over the medium to long term. Upon conducting replacement, the Company will use the funds obtained from selling properties in the portfolio to acquire new properties so that it can maintain its conservative financial strategy.

(c) Property Management

The Company will continue working to maintain and enhance revenues by promoting property management in an integrated manner with the PM companies and establishing appropriate leasing strategies for each property, while endeavoring to reduce costs at its investment properties as much as possible. By doing so, the Company aims to maximize performance of the portfolio.

The Company will work to maintain and enhance the competitiveness and profitability of its investment properties by considering and implementing various measures for enhancing the occupancy rates and cash flows through grasping the characteristics of each investment property and analyzing market needs, among other things, as well as by implementing large-scale repairs and remodeling works in a timely and appropriate manner.

(d) Fund Procurement

The Company will continue to establish an appropriate financial base by properly controlling the risk of interest rate fluctuations through fixing interest rates and lengthening loan periods, as well as distributing repayment dates, diversifying lending institutions and fund procurement means, and procuring funds in unsecured and unguaranteed loans. In addition, the Company will continue to pursue a well-balanced composition of its interest-bearing debt by considering and selecting the optimum fund procurement means from among a range of options, while closely monitoring financial market trends.

6. IMPORTANT EVENTS SUBSEQUENT TO THE 17TH FISCAL PERIOD

A. Transfer of Assets

The Company transferred the following assets after the end of the 17th fiscal period (end of May 2015).

Name of property	Location	Transfer price (thousands of yen)	Book value (thousands of yen)	Date of transfer
PRIME URBAN Naka Ochiai	Shinjuku, Tokyo	708,339	651,555	June 1, 2015
PRIME URBAN Kamiuma	Setagaya, Tokyo	905,000	897,645	

(Note) The book value is as recorded in the balance sheet as of the end of the 17th fiscal period (end of May 2015).

(Reference)

A. Acquisition of Assets

The Company concluded a purchase agreement dated May 27, 2015 for the acquisition of the following properties on condition of the establishment of the Merger.

Type of specified asset	Real estate	Real estate
Name of property	PROUD FLAT Hatchobori	PROUD FLAT Itabashi Honcho
Location (Note 1)	(Registry) 1-107-7 Hatchobori, Chuo-ku, Tokyo (Street address) 1-8-5 Hatchobori, Chuo-ku, Tokyo	(Registry) 32-46 Honcho, Itabashi-ku, Tokyo (Street address) 32-9 Honcho, Itabashi-ku, Tokyo
Structure (Note 1)	RC 12F	RC 10F
Site area (Note 1)	179.90 m ² (54.41 tsubo)	326.02 m ² (98.62 tsubo)
Gross floor area (Note 1)	1,163.30 m ² (351.89 tsubo)	1,401.32 m ² (423.89 tsubo)
Type of ownership	(Land) Ownership (Building) Ownership	(Land) Ownership (Building) Ownership
Completed (Note 1)	May 27, 2014	July 8, 2014
Scheduled acquisition price (Note 2)	920 million yen	720 million yen
Contract date	May 27, 2015 (Execution of the property sale and purchase agreement)	May 27, 2015 (Execution of the property sale and purchase agreement)
Scheduled acquisition date	October 30, 2015 (Delivery of the property)	October 30, 2015 (Delivery of the property)
Seller	Nomura Real Estate Development Co., Ltd.	Nomura Real Estate Development Co., Ltd.
Acquisition funds	Scheduled to finance from borrowings in New Investment Corporation	Scheduled to finance from borrowings in New Investment Corporation

(Note 1) The "location" (excluding street address (jukyo hyoji)), "structure," "site area," "gross floor area" and "completion date" are based on the information in the real estate registry.

(Note 2) The "scheduled acquisition price" indicates an amount that does not include various other expenses necessary for the acquisition of the relevant property, such as taxes and public dues (i.e., the amount of the acquisition price of the property set forth in the property sale and purchase agreement).

B. Early Repayments of Existing Loans

The company executed early repayments of the following loans amounting to 3,300 million yen as of June 17, 2015.

Lenders	: The Bank of Tokyo Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Sumitomo Mitsui Trust Bank, Limited
Loan balance	: 3,300 million yen
Applied interest rate	: 0.51000% (annual rate) (May 27, 2015 to June 26, 2015)
Date of execution	: December 18, 2014
Repayment date	: November 26, 2017 (However, if the date is not a business day then the following business day, or if that day is the following month then the previous business day)

Profile of the Company

1. STATUS OF UNITHOLDERS' CAPITAL

	17th Period (as of May 31, 2015)	16th Period (as of Nov. 30, 2014)	15th Period (as of May 31, 2014)	14th Period (as of Nov. 30, 2013)	13th Period (as of May 31, 2013)
Maximum number of units allowed to issue (Unit)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Number of units issued (Unit)	160,800	160,800	160,800	160,800	150,936
Amount of unitholders' capital (¥ mln)	73,231	73,231	73,231	73,231	68,961
Number of unitholders	9,070	10,003	10,595	11,139	10,720

2. MATTERS CONCERNING THE INVESTMENT UNITS

The 10 largest unitholders as of May 31, 2015 were as follows.

Name	Number of Units Held (Unit)	Portion in the Total Units Issued (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	46,306	28.80
Nomura Real Estate Development Co., Ltd.	15,240	9.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,308	4.54
Trust and Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,792	3.60
The Nomura Trust and Banking Co., Ltd. (Investment Account)	4,952	3.08
The Fuji Fire and Marine Insurance Co., Ltd. (Standing Proxy: Japan Trustee Services Bank, Ltd.)	3,212	2.00
Trust and Custody Services Bank, Ltd. (Money Trust Tax Account)	3,010	1.87
The Joyo Bank, Ltd. (Standing Proxy: The Master Trust Bank of Japan, Ltd.)	2,502	1.56
The Ashikaga Bank, Ltd.	1,984	1.23
The Fukui Bank, Ltd. (Standing Proxy: Trust and Custody Services Bank, Ltd.)	1,908	1.19
Total	92,214	57.35

3. BREAKDOWN OF UNITHOLDERS

The breakdown of unitholders as of May 31, 2015 was as follows.

	Number of Unitholders	Portion (%)	Number of Units per Unitholder	Portion (%)
Private and other investors	8,673	95.6	24,154	15.0
Financial institutions (Including sales agents for financial instruments firm)	105	1.2	105,358	65.5
Other domestic corporate investors	160	1.8	21,147	13.2
Foreign corporate investors, etc.	132	1.5	10,141	6.3
Total	9,070	100.0	160,800	100.0

4. DIRECTORS AND AUDITOR

(1) Name of directors and an auditor in the 17th fiscal period are as follows (Note 1)

Title	Name	Other Major Title(s)	Total Amount of Fees Paid during the 17th Period (¥000)
Executive Director	Shozo Matsumura (Note2)	Auditor, Nomura Real Estate Partners Co., Ltd. Auditor, Nomura Amenityservice Co., Ltd. Auditor, Yokohama Business Park Heating and Cooling Supply Co., Ltd.	2,400
Supervisory Director	Eitoku Aikawa	Director, Japan Association of Real Estate Counselors	2,400
Supervisory Director	Motoharu Yokose	Advisor, Asahi Tax Corporation. Auditor, YAMATO HOLDINGS CO., LTD.	2,400
Accounting Auditor	Ernst & Young ShinNihon LLC	—	11,200

Note 1: No Executive Directors or Supervisory Directors are in possession of the Company's investment units either under their own or another person's name. Other companies at which Supervisory Directors serve as directors have no mutual business interests whatsoever with the Company.

Note 2: After the end of the 17th fiscal period (May 31, 2015), Executive Director Shozo Matsumura has resigned as auditor of Nomura Amenity Service Co., Ltd. as of June 19, 2015 and resigned as auditor of Nomura Real Estate Partners Co., Ltd. as of June 22, 2015. In addition, while he was appointed as auditor of the Yokohama Business Park Heating and Cooling Supply Co., Ltd. on April 1, 2015, resigned from the position as of June 23, 2015 after the end of the 17th fiscal period (May 31, 2015) and was appointed as auditor of MEGALOS Co., Ltd. on the same day.

Note 3: Saneaki Ichijo has been appointed as substitute Supervisory Director to provide against vacancy of the Supervisory Director's position or lack of statutory quorum. Mr. Saneaki Ichijo is Supervisory Director of Nomura Real Estate Office Fund, Inc., which entrusts the asset management company of the Company to provide asset management services.

(2) Policy on Determining the 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 execution of business and other factors, 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

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
Manager of special accounts	Mitsubishi UFJ Trust and Banking Corporation
General Administration (accounting, etc.)	Heiseikaikeisha("HSK") Tax Corporation
General Administration(Administrative work for organizational operation)	Mitsubishi UFJ Trust and Banking Corporation
General Administration (Financial agent.)	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Banking Corporation

Status of Investment Assets of the Company

1. COMPOSITION OF ASSETS

Type of Assets	Area	17th Period (as of May 31, 2015)		16th Period (as of Nov. 30, 2014)	
		Total Amount (¥ mln) (Note 3)	Portion (%) (Note 4)	Total Amount (¥ mln) (Note 3)	Portion (%) (Note 4)
Real estate (Note 1)	Greater Tokyo Area	117,847	69.6	106,576	64.6
	Other	27,627	16.3	27,907	16.9
Real estate in trust (Note 1)	Greater Tokyo Area	12,361	7.3	19,528	11.8
	Other	1,998	1.2	2,014	1.2
Subtotal		159,834	94.4	156,026	94.6
Cash, deposits and other assets		9,481	5.6	8,825	5.4
Grand Total		169,316	100.0	164,852	100.0

Note 1: Primary use is apartment building.

Note 2: "Greater Tokyo Area" refers to the metropolis of Tokyo and the three surrounding prefectures, Kanagawa, Chiba and Saitama.

"Other Areas" refer to the three major metropolitan areas, excluding Tokyo, and other major cities throughout Japan, including government designated cities. The same shall apply hereinafter.

Note 3: Total amount is taken from the balance sheet. (Real Estate and Real Estate in Trust represent the total book value after depreciation.)

Note 4: The percentage figures may not necessarily add up to 100 due to rounding to the nearest first decimal place.

2. BRIEF OF MAJOR PROPERTIES OWNED

The major component assets of the Company (the 10 largest properties by book value) as of the end of the 17th fiscal period are as follows.

Name of Property	Book Value (¥ mln)	Leasable Floor Space (m ²)	Leased Space (m ²)	Occupancy Rate (%)	Portion of Rental Revenues (%)	Primary Use
PRIME URBAN Meguro Ohashi Hills	3,564	2,955.74	2,805.22	94.9	1.5	Apartment building
PRIME URBAN Sapporo Riverfront	3,505	15,552.59	15,183.55	97.6	3.3	Apartment building
PRIME URBAN Nihonbashi Yokoyamacho	3,431	5,926.17	5,650.73	95.4	2.3	Apartment building
PRIME URBAN Ikebukuro	3,375	4,376.95	4,272.36	97.6	1.9	Apartment building
PROUD FLAT Shirokane Takanawa	3,362	2,950.11	2,924.95	99.1	1.7	Apartment building
PRIME URBAN Nakameguro II	2,885	2,393.45	2,393.45	100.0	1.2	Apartment building
PROUD FLAT Kamata II	2,862	4,051.72	3,945.88	97.4	1.9	Apartment building
PRIME URBAN Izumi	2,843	7,543.10	7,293.80	96.7	2.3	Apartment building
PRIME URBAN Kagurazaka	2,692	2,853.82	2,794.73	97.9	1.4	Apartment building
PROUD FLAT Kamiooka	2,514	4,872.17	4,872.17	100.0	1.5	Apartment building
Total	31,039	53,475.82	52,136.84	97.5	19.0	

3. DETAILS OF PORTFOLIO PROPERTIES

Area	Name of Property	Location (Postal Address)	Type of Ownership (Note 1)	Appraisal Value as of May 31, 2015 (¥ mln) (Note 2)
Greater Tokyo Area	PROUD FLAT Shirokane Takanawa	5-12-7 Mita, Minato-ku, Tokyo	Real estate	3,400
	PROUD FLAT Yoyogi Uehara	3-25-7 Uehara, Shibuya-ku, Tokyo	Beneficial Interest	989
	PROUD FLAT Hatsudai	2-19-15 Hatsudai, Shibuya-ku, Tokyo	Real estate	713
	PROUD FLAT Shibuya Sakuragaoka	21-8 Sakuragaoka, Shibuya-ku, Tokyo	Real estate	750
	PROUD FLAT Gakugei Daigaku	2-21-20 Meguro Honcho, Meguro-ku, Tokyo	Real estate	746
	PROUD FLAT Meguro Gyoninzaka	1-4-18 Shimo Meguro, Meguro-ku, Tokyo	Real estate	939
	PROUD FLAT Sumida Riverside	1-31-7 Shinkawa, Chuo-ku, Tokyo	Real estate	2,280
	PROUD FLAT Kagurazaka	1-11 Higashi Gokencho, Shinjuku-ku, Tokyo	Real estate	1,590
	PROUD FLAT Waseda	521-9 Waseda Tsurumaki-cho, Shinjuku-ku, Tokyo	Real estate	1,110
	PROUD FLAT Shinjuku Kawadacho	3-29 Kawadacho, Shinjuku-ku, Tokyo	Real estate	947
	PROUD FLAT Sangen Jaya	1-4-25 Taishido, Setagaya-ku, Tokyo	Real estate	1,190
	PROUD FLAT Kamata	4-21-4 Kamata, Ota-ku, Tokyo	Real estate	1,160
	PROUD FLAT Kamata II	4-25-5 Kamata, Ota-ku, Tokyo	Real estate	3,320
	PROUD FLAT Shinotsuka	3-12-10 Minami Otsuka, Toshima-ku, Tokyo	Real estate	623
	PROUD FLAT Kiyosumi Shirakawa	2-3 Takabashi, Koto-ku, Tokyo	Real estate	928
	PROUD FLAT Monzen Nakacho II	2-6-9 Furuishiba, Koto-ku, Tokyo	Real estate	652
	PROUD FLAT Monzen Nakacho I	2-3-1 Tomioka, Koto-ku, Tokyo	Real estate	1,030
	PROUD FLAT Fujimidai	3-8-4 Nukui, Nerima-ku, Tokyo	Real estate	1,470
	PROUD FLAT Asakusa Komagata	1-10-6 Komagata, Taito-ku, Tokyo	Real estate	1,920
	PROUD FLAT Yokohama	8-18 Daimachi Kanagawa-ku, Yokohama-shi, Kanagawa	Real estate	2,090
	PROUD FLAT Kamioooka	3-4-6 Kamioooka Nishi, Konan-ku, Yokohama-shi, Kanagawa	Real estate	2,710
	PROUD FLAT Tsurumi II	20-16 Toyooka-cho, Tsurumi-ku, Yokohama-shi, Kanagawa	Real estate	1,650
	PRIME URBAN Azabu Juban	2-33-9 Higashi Azabu, Minato-ku, Tokyo	Real estate	1,100
	PRIME URBAN Akasaka	7-6-19 Akasaka, Minato-ku, Tokyo	Real estate	938
	PRIME URBAN Tamachi	3-6-13 Shibaura, Minato-ku, Tokyo	Real estate (Note 4)	972
	PRIME URBAN Shibaura LOFT	4-5-17 Shibaura, Minato-ku, Tokyo	Real estate	1,830
	PRIME URBAN Hatagaya	3-28-6 Hatagaya, Shibuya-ku, Tokyo	Real estate	469
	PRIME URBAN Yoyogi	3-51-3 Yoyogi, Shibuya-ku, Tokyo	Real estate	359
	PRIME URBAN Ebisu II	1-13-3 Hiroo, Shibuya-ku, Tokyo	Real estate	1,140
	PRIME URBAN Bancho	2-9-1 Kudanminami, Chiyoda-ku, Tokyo	Real estate	1,090
	PRIME URBAN Chiyoda Fujimi	2-1-9 Fujimi, Chiyoda-ku, Tokyo	Real estate	679
	PRIME URBAN Iidabashi	4-8-9,11 Iidabashi, Chiyoda-ku, Tokyo	Beneficial Interest	2,040
	PRIME URBAN Ebisu	1-11-11 Mita, Meguro-ku, Tokyo	Real estate	1,260
	PRIME URBAN Naka Meguro	3-28-24 Kami Meguro, Meguro-ku, Tokyo	Real estate (Note 4)	1,410
	PRIME URBAN Gakugei Daigaku	2-14-14 Takaban, Meguro-ku, Tokyo	Beneficial Interest	775
	PRIME URBAN Senzoku	2-20-8 Senzoku, Meguro-ku, Tokyo	Beneficial Interest	474
	PRIME URBAN Meguro Riverside	2-10-16 Shimo Meguro, Meguro-ku, Tokyo	Real estate	414

Area	Name of Property	Location (Postal Address)	Type of Ownership (Note 1)	Appraisal Value as of May 31, 2015 (¥ mln) (Note 2)
Greater Tokyo Area	PRIME URBAN Meguro Ohashi Hills	2-4-16 Ohashi, Meguro-ku, Tokyo	Real estate	2,970
	PRIME URBAN Meguro Aobadai	3-18-9 Aobadai, Meguro-ku, Tokyo	Real estate	1,310
	PRIME URBAN Gakugei Daigaku II	3-14-15 Takaban, Meguro-ku, Tokyo	Real estate	1,080
	PRIME URBAN Naka Meguro II	3-1-3 Kamimeguro, Meguro-ku, Tokyo	Real estate	2,850
	PRIME URBAN Kachidoki	6-5-6 Kachidoki, Chuo-ku, Tokyo	Real estate (Note 4)	2,570
	PRIME URBAN Shinkawa	2-16-10 Shinkawa, Chuo-ku, Tokyo	Beneficial Interest	2,100
	PRIME URBAN Nihonbashi Yokoyamacho	3-4 Nihonbashi Yokoyamacho, Chuo-ku, Tokyo	Real estate	4,220
	PRIME URBAN Nihonbashi Hamacho	2-50-8 Nihonbashi Hamacho, Chuo-ku, Tokyo	Real estate	1,550
	PRIME URBAN Hongo Ikizaka	2-16-3 Hongo, Bunkyo-ku, Tokyo	Real estate	557
	PRIME URBAN Hakusan	1-7-9 Mukougaoka, Bunkyo-ku, Tokyo	Real estate	866
	PRIME URBAN Yotsuya Gaien Higashi	14-62 Samoncho, Shinjuku-ku, Tokyo	Real estate	1,490
	PRIME URBAN Naka Ochiai	1-7-19 Naka Ochiai, Shinjuku-ku, Tokyo	Real estate	604
	PRIME URBAN Ochiai	2-17-9 Nakai, Shinjuku-ku, Tokyo	Real estate	338
	PRIME URBAN Nishi Shinjuku I	1-19-3 Kita Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest	1,090
	PRIME URBAN Nishi Shinjuku II	5-6-4 Nishi Shinjuku, Shinjuku-ku, Tokyo	Beneficial Interest	885
	PRIME URBAN Shinjuku Naitomachi	1-55 Naitomachi, Shinjuku-ku, Tokyo	Beneficial Interest	430
	PRIME URBAN Nishi Waseda	1-13-11 Nishi Waseda, Shinjuku-ku, Tokyo	Real estate	421
	PRIME URBAN Shinjuku Ochiai	4-10-9 Kita Shinjuku, Shinjuku-ku, Tokyo	Real estate	594
	PRIME URBAN Mejiro	3-22-21 Shimoochiai, Shinjuku-ku Tokyo	Real estate	1,430
	PRIME URBAN Kagurazaka	346-3 Yamabukityo, Shinjuku-ku, Tokyo	Real estate	2,900
	PRIME URBAN Kamiuma	5-26-14 Kamiuma, Setagaya-ku, Tokyo	Real estate	836
	PRIME URBAN Sangen JayaIII	5-38-12 Kamiuma, Setagaya-ku, Tokyo	Real estate	718
	PRIME URBAN Chitose Karasuyama	3-32-16 Kasuya, Setagaya-ku, Tokyo	Real estate	717
	PRIME URBAN Sangen Jaya II	2-4-16 Taishido, Setagaya-ku, Tokyo	Real estate	483
	PRIME URBAN Sangen Jaya	2-41-3 Sangen Jaya, Setagaya-ku, Tokyo	Real estate (Note 4)	724
	PRIME URBAN Minami Karasuyama	5-7-4 Minami Karasuyama, Setagaya-ku, Tokyo	Real estate	667
	PRIME URBAN Karasuyama Galleria	4-10-24 Minami Karasuyama, Setagaya-ku, Tokyo	Real estate	549
	PRIME URBAN Karasuyama Court	4-1-11 Minami Karasuyama, Setagaya-ku, Tokyo	Real estate	338
	PRIME URBAN Kamikitazawa	5-21-22 Kami Kitazawa, Setagaya-ku, Tokyo	Real estate	597
	PRIME URBAN Chitose Funabashi	5-40-4 Sakuragaoka, Setagaya-ku, Tokyo	Real estate	746
	PRIME URBAN Yoga	2-27-5 Yoga, Setagaya-ku, Tokyo	Real estate	1,390
	PRIME URBAN Shinagawa Nishi	6-24-13 Yutaka-cho, Shinagawa-ku, Tokyo	Real estate	494
	PRIME URBAN Osaki	5-8-10 Osaki, Shinagawa-ku, Tokyo	Real estate	1,860
	PRIME URBAN Oimachi II	5-10-10 Higashi Oi, Shinagawa-ku, Tokyo	Real estate	1,040
	PRIME URBAN Yukigaya	34-10 Kita Minemachi, Ota-ku, Tokyo	Real estate	951
	PRIME URBAN Omori	1-15-1 Omori Kita, Ota-ku, Tokyo	Real estate (Note 4)	905
	PRIME URBAN Denenchofu Minami	12-5 Denenchofu Minami, Ota-ku, Tokyo	Real estate	774
	PRIME URBAN Nagahara Kamiikedai	1-20-18 Kamiikedai, Ota-ku, Tokyo	Real estate	1,720

Area	Name of Property	Location (Postal Address)	Type of Ownership (Note 1)	Appraisal Value as of May 31, 2015 (¥ mln) (Note 2)
Greater Tokyo Area	PRIME URBAN Nakano	2-17-1 Kami Takada, Nakano-ku, Tokyo	Real estate	489
	PRIME URBAN Nakano Kamitakada	4-43-3 Kami Takada, Nakano-ku, Tokyo	Real estate	498
	PRIME URBAN Takaido	4-10-12 Takaido Higashi, Suginami-ku, Tokyo	Real estate	1,060
	PRIME URBAN Nishi Ogikubo	2-27-5 Nishi Ogiminami, Suginami-ku, Tokyo	Real estate	414
	PRIME URBAN Nishi Ogikubo II	3-6-9 Nishiogikita, Suginami-ku, Tokyo	Real estate	1,790
	PRIME URBAN Otsuka	1-3-4 Nishi Sugamo, Toshima-ku, Tokyo	Beneficial Interest	730
	PRIME URBAN Komagome	6-12-15 Komagome, Toshima-ku, Tokyo	Beneficial Interest	437
	PRIME URBAN Ikebukuro	2-50-4 Ikebukuro, Toshima-ku, Tokyo	Real estate	3,800
	PRIME URBAN Monzen Nakacho	1-5-7 Monzen Nakacho, Koto-ku, Tokyo	Real estate	2,420
	PRIME URBAN Kameido	2-38-2 Kameido, Koto-ku, Tokyo	Real estate	779
	PRIME URBAN Sumiyoshi	2-23-3 Ogibashi, Koto-ku, Tokyo	Real estate	632
	PRIME URBAN Mukojima	5-19-14 Higashi Mukojima, Sumida-ku, Tokyo	Real estate	528
	PRIME URBAN Kinshi Koen	4-7-12 Taihei, Sumida-ku, Tokyo	Real estate (Note 4)	1,290
	PRIME URBAN Kinshicho	5-16-14 Kotobashi, Sumida-ku, Tokyo	Real estate	758
	PRIME URBAN Hirai	6-23-12 Hirai, Edogawa-ku, Tokyo	Real estate	722
	PRIME URBAN Kasai	6-18-5 Naka Kasai, Edogawa-ku, Tokyo	Real estate	640
	PRIME URBAN Kasai II	7-9-7 Higashi Kasai, Edogawa-ku, Tokyo	Beneficial Interest	981
	PRIME URBAN Kasai East	6-16-9 Higashi Kasai, Edogawa-ku, Tokyo	Real estate	1,140
	PRIME URBAN Ekoda	1-10-5 Asahigaoka, Nerima-ku, Tokyo	Real estate	409
	PRIME URBAN Itabashi Kuyakushomae	27-13 Honcho, Itabashi-ku, Tokyo	Real estate	1,080
	PRIME URBAN Asakusa	3-33-11 Asakusa, Taito-ku, Tokyo	Real estate	384
	PRIME URBAN Machiya South Court	3-73-5 Arakawa, Arakawa-ku, Tokyo	Real estate	1,910
	PRIME URBAN Musashi Koganei	2-11-26 Nakacho, Koganei-shi, Tokyo	Real estate	1,910
	PRIME URBAN Musashino Hills	2-1-2, 36 Kajinocho, Koganei-shi, Tokyo	Real estate	1,280
	PRIME URBAN Koganei Honcho	4-14-25 Honcho, Koganei-shi Tokyo	Real estate	791
	PRIME URBAN Kumegawa	1-5-6 Sakae-cho, Higashimurayama-shi, Tokyo	Real estate	1,520
	PRIME URBAN Musashi Kosugi comodo	2-902-1 Shin Maruko Higashi Nakahara-ku, Kawasaki-shi, Kanagawa	Real estate	1,940
	PRIME URBAN Kawasaki	1-4-15 Honcho Kawasaki-ku, Kawasaki-shi, Kanagawa	Real estate	962
	PRIME URBAN Shinyurigaoka	3-1-17 Manpukuji Asao-ku, Kawasaki-shi, Kanagawa	Real estate	1,150
	PRIME URBAN Tsurumi Teraya	1-7-10 Teraya Tsurumi-ku, Yokohama-shi, Kanagawa	Real estate	493
	PRIME URBAN Urayasu II	2-11-5 Todaijima, Urayasu-shi, Chiba	Real estate	227
	PRIME URBAN Urayasu	3-2-13 Todaijima, Urayasu-shi, Chiba	Real estate	804
	PRIME URBAN Gyotoku I	2-4-10 Fukuei, Ichikawa-shi, Chiba	Real estate	633
	PRIME URBAN Gyotoku II	1-11-5 Suehiro, Ichikawa-shi, Chiba	Real estate	730
	PRIME URBAN Gyotoku Ekimae	2-26-11 Gyotoku Ekimae, Ichikawa-shi, Chiba	Beneficial Interest	488
	PRIME URBAN Gyotoku Ekimae II	4-6-14 Gyotoku Ekimae, Ichikawa-shi, Chiba	Real estate	469
	PRIME URBAN Gyotoku III	1-2-8 Fukuei, Ichikawa-shi, Chiba	Real estate	747
	PRIME URBAN Nishi Funabashi	437-1 Hongocho, Funabashi-shi, Chiba	Beneficial Interest	761

Area	Name of Property	Location (Postal Address)	Type of Ownership (Note 1)	Appraisal Value as of May 31, 2015 (¥ mln) (Note 2)
Greater Tokyo Area	PRIME URBAN Kawaguchi	3-1-11 Sakae-cho, Kawaguchi-shi, Saitama	Real estate	1,580
	Subtotal			132,297
Other	PROUD FLAT Itsutsubashi	2-5-2 Itsutsubashi, Aoba-ku, Sendai-shi, Miyagi	Real estate	652
	PROUD FLAT Kawaramachi	2-10 Aza Hachikenkoji, Minami Koizumi, Wakabayashi-ku, Sendai-shi, Miyagi	Real estate	735
	PROUD FLAT Shin Osaka	6-11-7 Nishi Nakajima Yodogawa-ku, Osaka-shi, Osaka	Real estate	1,620
	PRIME URBAN Yamahana	1-27 Nishi 14-Chome minami 17-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	273
	PRIME URBAN Kita Juyo Jo	2-1 Higashi 1-Chome Kita 14-Jo, Higashi-ku, Sapporo-shi, Hokkaido	Real estate	274
	PRIME URBAN Odori Koen I	12 Nishi 9-Chome Minami 1-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	502
	PRIME URBAN Odori Koen II	12-1 Nishi 9-Chome Minami 1-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	334
	PRIME URBAN Kita Juichi Jo	1-3 Higashi 1-Chome Kita 11-Jo, Higashi-ku, Sapporo-shi, Hokkaido	Real estate	547
	PRIME URBAN Miyanosawa	10-20 9-Chome Hassamu 6-Jo Nishi-ku, Sapporo-shi, Hokkaido	Real estate	475
	PRIME URBAN Odori Higashi	12-63 Higashi 7-Chome Odori, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	394
	PRIME URBAN Chiji Koukan	1-12 Nishi 17-Chome Kita 4-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	249
	PRIME URBAN Maruyama	1-1, Nishi 22-Chome Kita 4-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	229
	PRIME URBAN Kita Nijuyo Jo	2-1 Higashi 1-Chome Kita 23-Jo, Higashi-ku, Sapporo-shi, Hokkaido	Real estate	437
	PRIME URBAN Sapporo Idaimae	1-20 Nishi 13-Chome Minami 4-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	616
	PRIME URBAN Sapporo Riverfront	1-1 Nishi 1-Chome Minami 9-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	4,480
	PRIME URBAN Kita Sanjo Dori	2-2 Higashi 2-Chome Kita 3-Jo, Chuo-ku, Sapporo-shi, Hokkaido	Real estate	1,730
	PRIME URBAN Nagamachi Icchome	1-2-30 Nagamachi Icchome, Taihaku-ku, Sendai-shi, Miyagi	Real estate	1,140
	PRIME URBAN Yaotome Chuo	3-8-70 Yaotome Chuo, Izumi-ku, Sendai-shi, Miyagi	Real estate	466
	PRIME URBAN Tsutsumidori Amamiya	4-37 Tsutsumidori Amamiya-machi, Aoba-ku, Sendai-shi, Miyagi	Real estate	949
	PRIME URBAN Aoi	1-13-24 Aoi, Higashi-ku, Nagoya-shi, Aichi	Beneficial Interest	712
	PRIME URBAN Kanayama	4-2-37 Masaki, Naka-ku, Nagoya-shi, Aichi	Real estate	553
	PRIME URBAN Tsurumai	5-8-29 Chiyoda Naka-ku, Nagoya-shi, Aichi	Real estate	1,020
	PRIME URBAN Kamimaezu	2-4-2 Kamimaezu Naka-ku, Nagoya-shi, Aichi	Real estate	1,590
	PRIME URBAN Izumi	1-20-28 Izumi Higashi-ku, Nagoya-shi, Aichi	Real estate	3,770
	PRIME URBAN Esaka I	3-26-27 Tarumi-cho, Suita-shi, Osaka	Beneficial Interest	652
	PRIME URBAN Esaka II	3-31-31 Tarumi-cho, Suita-shi, Osaka	Beneficial Interest	794
	PRIME URBAN Esaka III	10-19 Hiroshiba-cho, Suita-shi, Osaka	Real estate	1,190
	PRIME URBAN Tamatsukuri	2-16-11 Tamatsukuri Chuo-ku, Osaka-shi, Osaka	Real estate	1,020
	PRIME URBAN Sakaisuji Honmachi	1-5-10 Kyutaro-cho, Chuo-ku, Osaka-shi, Osaka	Real estate	1,810
	PRIME URBAN Hakata	2-14-7 Minoshima, Hakata-ku, Fukuoka-shi, Fukuoka	Real estate	588
	PRIME URBAN Yakuin Minami	1-14-10 Shirogane, Chuo-ku, Fukuoka-shi, Fukuoka	Real estate	265
	PRIME URBAN Kashii	2-3-7 Kashii Ekimae Higashi-ku, Fukuoka-shi, Fukuoka	Real estate	398
	PRIME URBAN Hakata Higashi	6-4-23 Yoshizuka Hakata-ku, Fukuoka-shi, Fukuoka	Real estate	622
	PRIME URBAN Chihaya	4-11-20 Chihaya Higashi-ku, Fukuoka-shi, Fukuoka	Real estate	604
	Subtotal			31,690
	Total			163,987

Note 1: "Beneficial interest" described in "Type of Ownership" refers to the beneficiary right of trusts whose major properties are real estate.

Note2: "Appraisal Value as of May 31, 2015" stands for the prices appraised by the estate surveyors in accordance with the provisions of the Company's Articles of Incorporation and the "Rules Concerning Calculations of Investment Corporations" (Cabinet Office Ordinance No. 47 of 2006). The appraisal prices are calculated by Daiwa Real Estate Appraisal, Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., Japan Real Estate Institution, Tanizawa Sogo Appraisal Co., Ltd., Japan Valuers Co., Ltd., using the capitalization

approach, with the end of the 17th fiscal period, i.e. May 31, 2015, being taken as the point of evaluation.

Note 3: Residential indication of the property is not available yet.

Note 4: The “Type of Ownership” of the relevant properties is changed from “Beneficial interest” to “Real estate” along with the cancellation or expiration of the term of the trust.

Area	Name of Property	17th Period (from Dec. 1, 2014 to May 31, 2015)				16th Period (from Jun. 1, 2014 to Nov 30, 2014)			
		at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)	at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)
		Number of Tenants (Note 1)	Occupancy Rate (%)			Number of Tenants (Note 1)	Occupancy Rate (%)		
Greater Tokyo Area	PROUD FLAT Shirokane Takanawa	1	99.1	94,522	1.7	1	92.6	93,324	1.7
	PROUD FLAT Yoyogi Uehara	1	97.8	30,281	0.5	1	97.9	30,032	0.6
	PROUD FLAT Hatsudai	1	94.4	23,074	0.4	1	100.0	23,545	0.4
	PROUD FLAT Shibuya Sakuragaoka	1	96.7	22,104	0.4	1	96.7	22,721	0.4
	PROUD FLAT Gakugei Daigaku	1	100.0	25,677	0.5	1	95.2	24,247	0.4
	PROUD FLAT Meguro Gyoninzaka	1	100.0	29,091	0.5	1	100.0	27,909	0.5
	PROUD FLAT Sumida Riverside	1	93.7	74,885	1.3	1	97.8	74,255	1.4
	PROUD FLAT Kagurazaka	1	97.5	48,404	0.9	1	97.5	47,681	0.9
	PROUD FLAT Waseda	1	100.0	35,300	0.6	1	91.7	34,377	0.6
	PROUD FLAT Shinjuku Kawadacho	1	96.3	29,855	0.5	1	97.1	30,144	0.6
	PROUD FLAT Sangen Jaya	1	96.2	36,777	0.6	1	94.3	32,616	0.6
	PROUD FLAT Kamata	1	100.0	39,922	0.7	1	95.8	37,133	0.7
	PROUD FLAT Kamata II	1	97.4	106,574	1.9	1	97.5	110,533	2.0
	PROUD FLAT Shinotsuka	1	86.0	19,626	0.3	1	100.0	20,473	0.4
	PROUD FLAT Kiyosumi Shirakawa	1	100.0	30,743	0.5	1	100.0	30,679	0.6
	PROUD FLAT Monzen Nakacho II	1	97.5	21,516	0.4	1	100.0	20,762	0.4
	PROUD FLAT Monzen Nakacho I	1	98.2	34,475	0.6	1	96.3	34,664	0.6
	PROUD FLAT Fujimidai	1	100.0	58,345	1.0	1	100.0	56,237	1.0
	PROUD FLAT Asakusa Komagata	1	98.8	63,577	1.1	1	99.0	64,503	1.2
	PROUD FLAT Yokohama	1	95.5	73,829	1.3	1	95.4	74,002	1.4
	PROUD FLAT Kamioooka	1	100.0	85,367	1.5	1	100.0	69,399	1.3
	PROUD FLAT Tsurumi II	1	98.0	64,736	1.1	1	95.2	62,517	1.2
	PRIME URBAN Azabu Juban	1	94.8	31,704	0.6	1	93.2	31,311	0.6
	PRIME URBAN Akasaka	1	100.0	26,586	0.5	1	90.0	25,742	0.5
	PRIME URBAN Tamachi	1	93.8	30,800	0.5	1	100.0	30,351	0.6
	PRIME URBAN Shibaura LOFT	1	94.6	60,093	1.1	1	91.2	55,715	1.0
	PRIME URBAN Hatagaya	1	100.0	15,714	0.3	1	94.6	15,614	0.3
	PRIME URBAN Yoyogi	1	96.0	12,138	0.2	1	100.0	11,645	0.2
	PRIME URBAN Ebisu II	1	100.0	33,844	0.6	1	100.0	34,278	0.6
	PRIME URBAN Bancho	1	98.2	34,281	0.6	1	96.0	32,566	0.6
	PRIME URBAN Chiyoda Fujimi	1	100.0	21,630	0.4	1	93.8	20,700	0.4
	PRIME URBAN Idabashi	1	95.8	64,145	1.1	1	96.8	61,389	1.1
	PRIME URBAN Ebisu	1	100.0	37,118	0.7	1	92.8	32,447	0.6
	PRIME URBAN Naka Meguro	1	93.9	40,277	0.7	1	91.8	40,274	0.7
	PRIME URBAN Gakugei Daigaku	1	100.0	23,574	0.4	1	90.9	24,077	0.4
	PRIME URBAN Senzoku	1	92.5	16,328	0.3	1	93.7	14,324	0.3
	PRIME URBAN Meguro Riverside	1	100.0	14,567	0.3	1	91.5	12,799	0.2
	PRIME URBAN Meguro Ohashi Hills	1	94.9	82,479	1.5	1	97.4	82,890	1.5
	PRIME URBAN Meguro Aobadai	1	100.0	37,771	0.7	1	97.7	37,721	0.7
	PRIME URBAN Gakugei Daigaku II	1	100.0	30,358	0.5	1	95.7	31,365	0.6
	PRIME URBAN Naka Meguro II (Note 2)	1	100.0	70,127	1.2	—	—	—	—
	PRIME URBAN Kachidoki	1	95.1	93,137	1.6	1	97.2	85,591	1.6
	PRIME URBAN Shinkawa	1	94.9	73,413	1.3	1	98.3	73,809	1.4
	PRIME URBAN Nihonbashi Yokoyamacho	1	95.4	128,262	2.3	1	99.2	129,110	2.4
	PRIME URBAN Nihonbashi Hamacho	1	94.3	47,829	0.8	1	91.2	45,251	0.8
	PRIME URBAN Hongo Ikizaka	1	100.0	18,315	0.3	1	100.0	16,954	0.3
	PRIME URBAN Hakusan	1	100.0	26,254	0.5	1	100.0	25,923	0.5
	PRIME URBAN Yotsuya Gaen Higashi	1	89.8	46,078	0.8	1	98.2	43,356	0.8
	PRIME URBAN Naka Ochiai	1	94.0	22,591	0.4	1	94.6	23,484	0.4
	PRIME URBAN Ochiai	1	94.1	13,442	0.2	1	90.9	12,571	0.2
	PRIME URBAN Nishi Shinjuku I	1	95.2	38,098	0.7	1	100.0	35,143	0.6
	PRIME URBAN Nishi Shinjuku II	1	95.6	28,424	0.5	1	93.9	27,333	0.5
	PRIME URBAN Shinjuku Naitomachi	1	100.0	13,185	0.2	1	86.1	12,584	0.2
	PRIME URBAN Nishi Waseda	1	100.0	11,371	0.2	1	57.1	3,828	0.1
	PRIME URBAN Shinjuku Ochiai	1	100.0	21,251	0.4	1	96.1	19,514	0.4
	PRIME URBAN Mejiro	1	96.9	42,532	0.8	1	95.3	40,753	0.8

Area	Name of Property	17th Period (from Dec. 1, 2014 to May 31, 2015)				16th Period (from Jun. 1, 2014 to Nov 30, 2014)			
		at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)	at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)
		Number of Tenants (Note 1)	Occupancy Rate (%)			Number of Tenants (Note 1)	Occupancy Rate (%)		
Greater Tokyo Area	PRIME URBAN Kagurazaka	1	97.9	78,698	1.4	1	95.7	77,888	1.4
	PRIME URBAN Roka Koen (Note 3)	—	—	12,423	0.2	1	94.2	11,688	0.2
	PRIME URBAN Kamiuma	1	96.9	33,616	0.6	1	100.0	33,305	0.6
	PRIME URBAN Sangen Jaya	1	93.0	26,326	0.5	1	100.0	26,021	0.5
	PRIME URBAN Chitose Karasuyama	1	96.2	27,387	0.5	1	97.3	26,899	0.5
	PRIME URBAN Sangen Jaya II	1	100.0	17,909	0.3	1	78.8	16,479	0.3
	PRIME URBAN Karasuyama (Note 3)	—	—	11,419	0.2	1	86.3	11,621	0.2
	PRIME URBAN Sangen Jaya	1	94.2	23,745	0.4	1	97.1	23,981	0.4
	PRIME URBAN Minami Karasuyama	1	100.0	23,944	0.4	1	97.6	23,901	0.4
	PRIME URBAN Karasuyama Galleria	1	97.0	19,436	0.3	1	94.0	18,202	0.3
	PRIME URBAN Karasuyama Court	1	100.0	12,123	0.2	1	95.7	12,025	0.2
	PRIME URBAN Kamikitazawa	1	100.0	19,247	0.3	1	86.5	21,066	0.4
	PRIME URBAN Chitose Funabashi	1	97.2	23,525	0.4	1	97.6	22,512	0.4
	PRIME URBAN Yoga	1	100.0	42,538	0.8	1	97.6	41,707	0.8
	PRIME URBAN Shinagawa Nishi	1	95.9	21,964	0.4	1	97.9	21,969	0.4
	PRIME URBAN Oimachi (Note 4)	—	—	15,394	0.3	1	95.6	19,337	0.4
	PRIME URBAN Osaki	1	96.9	57,806	1.0	1	99.0	57,809	1.1
	PRIME URBAN Oimachi II	1	97.7	49,723	0.9	1	96.4	49,015	0.9
	PRIME URBAN Yukigaya	1	95.8	36,659	0.6	1	94.7	37,120	0.7
	PRIME URBAN Omori	1	96.3	31,174	0.6	1	98.1	29,777	0.5
	PRIME URBAN Denenchofu Minami	1	95.9	25,159	0.4	1	96.1	23,964	0.4
	PRIME URBAN Nagahara Kamiikedai (Note 2)	1	84.3	41,736	0.7	—	—	—	—
	PRIME URBAN Nakano	1	98.3	18,562	0.3	1	92.9	18,621	0.3
	PRIME URBAN Nakano Kamitakada	1	95.0	19,312	0.3	1	97.5	19,600	0.4
	PRIME URBAN Takaido	1	99.1	38,861	0.7	1	89.9	38,498	0.7
	PRIME URBAN Nishi Ogikubo	1	95.9	12,483	0.2	1	88.1	12,652	0.2
	PRIME URBAN Nishi Ogikubo II (Note 2)	1	90.0	43,156	0.8	—	—	—	—
	PRIME URBAN Otsuka	1	97.9	24,778	0.4	1	100.0	23,835	0.4
	PRIME URBAN Komagome	1	95.5	18,584	0.3	1	90.5	16,921	0.3
	PRIME URBAN Ikebukuro	1	97.6	109,604	1.9	1	96.2	105,594	1.9
	PRIME URBAN Monzen Nakacho	1	99.2	77,525	1.4	1	98.3	78,960	1.5
	PRIME URBAN Kameido	1	98.1	24,052	0.4	1	96.1	26,194	0.5
	PRIME URBAN Sumiyoshi	1	100.0	21,418	0.4	1	94.9	19,983	0.4
	PRIME URBAN Mukojima	1	100.0	21,227	0.4	1	94.6	21,309	0.4
	PRIME URBAN Kinshi Koen	1	97.4	42,315	0.7	1	98.7	41,782	0.8
	PRIME URBAN Kinshicho	1	100.0	23,952	0.4	1	100.0	23,946	0.4
	PRIME URBAN Hirai	1	98.1	23,331	0.4	1	94.3	23,889	0.4
	PRIME URBAN Kasai	1	97.8	21,648	0.4	1	100.0	21,203	0.4
	PRIME URBAN Kasai II	1	92.6	33,671	0.6	1	97.1	32,308	0.6
	PRIME URBAN Kasai East	1	100.0	41,300	0.7	1	100.0	36,630	0.7
	PRIME URBAN Ekoda	1	94.3	15,254	0.3	1	100.0	14,954	0.3
	PRIME URBAN Itabashi Kuyakushomae	1	98.3	38,208	0.7	1	94.9	37,312	0.7
	PRIME URBAN Asakusa	1	95.4	15,303	0.3	1	95.4	15,702	0.3
	PRIME URBAN Machiya South Court	1	97.7	73,623	1.3	1	97.7	73,503	1.4
	PRIME URBAN Musashi Koganei	1	95.9	74,742	1.3	1	94.9	73,675	1.4
	PRIME URBAN Musashino Hills	1	100.0	50,224	0.9	1	95.1	47,902	0.9
	PRIME URBAN Koganei Honcho	1	93.1	29,123	0.5	1	86.9	28,347	0.5
	PRIME URBAN Hino (Note 3)	—	—	15,014	0.3	1	98.1	13,477	0.2
	PRIME URBAN Kumegawa	1	96.6	57,999	1.0	1	95.7	56,847	1.0
	PRIME URBAN Musashi Kosugi comodo	1	96.8	71,176	1.3	1	98.4	71,772	1.3
	PRIME URBAN Kawasaki	1	98.0	38,496	0.7	1	96.9	37,243	0.7
	PRIME URBAN Shinyurigaoka	1	100.0	37,441	0.7	1	100.0	37,408	0.7
	PRIME URBAN Tsurumi Teraya	1	98.3	20,779	0.4	1	92.0	20,169	0.4
	PRIME URBAN Urayasu II	1	100.0	8,691	0.2	1	100.0	8,927	0.2
	PRIME URBAN Urayasu	1	98.3	28,294	0.5	1	96.7	26,872	0.5
	PRIME URBAN Gyotoku I	1	100.0	24,022	0.4	1	88.5	21,921	0.4

Area	Name of Property	17th Period (from Dec. 1, 2014 to May 31, 2015)				16th Period (from Jun. 1, 2014 to Nov 30, 2014)			
		at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)	at Period End		Rental Revenues during the Period (¥ 000)	Portion of Rental Revenues (%)
		Number of Tenants (Note 1)	Occupancy Rate (%)			Number of Tenants (Note 1)	Occupancy Rate (%)		
Greater Tokyo Area	PRIME URBAN Minami Gyotoku III (Note 3)	—	—	11,438	0.2	1	100.0	12,188	0.2
	PRIME URBAN Gyotoku II	1	100.0	24,638	0.4	1	100.0	24,782	0.5
	PRIME URBAN Gyotoku Ekimae	1	97.3	16,226	0.3	1	91.9	17,123	0.3
	PRIME URBAN Gyotoku Ekimae II	1	100.0	20,186	0.4	1	97.8	19,907	0.4
	PRIME URBAN Gyotoku	1	98.7	32,931	0.6	1	88.3	31,453	0.6
	PRIME URBAN Nishi Funabashi	1	98.3	26,980	0.5	1	100.0	25,465	0.5
	PRIME URBAN Kawaguchi	1	98.4	58,993	1.0	1	100.0	55,952	1.0
	URBAN STAGE Komazawa (Note 5)	—	—	—	—	—	—	12,895	0.2
	URBAN STAGE Minami Gyotoku II (Note 6)	—	—	—	—	—	—	11,755	0.2
	URBAN STAGE Minami Gyotoku IV (Note 7)	—	—	—	—	—	—	1,662	0.0
	Subtotal	114	97.0	4,413,970	78.0	116	96.2	4,179,650	77.0
Other	PROUD FLAT Itsutsubashi	1	100.0	30,048	0.5	1	100.0	30,500	0.6
	PROUD FLAT Kawaramachi	1	100.0	30,111	0.5	1	95.7	30,101	0.6
	PROUD FLAT Shin Osaka	1	93.9	60,754	1.1	1	98.3	61,250	1.1
	PRIME URBAN Yamahana	1	97.5	13,021	0.2	1	100.0	12,983	0.2
	PRIME URBAN Kita Juyo Jo	1	93.6	12,621	0.2	1	84.9	13,110	0.2
	PRIME URBAN Odori Koen I	1	100.0	17,144	0.3	1	100.0	17,156	0.3
	PRIME URBAN Odori Koen II	1	100.0	11,133	0.2	1	100.0	11,137	0.2
	PRIME URBAN Kita Juichi Jo	1	95.0	24,876	0.4	1	100.0	25,305	0.5
	PRIME URBAN Miyanosawa	1	98.4	22,935	0.4	1	96.2	22,967	0.4
	PRIME URBAN Odori Higashi	1	89.7	18,183	0.3	1	96.8	18,532	0.3
	PRIME URBAN Chiji Koukan	1	97.6	13,135	0.2	1	95.2	12,718	0.2
	PRIME URBAN Maruyama	1	96.3	11,459	0.2	1	100.0	11,581	0.2
	PRIME URBAN Kita Nijuyo Jo	1	91.6	20,459	0.4	1	100.0	19,909	0.4
	PRIME URBAN Sapporo Idaimae	1	95.7	28,602	0.5	1	96.8	27,318	0.5
	PRIME URBAN Sapporo Riverfront	1	97.6	188,927	3.3	1	96.7	186,968	3.4
	PRIME URBAN Kita Sanjo Dori	1	97.0	69,778	1.2	1	99.0	67,617	1.2
	PRIME URBAN Nagamachi Icchome	1	97.3	43,069	0.8	1	98.0	42,681	0.8
	PRIME URBAN Yaotome Chuo	1	100.0	19,982	0.4	1	100.0	19,655	0.4
	PRIME URBAN Tsutsumidori Amamiya	1	98.2	45,302	0.8	1	98.2	45,054	0.8
	PRIME URBAN Aoi	1	96.2	25,059	0.4	1	98.1	23,506	0.4
	PRIME URBAN Kanayama	1	100.0	24,035	0.4	1	100.0	24,106	0.4
	PRIME URBAN Tsurumai	1	97.1	41,621	0.7	1	97.1	43,845	0.8
	PRIME URBAN Kamimaezu	1	90.6	53,413	0.9	1	96.2	56,323	1.0
	PRIME URBAN Izumi	1	96.7	129,861	2.3	1	96.4	133,229	2.5
	PRIME URBAN Esaka I	1	89.5	21,709	0.4	1	83.4	20,440	0.4
	PRIME URBAN Esaka II	1	93.1	27,177	0.5	1	91.4	27,500	0.5
	PRIME URBAN Esaka III	1	85.9	40,042	0.7	1	90.6	40,270	0.7
	PRIME URBAN Tamatsukuri	1	94.7	35,905	0.6	1	91.3	34,978	0.6
	PRIME URBAN Sakaisuji Honmachi	1	84.7	59,646	1.1	1	94.8	61,597	1.1
	PRIME URBAN Hakata	1	97.3	28,274	0.5	1	92.3	28,692	0.5
	PRIME URBAN Yakuin Minami	1	91.7	13,370	0.2	1	93.1	13,150	0.2
	PRIME URBAN Kashii	1	91.7	15,408	0.3	1	88.4	15,745	0.3
	PRIME URBAN Hakata Higashi	1	94.3	25,169	0.4	1	95.7	25,551	0.5
	PRIME URBAN Chihaya	1	96.1	23,101	0.4	1	94.1	22,845	0.4
	Subtotal	34	95.6	1,245,347	22.0	34	96.3	1,248,335	23.0
Total		148	96.6	5,659,317	100.0	150	96.2	5,427,985	100.0

Note 1: In the case that a part of or all rental units in individual properties are placed on the rental market, and the tenant of the relevant Lease Agreement (Master Lease Agreement) has entered into an agreement on subleasing the relevant rental unit with the end-tenant (actual sublessee), we deem the lesser of the relevant Master Lease Agreement as one (1). In the case that a specific tenant rents multiple units in a specific property, we deem the tenant of the relevant property as one (1). If a tenant rents units in multiple properties, we show the number of the properties rented by the relevant tenant as the number of tenants.

Note 2: The relevant properties were acquired on December 19, 2014. The figure shown in the “rental revenues during the 17th fiscal period” column is after the date of acquisition.

Note 3: The relevant properties were sold on May 29, 2015. The figure shown in the “rental revenues during the 17th fiscal period” column is before the date of selling.

Note 4: The relevant properties were sold on April 21, 2015. The figure shown in the “rental revenues during the 17th fiscal period” column is before the date of selling.

Note 5: The relevant properties were sold on November 27, 2014. The figure shown in the “rental revenues during the 16th fiscal period” column is before the date of selling.

Note 6: The relevant properties were sold on November 28, 2014. The figure shown in the “rental revenues during the 16th fiscal period” column is before the date of selling.

Note 7: The relevant properties were sold on June 30, 2014. The figure shown in the “rental revenues during the 16th fiscal period” column is before the date of selling.

4. OUTSTANDING AMOUNT AND CURRENT PRICE OF SPECIFIED TRANSACTIONS

The outstanding amount and current price of the specified transactions as of May 31, 2015 are as follows.

Segment	Type of Transaction	Contract Amount (¥ mln) (Note 1)		Current Price (¥ mln) (Note 2)
		Longer than a Year		
Transaction other than market transaction	Interest-rate swap (Receiving floating-rate, paying fixed-rate)	54,100	44,400	Δ423
	Total	54,100	44,400	Δ423

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 May 31, 2015.

6. STATUS OF ASSETS BY COUNTRY AND REGION

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

Capital Expenditures

1. PLAN OF CAPITAL EXPENDITURES

The table below lists major capital expenditures in conjunction with the refurbishment and/or renewal works scheduled for the future (finished in part) on the properties held as of May 31, 2015. The estimated cost of works includes the amount to be charged as “expenses” for accounting purposes.

Name of Property (Location)	Description of Works (Purpose)	Estimated Period	Estimated Cost (¥000)		
			Total	Paid during 17th Period	Paid before 17th Period
PRIME URBAN Oimachi II (Shinagawa-ku, Tokyo)	Intercom replacement	From : Oct. 2015 To : Nov. 2015	5,000	-	-
PRIME URBAN Asakusa (Taito-ku, Tokyo)	Water supply pipe rehabilitation	From : Sep. 2015 To : Nov. 2015	3,670	-	-
PRIME URBAN Musashino Hills (Koganei-shi, Tokyo)	Major repair (Building B)	From : Jun. 2015 To : Jun. 2015	29,687	-	-
PRIME URBAN Gyotoku Ekimae II (Ichikawa-shi, Chiba)	Major repair	From : Aug. 2015 To : Nov. 2015	18,850	-	-
PRIME URBAN Gyotoku III (Ichikawa-shi, Chiba)	Major repair	From : Aug. 2015 To : Nov. 2015	14,900	-	-
PRIME URBAN Tsutsumidori Amamiya (Aoba-ku, Sendai-shi)	Entrance renewal	From : Sep. 2015 To : Nov. 2015	14,000	-	-

2. CAPITAL EXPENDITURES DURING THE 17TH FISCAL PERIOD

The table below lists capital expenditures during the 17th fiscal period in conjunction with the major works of renovation. During the period, we have conducted engineering works totaling ¥404,609 thousand: capital expenditures of ¥76,255 thousand and repair expenses of ¥328,354thousand combined all together.

Name of Property (Location)	Description of Works (Purpose)	Period of Works	Cost of Works (¥000)
PRIME URBAN Ebisu (Meguro-ku, Tokyo)	Elevator parts replacement	From : May 2015 To : May 2015	2,618
PRIME URBAN Takaido (Suginami-ku, Tokyo)	Elevator parts replacement	From : Apr. 2015 To : May 2015	2,628
PRIME URBAN Koganei Honcho (Koganei-shi, Tokyo)	Elevator parts replacement	From : May 2015 To : May 2015	2,201
PRIME URBAN Musashi Kosugi comodo (Kawasaki-shi, Kanagawa)	Common area renovation	From : Apr. 2015 To : Apr. 2015	2,065
Other Properties	Housing equipment renewal	From : Dec. 2014 To : May 2015	66,741
Total			76,255

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.

	17th Period from Dec. 1, 2014 to May 31, 2015	16th Period from Jun. 1, 2014 to Nov. 30, 2014	15th Period from Dec. 1, 2013 to May 31, 2014	14th Period from Jun. 1, 2013 to Nov. 30, 2013	13th Period from Dec. 1, 2012 to May 31, 2013
Balance brought forward from the previous period (¥ mln)	1,950	1,829	1,745	1,651	1,548
Amount reserved during the period (¥ mln)	259	243	180	175	176
Amount used during the period (¥ mln)	158	122	96	81	73
Balance brought forward to the next period (¥ mln)	2,051	1,950	1,829	1,745	1,651

Expenses and Liabilities

1. EXPENSES RELATED TO ASSET MANAGEMENT

		17th Period From Dec. 1, 2014 to May 31, 2015	16th Period From Jun. 1, 2014 to Nov. 30, 2014
Asset management fees (Note 1)	(¥000)	397,803	397,390
of which Management Fee I	(¥000)	209,535	210,348
of which Management Fee II	(¥000)	188,267	187,041
of which Management Fee III (Note 2)	—	—	—
Custodian fees	(¥000)	15,674	15,944
General administrative fees	(¥000)	22,720	26,171
Directors' compensation	(¥000)	7,200	5,600
Other expenses	(¥000)	250,560	213,461
Total	(¥000)	693,957	658,568

Note 1: In addition to the items shown above, asset management fees related to the acquisition of properties calculated in the book value of individual real estate, etc. were 63,000 thousand yen for the 17th fiscal period.

Note 2: If the total assets listed on the balance sheet as of the date of settlement during the fiscal period immediately before the relevant fiscal period is less than 300 billion yen, management fee III for the relevant fiscal period is not applied.

2. STATUS OF BORROWINGS

The status of borrowings from the financial institutions as of May 31, 2015 is as follows.

Current Portion of Long-term debt

Financial Institutions	Date Borrowed	Outstanding as of May 31, 2015 (¥000)	Outstanding as of Dec. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
The Bank of Fukuoka, Ltd.	Feb. 26, 2010	-	1,000,000	1.79200	Feb. 26, 2015	Balloon payment	(Note 4)	Unsecured/ Uninsured
Development Bank of Japan, Inc.	May 15, 2007	-	1,300,000	2.23500	Feb. 27, 2015			
The Nomura Trust and Banking Co., Ltd.	Feb. 27, 2012	-	1,000,000	0.96365	Feb. 27, 2015			
The Iyo Bank, Ltd.		-	1,000,000					
Resona Bank, Ltd.		-	1,900,000					
Mizuho Trust & Banking Co., Ltd.		-	1,000,000					
The Tokyo Tomin Bank, Limited		-	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Feb. 27, 2012	1,800,000	1,800,000	1.00900	Aug. 27, 2015			
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mizuho Bank, Ltd.		2,500,000	2,500,000					
Mitsubishi UFJ Trust and Banking Corporation		1,800,000	1,800,000					
Sumitomo Mitsui Trust Bank, Limited		1,800,000	1,800,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 26, 2011	4,700,000	-	1.00000	Dec. 26, 2015			
Development Bank of Japan, Inc.	Aug. 27, 2009	80,000	80,000	2.10000	(Note 2)	(Note 2)		
Development Bank of Japan, Inc.	Feb. 26, 2010	100,000	100,000	2.03000	(Note 3)	(Note 3)		
Subtotal		14,580,000	17,580,000					

Long-term debt

Financial Institutions	Date Borrowed	Outstanding as as of May 31, 2015 (¥000)	Outstanding as of Dec. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 26, 2011	-	4,700,000	1.00000	Dec. 26, 2015	Balloon payment	(Note 4)	Unsecured/ Uninsured
Sumitomo Mitsui Banking Corporation	Dec. 26, 2011	4,700,000	4,700,000	1.11700	Jun. 26, 2016			
Mitsubishi UFJ Trust and Banking Corporation		4,700,000	4,700,000					
Resona Bank, Ltd.	Oct. 25, 2013	500,000	500,000	0.69000	Feb. 26, 2017			
Shinkin Central Bank		800,000	800,000					
Aozora Bank, Ltd.		500,000	500,000					
The Chiba Bank, Ltd.	Aug. 27, 2014	750,000	750,000	0.55091	Aug. 26, 2017			
Mitsui Sumitomo Insurance Co., Ltd.	Aug. 27, 2012	1,100,000	1,100,000	1.08500	Aug. 27, 2017			
Daido Life Insurance Company		1,100,000	1,100,000					
Shinkin Central Bank		1,720,000	1,720,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 18, 2014	750,000	-	0.51000	Nov. 26, 2017 (Note5)			
Sumitomo Mitsui Banking Corporation		750,000	-					
Mizuho Bank, Ltd.		550,000	-					
Mitsubishi UFJ Trust and Banking Corporation		750,000	-					
Sumitomo Mitsui Trust Bank, Limited		500,000	-					
The Iyo Bank, Ltd.	Feb. 27, 2015	1,000,000	-	0.55091	Feb. 26, 2018			
The Tokyo Tomin Bank, Limited		500,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Aug. 27, 2012	1,300,000	1,300,000	1.12013	Feb. 27, 2018			
Sumitomo Mitsui Banking Corporation		1,300,000	1,300,000					
Mitsubishi UFJ Trust and Banking Corporation		900,000	900,000					
Sumitomo Mitsui Trust Bank, Limited		520,000	520,000					
Mizuho Bank, Ltd.		900,000	900,000					
Aozora Bank, Ltd.		500,000	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sep. 30, 2013	1,800,000	1,800,000	0.99000	Aug. 26, 2018			
Sumitomo Mitsui Banking Corporation		1,800,000	1,800,000					
Mitsubishi UFJ Trust and Banking Corporation		1,800,000	1,800,000					
Mitsui Sumitomo Insurance Co., Ltd.	Dec. 18, 2014	1,100,000	-	0.69894	May 26, 2019			
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Dec. 3, 2012	400,000	400,000	1.16500	Nov. 26, 2019			
Sumitomo Mitsui Banking Corporation		400,000	400,000					
Mizuho Bank, Ltd.		400,000	400,000					
Mitsubishi UFJ Trust and Banking Corporation		400,000	400,000					
Taiyo Life Insurance Company	May 23, 2013	1,000,000	1,000,000	1.48625	May 27, 2020			
The Dai-ichi Life Insurance Company, Limited	Sep. 30, 2013	800,000	800,000	1.28277	Aug. 26, 2020			

Financial Institutions	Date Borrowed	Outstanding as of May 31, 2015 (¥000)	Outstanding as of Dec. 1, 2014 (¥000)	Average Interest Rate (%) (Note 1)	Date of Repayment	Method of Repayment	Use of Borrowings	Note
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Oct. 25, 2013	1,000,000	1,000,000	1.18000	Aug. 26, 2020	Balloon payment	(Note 4)	Unsecured/ Uninsured
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corporation		1,000,000	1,000,000					
Sumitomo Mitsui Trust Bank, Limited		600,000	600,000					
Mizuho Bank, Ltd.		600,000	600,000					
Mizuho Trust & Banking Co., Ltd.		500,000	500,000					
Nippon Life Insurance Company	Oct. 25, 2013	500,000	500,000	1.15566	Aug. 26, 2020			
Taiyo Life Insurance Company	Feb. 27, 2014	2,000,000	2,000,000	1.17750	Feb. 26, 2021			
Mizuho Bank, Ltd.	May 23, 2013	1,000,000	1,000,000	1.68200	May 27, 2021			
Development Bank of Japan, Inc.	May 23, 2013	3,500,000	3,500,000	1.62500	May 27, 2021			
The Nomura Trust and Banking Co., Ltd.	Feb 27, 2014	2,700,000	2,700,000	1.24100	Aug. 26, 2021			
The Nomura Trust and Banking Co., Ltd.	Feb 27, 2015	1,000,000	-	0.97410	Nov. 26, 2021			
Mizuho Trust & Banking Co., Ltd.		1,000,000	-					
The Bank of Fukuoka, Ltd.		1,000,000	-					
Resona Bank, Ltd.		1,900,000	-					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Feb 27, 2014	1,000,000	1,000,000	1.31850	Feb. 26, 2022			
Sumitomo Mitsui Banking Corporation		1,000,000	1,000,000					
Mitsubishi UFJ Trust and Banking Corporation		1,500,000	1,500,000					
Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
Mizuho Bank, Ltd.		500,000	500,000					
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Sep. 5, 2014	100,000	100,000	1.19700	Aug. 26, 2022			
Sumitomo Mitsui Banking Corporation		100,000	100,000					
Sumitomo Mitsui Trust Bank, Limited		1,780,000	1,780,000					
Mizuho Bank, Ltd.		1,000,000	1,000,000					
Development Bank of Japan, Inc.	Feb. 27, 2015	1,300,000	-	1.13250	Feb. 26, 2023			
Development Bank of Japan, Inc.	Aug. 27, 2009	1,080,000	1,120,000	2.10000	(Note 2)	(Note 2)		
Development Bank of Japan, Inc.	Feb. 26, 2010	1,400,000	1,450,000	2.03000	(Note 3)	(Note 3)		
Subtotal		66,550,000	59,240,000					
Total		81,130,000	76,820,000					

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

Note 2 : Instalments of ¥40 million will be made on the 27th day of every 6th month starting on February 27, 2010, with the remaining payment of ¥1,080 million to be repaid on August 27, 2016.

Note 3 : Instalments of ¥50 million will be made on the 26th day of every 6th month starting on August 26, 2010, with the remaining payment of ¥1,350 million to be repaid on February 26, 2017.

Note 4 : The use of borrowings is to purchase property-related assets, the related miscellaneous expenses and the repayment of borrowings.

Note 5 : The borrowing was fully repaid on June 17, 2015 in advance to the maturity date.

3. STATUS OF INVESTMENT CORPORATION BONDS

The status of investment corporation bonds issued as of May 31, 2015 is as follows.

Name of Bonds	Issue Date	Balance as of May. 31, 2015 (¥ mln)	Balance as of Nov. 30, 2014 (¥ mln)	Interest Rate (%)	Maturity Date	Method of Repayment	Use of Proceeds	Note
First Series Unsecured Investment Corporation Bonds	Feb. 25, 2011	5,000	5,000	1.21	Feb. 25, 2016	Balloon payment	(Note 1)	(Note 2)
Second Series Unsecured Investment Corporation Bonds	Feb. 24, 2012	5,000	5,000	1.03	Feb. 24, 2017			
Total		10,000	10,000					

Note 1: The uses of proceeds are to repay borrowings.

Note 2: Ranking Pari Passu among the specified investment corporation bonds.

4. STATUS OF SHORT-TERM INVESTMENT CORPORATION BONDS

Not applicable.

Trading during the 17th Fiscal Period

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

Type of Asset	Name of Property	Acquisition		Transfer			Gain (Loss) (¥000) (Note 2)
		Date	Price (¥000) (Note 1)	Date	Price (¥000) (Note 1)	Book Value (¥000)	
Trust Beneficial Interest	PRIME URBAN Naka Meguro II (Note 3)	Dec. 19 2014	2,800,000	—	—	—	—
Trust Beneficial Interest	PRIME URBAN Nagahara Kamiikedai (Note 3)	Dec. 19 2014	1,720,000	—	—	—	—
Trust Beneficial Interest	PRIME URBAN Nishi Ogikubo II (Note 3)	Dec. 19 2014	1,780,000	—	—	—	—
Real Estate	PRIME URBAN Oimachi	—	—	Apr. 21, 2015	555,000	527,144	12,033
Real Estate	PRIME URBAN Roka Koen	—	—	May 29, 2015	355,000	358,079	△2,583
Real Estate	PRIME URBAN Karasuyama	—	—	May 29, 2015	358,000	340,871	6,853
Real Estate	PRIME URBAN Hino	—	—	May 29, 2015	301,568	301,317	△8,005
Real Estate	PRIME URBAN Minami Gyotoku III	—	—	May 29, 2015	258,000	256,248	△5,408
Total			6,300,000		1,827,568	1,783,662	2,890

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

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

Note 3: After acquiring Trust Beneficial Interest, whose real estate is trust property, on the date of acquisition shown above, the Company dissolved the Trust Contract and held the property as real estate.

2. STATUS OF OTHER ASSETS

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

3. PRICE INVESTIGATION

(1) Real Estates

Acquisition/Transfer	Type of Asset	Name of Property	Acquisition/Transfer		Appraisal Value (¥000)
			Date	Price (¥000) (Note 1)	
Acquisition	Real Estate (Note 2)	PRIME URBAN Naka Meguro II (Note 3)	Dec. 19 2014	2,800,000	2,850,000
Acquisition	Real Estate (Note 2)	PRIME URBAN Nagahara Kamiikedai (Note 3)	Dec. 19 2014	1,720,000	1,730,000
Acquisition	Real Estate (Note 2)	PRIME URBAN Nishi Ogikubo II (Note 3)	Dec. 19 2014	1,780,000	1,790,000
Transfer	Real Estate	PRIME URBAN Oimachi	Apr. 21, 2015	555,000	488,000
Transfer	Real Estate	PRIME URBAN Roka Koen	May 29, 2015	355,000	324,000
Transfer	Real Estate	PRIME URBAN Karasuyama	May 29, 2015	358,000	345,000
Transfer	Real Estate	PRIME URBAN Hino	May 29, 2015	301,568	323,000
Transfer	Real Estate	PRIME URBAN Minami Gyotoku III	May 29, 2015	258,000	240,000

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

Note 2: After acquiring Trust Beneficial Interest, whose real estate is trust property, on the date of acquisition shown above, the Company dissolved the Trust Contract and held the property as real estate.

(2) Others

With regard to the properties the Company has traded but not included in the above table “(1) Real Estate,” the price investigation procedures were conducted by Akira Sugai C.P.A. Office subject to the requirement by Article 201 of the Investment Trust Act.

For the 17th fiscal period (from December 1, 2014 to May 31, 2015), one interest-rate swap transaction was subject to investigation. Akira Sugai C.P.A. Office was requested to investigate the details of the relevant transaction including the name of counterparty, agreed figures, type of financial product or index, the trading period, and the contents of the relevant derivatives transactions. The investigation report has been received.

4. TRANSACTIONS WITH RELATED PARTIES

(1) Transactions

Not applicable.

(2) Fees Paid to Related Parties

Table of fees paid to related parties during the 17th fiscal period is as follows.

Item	Name of Related Party	Amount Paid (A) (¥000)	Total Amount Paid (B) (¥000)	Portion (A) / (B) (%)
Real estate, etc. intermediary fees	Nomura Real Estate Urban Net Co., Ltd.	44,417	44,417	100.0%
Contract-out fees	Nomura Real Estate Partners Co., Ltd.	161,515	206,540	78.2%
Property management fees	Nomura Real Estate Partners Co., Ltd.	255,168	318,003	80.2%
Commission	Nomura Real Estate Partners Co., Ltd.	2,282	139,616	1.6%

Note: The term “related parties” refers to related parties of Asset Management Companies as stipulated by Article 123 of the Enforcement Order of the Act on Investment Trusts and Investment Corporations and by Article 26, Paragraph 1, Item 27 of the Regulations Concerning Investment Reports of Investment Trusts and Investment Corporations, issued by the Investment Trusts Association, Japan.

In addition, the following are the property management fees paid to related party Nomura Real Estate Partners Co., Ltd. shown as a breakdown by property.

Property Name	Property Management Fees (¥000)
PROUD FLAT Shirokane Takanawa	5,295
PROUD FLAT Yoyogi Uehara	1,871
PROUD FLAT Hatsudai	1,069
PROUD FLAT Shibuya Sakuragaoka	1,040
PROUD FLAT Gakugei Daigaku	1,766
PROUD FLAT Meguro Gyoninzaka	2,127
PROUD FLAT Sumida Riverside	4,154
PROUD FLAT Kagurazaka	2,375
PROUD FLAT Waseda	2,800
PROUD FLAT Shinjuku Kawadacho	1,473
PROUD FLAT Sangen Jaya	2,773
PROUD FLAT Kamata	3,260
PROUD FLAT Kamata II	4,704
PROUD FLAT Shinotsuka	1,140
PROUD FLAT Kiyosumi Shirakawa	614
PROUD FLAT Monzen Nakacho II	1,355
PROUD FLAT Monzen Nakacho I	2,285
PROUD FLAT Fujimidai	2,589
PROUD FLAT Asakusa Komagata	3,247
PROUD FLAT Yokohama	3,484
PROUD FLAT Kamioooka	1,832
PROUD FLAT Tsurumi II	3,388
PRIME URBAN Azabu Juban	2,768
PRIME URBAN Akasaka	1,864
PRIME URBAN Tamachi	1,884
PRIME URBAN Shibaura LOFT	4,008
PRIME URBAN Hatagaya	975
PRIME URBAN Yoyogi	1,088
PRIME URBAN Ebisu II	1,389
PRIME URBAN Bancho	2,384
PRIME URBAN Chiyoda Fujimi	1,590
PRIME URBAN Iidabashi	4,026
PRIME URBAN Ebisu	1,561
PRIME URBAN Naka Meguro	2,967
PRIME URBAN Gakugei Daigaku	2,092
PRIME URBAN Senzoku	1,307
PRIME URBAN Meguro Riverside	1,158
PRIME URBAN Meguro Ohashi Hills	3,794
PRIME URBAN Meguro Aobadai	1,477
PRIME URBAN Gakugei Daigaku II	1,284
PRIME URBAN Naka Meguro II	4,253
PRIME URBAN Kachidoki	4,965

Property Name	Property Management Fees (¥000)
PRIME URBAN Shinkawa	1, 927
PRIME URBAN Nihonbashi Yokoyamacho	5, 507
PRIME URBAN Nihonbashi Hamacho	2, 536
PRIME URBAN Hongo Ikizaka	920
PRIME URBAN Hakusan	1, 428
PRIME URBAN Yotsuya Gaien Higashi	2, 852
PRIME URBAN Naka Ochiai	1, 486
PRIME URBAN Ochiai	792
PRIME URBAN Nishi Shinjuku I	2, 019
PRIME URBAN Nishi Shinjuku II	1, 689
PRIME URBAN Shinjuku Naitomachi	1, 118
PRIME URBAN Nishi Waseda	1, 449
PRIME URBAN Shinjuku Ochiai	1, 358
PRIME URBAN Kagurazaka	4, 453
PRIME URBAN Roka Koen	1, 021
PRIME URBAN Kamiuma	1, 461
PRIME URBAN Sangen Jaya III	1, 379
PRIME URBAN Chitose Karasuyama	1, 516
PRIME URBAN Sangen Jaya II	1, 509
PRIME URBAN Karasuyama	1, 144
PRIME URBAN Sangen Jaya	1, 573
PRIME URBAN Minami Karasuyama	1, 187
PRIME URBAN Karasuyama Galleria	1, 348
PRIME URBAN Karasuyama Court	837
PRIME URBAN Kamikitazawa	1, 818
PRIME URBAN Chitose Funabashi	1, 817
PRIME URBAN Yoga	2, 133
PRIME URBAN Shinagawa Nishi	1, 335
PRIME URBAN Oimachi	1, 119
PRIME URBAN Osaki	2, 932
PRIME URBAN Oimachi II	3, 316
PRIME URBAN Yukigaya	2, 293
PRIME URBAN Omori	1, 996
PRIME URBAN Denenchofu Minami	1, 718
PRIME URBAN Nagahara Kamiikedai	1, 975
PRIME URBAN Nakano	1, 239
PRIME URBAN Nakano Kamitakada	1, 180
PRIME URBAN Takaido	2, 702
PRIME URBAN Nishi Ogikubo	1, 041
PRIME URBAN Nishi Ogikubo II	2, 986
PRIME URBAN Otsuka	1, 572
PRIME URBAN Komagome	1, 550
PRIME URBAN Ikebukuro	7, 466
PRIME URBAN Monzen Nakacho	4, 418
PRIME URBAN Kameido	1, 578
PRIME URBAN Sumiyoshi	1, 522
PRIME URBAN Mukojima	1, 645
PRIME URBAN Kinshi Koen	2, 490
PRIME URBAN Kinshicho	718
PRIME URBAN Hirai	1, 680
PRIME URBAN Kasai	1, 455
PRIME URBAN Kasai II	2, 837
PRIME URBAN Kasai East	5, 924
PRIME URBAN Ekoda	614
PRIME URBAN Itabashi Kuyakushomae	1, 791
PRIME URBAN Asakusa	1, 085
PRIME URBAN Machiya South Court	4, 590
PRIME URBAN Musashi Koganei	4, 257
PRIME URBAN Musashino Hills	2, 265
PRIME URBAN Koganei Honcho	2, 417
PRIME URBAN Hino	835
PRIME URBAN Kumegawa	3, 900
PRIME URBAN Musashi Kosugi comodo	2, 487

Property Name	Property Management Fees (¥000)
PRIME URBAN Kawasaki	2, 682
PRIME URBAN Shinyurigaoka	1, 111
PRIME URBAN Tsurumi Teraya	1, 435
PRIME URBAN Urayasu II	639
PRIME URBAN Urayasu	1, 263
PRIME URBAN Gyotoku I	2, 142
PRIME URBAN Minami Gyotoku III	570
PRIME URBAN Gyotoku II	767
PRIME URBAN Gyotoku Ekimae	1, 019
PRIME URBAN Gyotoku Ekimae II	905
PRIME URBAN Gyotoku III	3, 252
PRIME URBAN Nishi Funabashi	1, 775
PRIME URBAN Kawaguchi	2, 864

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

Although Nomura Real Estate Asset Management Co., Ltd., the asset management company of the Company, conducts subsidiary business of Type II Financial Instruments Business, and Building Lots and Buildings Transaction Business there is no relevant matter under this subject as of May 31, 2015.

Other Information

1. NOTICE

Not applicable. Please see “1. Asset Management Report (2) OUTLINE OF INVESTMENTS IN THE 17TH FISCAL PERIOD (e) Merger with Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Office Fund, Inc.” for the board of directors’ approval regarding the conclusion of the new merger agreement for the Merger.

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

Not applicable.

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

Not applicable.

4. OTHER MATTERS

From 1 page to 36 pages of this report, the numbers of amount below unit are truncated and the numbers in percentage are rounded to unit unless otherwise mentioned specifically.

Financial Section

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Balance Sheet

	Thousands of Yen	
	As of May 31, 2015	As of November 30, 2014
ASSETS		
Current Assets:		
Cash and bank deposits	¥9,292,604	¥8,678,028
Rental receivables	30,077	29,626
Other current assets	125,743	66,591
Allowance for doubtful accounts	(909)	(603)
Total current assets	9,447,515	8,773,642
Property and Equipment, at Cost:		
Land	92,008,161	88,481,743
Buildings and structures	79,708,066	78,508,908
Machinery and equipment	1,094,608	1,086,014
Tools, furniture and fixtures	231,388	233,426
Construction in progress	-	3,045
Subtotal	173,042,223	168,313,136
Less accumulated depreciation	(13,207,843)	(12,283,591)
Net property and equipment	159,834,380	156,029,545
Investments and Other Assets:		
Intangible assets	495	1,016
Security deposits	10,756	10,879
Long-term prepaid expenses	4,818	11,530
Deferred investment corporation bond issuance costs	18,162	25,432
Total investments and other assets	34,231	48,857
Total Assets	¥169,316,126	¥164,852,044

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

	Thousands of Yen	
	As of May 31, 2015	As of November 30, 2014
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥357,631	¥267,594
Other accounts payable	310,506	341,726
Current portion of investment corporation bonds	5,000,000	-
Current portion of long-term debt	14,580,000	17,580,000
Accrued expenses	108,989	115,149
Accrued income taxes	875	881
Accrued consumption taxes	15,475	8,832
Rent received in advance	754,693	702,508
Other current liabilities	11,862	6,777
Total current liabilities	21,140,031	19,023,467
Long-term Liabilities:		
Investment corporation bonds	5,000,000	10,000,000
Long-term debt	66,550,000	59,240,000
Security deposits from tenants	1,470,987	1,440,198
Total long-term liabilities	73,020,987	70,680,198
Total Liabilities	94,161,018	89,703,665
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	73,231,054	73,231,054
Surplus		
Voluntary reserve		
Reserve for reduction entry	52,000	40,000
Retained earnings	1,872,054	1,877,325
Total surplus	1,924,054	1,917,325
Total unitholders' equity	75,155,108	75,148,379
Total Net Assets	75,155,108	75,148,379
Total Liabilities and Net Assets	¥169,316,126	¥164,852,044

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

Statement of Income and Retained Earnings

	Thousands of Yen	
	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Operating Revenues and Expenses		
Operating Revenues:		
Real estate rental revenues	¥5,659,317	¥5,427,985
Gain on sales of real estate	18,887	52,833
	5,678,204	5,480,818
Operating Expenses:		
Real estate rental expenses	2,543,528	2,353,783
Loss on sales of real estate	15,997	45,282
Asset management fees	397,803	397,391
Asset custody fee	15,675	15,945
Administrative service fees	22,720	26,171
Provision of allowance for doubtful accounts	309	603
Bad debts expenses	29	448
Other operating expenses	257,422	218,010
	3,253,483	3,057,633
Operating Profit	2,424,721	2,423,185
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	755	862
Income from casualty insurance for property	4,768	3,127
Reversal of dividends payable	498	504
Other non-operating revenues	159	110
	6,180	4,603
Non-Operating Expenses:		
Interest expense	456,899	458,481
Loan arrangement fees	34,642	23,716
Interest expense on investment corporation bonds	56,189	55,929
Amortization of investment corporation bond issuance costs	7,270	7,270
Other non-operating expenses	2,877	4,275
	557,877	549,671
Ordinary Income	1,873,024	1,878,117
Income before Income Taxes	1,873,024	1,878,117
Income Taxes:		
Current	1,028	1,056
Deferred	(13)	(165)
Net Income	1,872,009	1,877,226
Retained earnings brought forward	45	99
Retained Earnings at End of Period	¥1,872,054	¥1,877,325

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

Statement of Changes in Net Assets

For the period from December 1, 2014 to May 31, 2015

							Thousands of Yen
	Units	Unitholders' Capital	Unitholders' Equity Surplus			Total Unitholders' Equity	Total Net Assets
			Voluntary Reserve Reserve for Reduction Entry	Retained Earnings	Total Surplus		
Balance as of December 1, 2014	160,800	¥ 73,231,054	¥40,000	¥1,877,325	¥1,917,325	¥75,148,379	¥75,148,379
Cash distribution paid	-	-	-	(1,865,280)	(1,865,280)	(1,865,280)	(1,865,280)
Provision of reserve for reduction entry	-	-	12,000	(12,000)	-	-	-
Net income	-	-	-	1,872,009	1,872,009	1,872,009	1,872,009
Balance as of May 31, 2015	160,800	¥ 73,231,054	¥52,000	¥1,872,054	¥1,924,054	¥75,155,108	¥75,155,108

For the period from June 1, 2014 to November 30, 2014

							Thousands of Yen
	Units	Unitholders' Capital	Unitholders' Equity Surplus			Total Unitholders' Equity	Total Net Assets
			Voluntary Reserve Reserve for Reduction Entry	Retained Earnings	Total Surplus		
Balance as of June 1, 2014	160,800	¥73,231,054	¥40,000	¥1,955,588	¥1,995,588	¥75,226,642	¥75,226,642
Cash distribution paid	-	-	-	(1,955,489)	(1,955,489)	(1,955,489)	(1,955,489)
Net income	-	-	-	1,877,226	1,877,226	1,877,226	1,877,226
Balance as of November 30, 2014	160,800	¥ 73,231,054	¥40,000	¥1,877,325	¥1,917,325	¥75,148,379	¥75,148,379

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

Statement of Cash Flows

	Thousands of Yen	
	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Cash Flows		
Cash Flows from Operating Activities		
Income before income taxes	¥1,873,024	¥1,878,117
Depreciation	1,071,655	1,052,024
Amortization of investment corporation bonds issuance costs	7,270	7,270
Interest income	(755)	(862)
Interest expense	513,089	514,409
Increase (Decrease) in allowance for doubtful accounts	306	508
Decrease (Increase) in rental receivables	(451)	274
Decrease (Increase) in prepaid expenses	22,631	(6,331)
Increase (Decrease) in trade accounts payable	90,038	(46,280)
Increase (Decrease) in other accounts payable	(14,980)	25,773
Increase (Decrease) in accrued consumption taxes	6,643	(42,234)
Increase (Decrease) in rent received in advance	52,184	(22,576)
Decrease in tangible fixed assets due to sales	1,783,662	921,601
Other	(72,340)	29,606
Subtotal	5,331,976	4,311,299
Interest received	755	862
Interest paid	(519,249)	(514,931)
Income taxes paid	(1,034)	(1,003)
Net cash provided by (used in) operating activities	4,812,448	3,796,227
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(6,675,811)	(191,062)
Reimbursement of security deposits to tenants	(176,423)	(122,797)
Proceeds from security deposits from tenants	209,994	115,425
Payments for security deposits	(27)	-
Proceeds from collection of security deposits	150	-
Net cash provided by (used in) investing activities	(6,642,117)	(198,434)
Cash Flows from Financing Activities		
Proceeds from long-term debt	12,100,000	3,730,000
Repayment of long-term debt	(7,790,000)	(6,660,000)
Distributions to unitholders	(1,865,755)	(1,955,191)
Net cash provided by (used in) financing activities	2,444,245	(4,885,191)
Net Increase (Decrease) in Cash and Cash Equivalents	614,576	(1,287,398)
Cash and Cash Equivalents at Beginning of Period	8,678,028	9,965,426
Cash and Cash Equivalents at End of Period	¥9,292,604	¥8,678,028

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

Notes to Financial Statements

1. ORGANIZATION

Nomura Real Estate Residential Fund, Inc. (the “Company”) is a real estate investment corporation formed to own and invest primarily in residential rental 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 3, 2006, the Company was incorporated under the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) of Japan. On February 14, 2007, the Company was listed on the Tokyo Stock Exchange as the 41st J-REIT and started operations on the following day. As of May 31, 2015, the Company owned a portfolio of 148 residential rental properties containing an aggregate of approximately 276,194.09 square meters of leasable area and leased space to 148 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 Act of Japan, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

The Company’s fiscal period is a six-month period which ends at the end of May or November. 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

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 - 50 years
Machinery and equipment	3 - 15 years
Tools, furniture and fixtures	3 - 15 years

Intangible assets

Intangible assets are amortized by the straight-line method.

Long-term prepaid expenses

Long-term prepaid expenses are amortized by the straight-line method.

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.

Allowance for doubtful accounts

For allowance for doubtful accounts against possible losses arising from default on receivables, uncollectable amount is estimated and recorded by investigating collectability based on historical loan loss ratios for general receivables and on a case-by-case examination for doubtful and other specific receivables.

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

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

Property related taxes

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

The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥572 thousand for the six-month period ended May 31, 2015. No capitalized property related taxes were incurred for the six-month periods ended November 30, 2014.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

The Company utilizes interest-rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Company defers recognition of gains or losses resulting from changes in the fair value of interest-rate swap contracts which meet the criteria for 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 May 31, 2015 and November 30, 2014 consist of the following:

	Thousands of Yen	
	As of May 31, 2015	As of November 30, 2014
Cash and bank deposits	¥9,292,604	¥8,678,028
Cash and cash equivalents	¥9,292,604	¥8,678,028

5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of May 31, 2015 and November 30, 2014 consist of the following:

	Thousands of Yen			
	As of May 31, 2015		As of November 30, 2014	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥82,653,562	¥82,653,562	¥73,930,463	¥73,930,463
Buildings and structures	73,323,986		69,721,547	
Accumulated depreciation	(11,302,982)	62,021,004	(10,000,243)	59,721,304
Machinery and equipment	1,044,567		1,035,973	
Accumulated depreciation	(383,570)	660,997	(348,985)	686,988
Tools, furniture and fixtures	212,710		206,593	
Accumulated depreciation	(74,035)	138,675	(61,941)	144,652
Construction in progress	-	-	3,045	3,045
Land in trust	9,354,599	9,354,599	14,551,280	14,551,280
Buildings and structures in trust	6,384,080		8,787,361	
Accumulated depreciation	(1,411,651)	4,972,429	(1,838,138)	6,949,223
Machinery and equipment in trust	50,041		50,041	
Accumulated depreciation	(31,046)	18,995	(29,083)	20,958
Tools, furniture and fixtures in trust	18,678		26,833	
Accumulated depreciation	(4,559)	14,119	(5,201)	21,632
Total	¥159,834,380	¥159,834,380	¥156,029,545	¥156,029,545

6. SHORT-TERM DEBT

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

	As of May 31, 2015		As of November 30, 2014	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans from a bank due on February 26, 2015	-	-	¥1,000,000	1.79200%
Unsecured loans from a bank due on February 27, 2015	-	-	1,300,000	2.23500%
Unsecured loans from banks due on February 27, 2015	-	-	5,400,000	0.96365%
Unsecured loans from banks due on August 27, 2015	¥9,700,000	1.00900%	9,700,000	1.00900%
Unsecured loans from a bank due on December 26, 2015	4,700,000	1.00000%	-	-
Unsecured loans from a bank due on August 27, 2016 (Note 2)	80,000	2.10000%	80,000	2.10000%
Unsecured loans from a bank due on February 26, 2017 (Note 3)	100,000	2.03000%	100,000	2.03000%
Total	¥14,580,000		¥17,580,000	

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 ¥40 million will be made on the 27th day of every sixth month starting on February 27, 2010, with the remaining payment of ¥1,080 million to be repaid on August 27, 2016.

Note 3: Installments of ¥50 million will be made on the 26th day of every sixth month starting on August 26, 2010, with the remaining payment of ¥1,350 million to be repaid on February 26, 2017.

7. LONG-TERM DEBT

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

	As of May 31, 2015		As of November 30, 2014	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans from a bank due on December 26, 2015	-	-	¥4,700,000	1.00000%
Unsecured loans from banks due on June 26, 2016	¥9,400,000	1.11700%	9,400,000	1.11700%
Unsecured loans from banks due on February 26, 2017	1,800,000	0.69000%	1,800,000	0.69000%
Unsecured loans from a bank due on August 26, 2017	750,000	0.55091%	750,000	0.56182%
Unsecured loans principally from insurance companies due on August 27, 2017	3,920,000	1.08500%	3,920,000	1.08500%
Unsecured loans from banks due on November 26, 2017 (Note 4)	3,300,000	0.51000%	-	-
Unsecured loans from banks due on February 26, 2018	1,500,000	0.55091%	-	-
Unsecured loans from banks due on February 27, 2018	5,420,000	1.12013%	5,420,000	1.12013%
Unsecured loans from banks due on August 26, 2018	5,400,000	0.99000%	5,400,000	0.99000%
Unsecured loans principally from an insurance company due on May 26, 2019	1,100,000	0.69894%	-	-
Unsecured loans from banks due on November 26, 2019	1,600,000	1.16500%	1,600,000	1.16500%
Unsecured loans from an insurance company due on May 27, 2020	1,000,000	1.48625%	1,000,000	1.48625%
Unsecured loans from an insurance company due on August 26, 2020	800,000	1.28277%	800,000	1.28277%
Unsecured loans from banks due on August 26, 2020	4,700,000	1.18000%	4,700,000	1.18000%
Unsecured loans from an insurance company due on August 26, 2020	500,000	1.15566%	500,000	1.15566%
Unsecured loans from an insurance company due on February 26, 2021	2,000,000	1.17750%	2,000,000	1.17750%
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	1,000,000	1.68200%
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	3,500,000	1.62500%
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	2,700,000	1.24100%
Unsecured loans from banks due on November 26, 2021	4,900,000	0.97410%	-	-
Unsecured loans from banks due on February 26, 2022	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from banks due on August 26, 2022	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on February 26, 2023	1,300,000	1.13250%	-	-
Unsecured loans from a bank due on August 27, 2016 (Note 2)	1,080,000	2.10000%	1,120,000	2.10000%
Unsecured loans from a bank due on February 26, 2017 (Note 3)	1,400,000	2.03000%	1,450,000	2.03000%
Total	¥66,550,000		¥59,240,000	

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 ¥40 million will be made on the 27th day of every sixth month starting on February 27, 2010, with the remaining payment of ¥1,080 million to be repaid on August 27, 2016.

Note 3: Installments of ¥50 million will be made on the 26th day of every sixth month starting on August 26, 2010, with the remaining payment of ¥1,350 million to be repaid on February 26, 2017.

Note 4: The borrowing was fully repaid on June 17, 2015 in advance to the maturity date.

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

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
Long-term debt	13,680,000	14,890,000	6,500,000	2,600,000

8. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows:

	As of May 31, 2015		As of November 30, 2014	
	Amount (Thousands of Yen)	Weighted- average interest rate	Amount (Thousands of Yen)	Weighted- average interest rate
First series of unsecured investment corporation bonds Due on February 25, 2016	¥5,000,000	1.21000%	¥5,000,000	1.21000%
Second series of unsecured investment corporation bonds Due on February 24, 2017	5,000,000	1.03000%	5,000,000	1.03000%
Total	¥10,000,000		¥10,000,000	

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
Investment corporation bonds	5,000,000	5,000,000	—	—	—

9. UNITHOLDERS' EQUITY

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

10. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of May 31, 2015 and November 30, 2014 were as follows:

	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Net asset values per unit	¥467,382	¥467,340
Net income per unit	¥11,641	¥11,674

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

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

	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Net income (Thousands of Yen)	¥1,872,009	¥1,877,226
Amount not available to ordinary unitholders (Thousands of Yen)	-	-
Net income available to ordinary unitholders (Thousands of Yen)	¥1,872,009	¥1,877,226
Average number of units during the period	160,800	160,800

11. RELATED PARTY TRANSACTIONS

For the periods from December 1, 2014 to May 31, 2015 and from June 1, 2014 to November 30, 2014

Parent company and major corporate unitholders
Not applicable

Subsidiaries and affiliates
Not applicable

Fellow subsidiary companies
Not applicable

Directors and major individual unitholders
Not applicable

12. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 34% for the six-month periods ended May 31, 2015 and November 30, 2014. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥1,872,034 thousand and ¥1,865,280 thousand for the six-month periods ended May 31, 2015 and November 30, 2014, respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes. The following summarizes the significant differences between the statutory tax rate and the effective tax rate:

	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Statutory tax rate	34.15%	34.16%
Deductible cash distributions	(34.13)	(33.93)
Other	0.03	(0.18)
Effective tax rate	0.05%	0.05%

13. FINANCIAL INSTRUMENTS

Overview

(1) Policy for Financial Instruments

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

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

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

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

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

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

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

Fair Value of Financial Instruments

For the period from December 1, 2014 to May 31, 2015

The following table summarizes the carrying value and the estimated fair values of financial instruments as of May 31, 2015.

		Carrying value (Note 1)	Fair value (Note 1)	Thousands of Yen Difference
(i)	Cash and bank deposits	¥9,292,604	¥9,292,604	—
(ii)	Current portion of investment corporation bonds	(5,000,000)	(5,034,680)	¥34,680
(iii)	Current portion of long-term debt	(14,580,000)	(14,608,335)	28,335
(iv)	Investment corporation bonds	(5,000,000)	(5,061,465)	61,465
(v)	Long-term debt	(66,550,000)	(67,365,494)	815,494
(vi)	Derivative transactions	—	—	—

For the period from June 1, 2014 to November 30, 2014

The following table summarizes the carrying value and the estimated fair values of financial instruments as of November 30, 2014.

		Carrying value (Note 1)	Fair value (Note 1)	Thousands of Yen Difference
(i)	Cash and bank deposits	¥8,678,028	¥8,678,028	—
(ii)	Current portion of investment corporation bonds	—	—	—
(iii)	Current portion of long-term debt	(17,580,000)	(17,634,302)	¥54,302
(iv)	Investment corporation bonds	(10,000,000)	(10,132,475)	132,475
(v)	Long-term debt	(59,240,000)	(60,080,734)	840,734
(vi)	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

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.

(ii) Current portion of investment corporation bonds and (iv) Investment corporation bonds

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

(iii) Current portion of long-term debt and (v) Long-term debt

For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see “19. Derivatives and Hedge Accounting”) is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.

(vi) Derivative transactions

See “19. Derivatives and Hedge Accounting.”

Note 3: Redemption schedule for cash and bank deposits as of May 31, 2015

		Thousands of Yen				
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	¥9,292,604	—	—	—	—	—
Total	¥9,292,604	—	—	—	—	—

Redemption schedule for cash and bank deposits as of November 30, 2014

		Thousands of Yen				
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	¥8,678,028	—	—	—	—	—
Total	¥8,678,028	—	—	—	—	—

Note 4: Redemption schedule for investment corporation bonds and debt as of May 31, 2015

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Current portion of investment corporation bonds	¥5,000,000	—	—	—	—	—
Current portion of long-term debt	14,580,000	—	—	—	—	—
Investment corporation bonds	—	¥5,000,000	—	—	—	—
Long-term debt	—	13,680,000	¥14,890,000	¥6,500,000	¥2,600,000	¥28,880,000
Total	¥19,580,000	¥18,680,000	¥14,890,000	¥6,500,000	¥2,600,000	¥28,880,000

Redemption schedule for investment corporation bonds and debt as of November 30, 2014

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Current portion of long-term debt	¥17,580,000	—	—	—	—	—
Investment corporation bonds	—	¥5,000,000	¥5,000,000	—	—	—
Long-term debt	—	15,320,000	7,820,000	¥10,820,000	¥1,600,000	¥23,680,000
Total	¥17,580,000	¥20,320,000	¥12,820,000	¥10,820,000	¥1,600,000	¥23,680,000

14. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Carrying value		
Balance at beginning of the period	¥156,029,545	¥157,793,123
Change during the period	3,804,835	(1,763,578)
Balance at end of the period	159,834,380	156,029,545
Fair value	¥163,987,000	¥156,590,000

Note1: The carrying value represents the acquisition cost less accumulated depreciation.

Note2: The major increase in the carrying value during the period ended May 31, 2015 was mainly due to the acquisition of PRIME URBAN Naka Meguro II (¥2,893,473 thousand), PRIME URBAN Nagahara Kamiikedai (¥1,801,017 thousand) and PRIME URBAN Nishi Ogikubo II (¥1,855,088 thousand) and the major decrease in the carrying value during the period ended May 31, 2015 was mainly due to depreciation and the sale of PRIME URBAN Roka Koen (¥358,080 thousand), PRIME URBAN Karasuyama (¥340,872 thousand), PRIME URBAN Oimachi (¥527,145 thousand), PRIME URBAN Hino (¥301,317 thousand) and , PRIME URBAN Minami Gyotoku III (¥256,249 thousand). The major decrease in the carrying value during the period ended November 30, 2014 was mainly due to the sale of URBAN STAGE Minami Gyotoku IV (¥243,477 thousand), URBAN STAGE Komazawa (¥399,641 thousand) and URBAN STAGE Minami Gyotoku II (¥278,483 thousand).

Note3: The fair value as of May 31, 2015 and November 30, 2014 represents the sum of the appraisal values estimated by external real estate appraisers.

The real estate rental revenues and expenses for the six-month period ended May 31, 2015 and November 30, 2014 are presented in “16. Breakdown of Real Estate Rental Revenues and Expenses.”

15. SEGMENT INFORMATION

For the period from December 1, 2014 to May 31, 2015 and from June 1, 2014 to November 30, 2014

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

Information about major clients for the six-month period ended May 31, 2015 and November 30, 2014 were as follows:

For the six-month period from December 1, 2014 to May 31, 2015

Name of client	Revenues(Thousands of yen)	Related segment
Nomura Real Estate Partners Co., Ltd.	¥4,371,438	Real estate leasing business

For the six-month period from June 1, 2014 to November 30, 2014

Name of client	Revenues(Thousands of yen)	Related segment
Nomura Real Estate Partners Co., Ltd.	¥4,138,897	Real estate leasing business

16. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the six-month period ended May 31, 2015 and November 30, 2014 consist of the following:

	Thousands of Yen	
	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Real estate rental revenues	¥5,659,317	¥5,427,985
Rental revenues	5,229,052	5,068,067
Rental revenues	4,929,993	4,778,619
Common area charges	299,059	289,448
Other rental revenues	430,265	359,918
Parking revenues	129,563	124,612
Incidental income	215,396	160,332
Other miscellaneous revenues	85,306	74,974
Real estate rental expenses	2,543,528	2,353,783
Property management costs	206,540	204,447
Property management fees	318,003	278,923
Property and other taxes	291,945	292,327
Utility expenses	109,072	94,055
Casualty insurance	7,844	7,842
Repairs and maintenance	328,354	257,383
Depreciation	1,071,655	1,052,024
Other rental expenses	210,115	166,782
Real estate rental profits	¥3,115,789	¥3,074,202

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

Gain and Loss on sales of real estate for the six-month period ended May 31, 2015 and November 30, 2014 consist of the following:

	Thousands of Yen	
	For the period from December 1, 2014 to May 31, 2015	For the period from June 1, 2014 to November 30, 2014
Gain on sales of real estate		
Proceeds from sales of real estate	¥914,413	¥717,606
Cost of sales of real estate	868,016	643,118
Other related sales expenses	27,510	21,655
Gain on sales of real estate	¥18,887	¥52,833
Loss on sales of real estate		
Proceeds from sales of real estate	¥916,556	¥240,472
Cost of sales of real estate	915,646	278,483
Other related sales expenses	16,907	7,271
Loss on sales of real estate	¥15,997	¥45,282

18. LEASES

The Company, as a lessor, enters into lease agreements for which fixed monthly rents are due in advance with a lease term of generally two years for residential space. The future minimum rental revenues under existing non-cancelable operating lease agreements as of May 31, 2015 and November 30, 2014 are summarized as follows:

	Thousands of Yen	
	As of May 31, 2015	As of November 30, 2014
Due within one year	¥492,833	¥547,770
Due after one year	56,697	70,516
Total	¥549,530	¥618,286

19. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of May 31, 2015

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

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

(2) Derivative financial instruments subject to hedge accounting were as follows:					Thousands of Yen	
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	54,100,000	44,400,000	(*)	

* 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) (iii) Current portion of long-term debt and (v) Long-term debt”).

Derivative transactions as of November 30, 2014

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

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

(2) Derivative financial instruments subject to hedge accounting were as follows.					Thousands of Yen	
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	55,600,000	39,500,000	(*)	

* 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) (iii) Current portion of long-term debt and (v) Long-term debt”).

20. SIGNIFICANT SUBSEQUENT EVENTS

Transfer of a property

On June 1, 2015, the Company entered into a sale and purchase agreement regarding the transfer of the property stated below and completed the transfer. Consumption taxes and adjustments of property taxes are excluded from the transfer price.

PRIME URBAN Naka Ochiai

Type of Assets : Real estate
Date of Agreement : March 31, 2015
Transfer Date : June 1, 2015
Transfer Price : ¥708,340 thousand
Transferee : Japanese industrial company
Impact on Revenues : Approximately ¥36 million (sales expenses excluded) of gain on sales of real estate will be recorded for the 18th fiscal period (from June 1, 2015 to September 30, 2015).

PRIME URBAN Kamiuma

Type of Assets : Real estate
Date of Agreement : March 31, 2015
Transfer Date : June 1, 2015
Transfer Price : ¥905,000 thousand
Transferee : Japanese industrial company
Impact on Revenues : Approximately ¥8 million (sales expenses excluded) of gain on sales of real estate will be recorded for the 18th fiscal period (from June 1, 2015 to September 30, 2015).

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

NRF, Nomura Real Estate Master Fund, Inc. (“NMF”) and Nomura Real Estate Office Fund, Inc. (“NOF”; and NMF, NRF and NOF are individually referred to as the “Consolidated Investment Corporation” hereinafter) respectively have determined at each of the board of directors meetings held on May 27, 2015 to implement a consolidation-type merger (the “Merger”), whereby October 1, 2015 is set as the date of incorporation of investment corporation (the “New Investment Corporation”) incorporated through the consolidation-type merger, and that the companies have entered into a merger agreement (the “Merger Agreement”) dated May 27, 2015. A proposal of the Merger Agreement was approved at the general meeting of unitholders on July 31, 2015. The name of the new company following the merger shall be Nomura Real Estate Master Fund, Inc.

(1) Purpose of Merger

NRF believes that the Merger will expand acquisition opportunities, stabilize the portfolio, enhance risk tolerance, increase competitive strength for asset acquisitions and stabilize the financial base by increasing the asset size and diversifying target investment sectors. In addition, NRF believes that it can achieve both growth and stable management by effectively leveraging the wide-range of know-hows and

brands held by Nomura Real Estate Group, one of the major comprehensive real estate developers in Japan. As such, NRF is confident that the Merger is the best option for its unitholders and has therefore entered into the Merger Agreement.

(2) Merger Ratio

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

(3) Cash Distribution on Merger

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

(4) Overview of Preceding Periods of the Consolidated Investment Corporations (NMF (period ended February 2015) and NOF (period ended April 2015))

NMF (period ended February 2015)

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

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

NOF (period ended April 2015)

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

Operating revenue	13,025 million yen
Net income	3,613 million yen
Assets	439,861 million yen
Liabilities	224,662 million yen
Net assets	215,198 million yen

Independent Auditor's Report



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Nomura Real Estate Residential Fund, Inc., which comprise the balance sheet as at May 31, 2015, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Residential Fund, Inc. as at May 31, 2015, and its financial performance and cash flows for the six-month period then ended in conformity with accounting principles generally accepted in Japan.

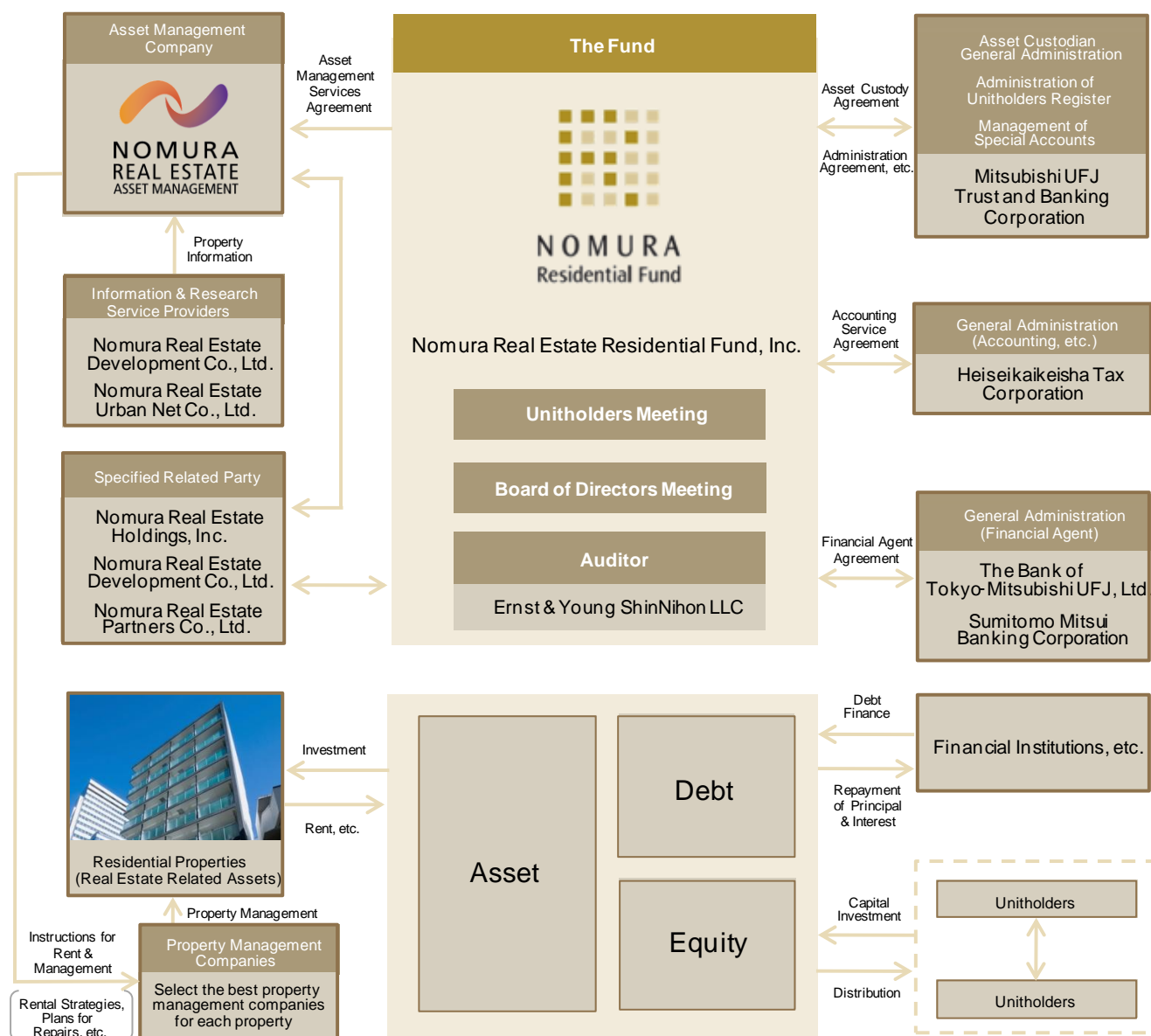
Emphasis of Matter

We draw attention to Note 20 to the financial statements, which describes a merger agreement of Nomura Real Estate Residential Fund, Inc., Nomura Real Estate Master Fund, Inc. and Nomura Real Estate Office Fund, Inc. has been approved at the general meeting of unitholders held on July 31, 2015. Our opinion is not qualified in respect of this matter.

Ernst & Young ShinNihon LLC

August 25, 2015
Tokyo, Japan

Business Structure



Corporate Data

Corporate Name

Nomura Real Estate Residential Fund, Inc.

Corporate Office

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

Date of Incorporation

August 3, 2006

Stock Listing

Tokyo Stock Exchange (Securities Code: 3240)

Fiscal Period

Six months ending on May 31 and November 30

Capital

¥73,231,053,636 (as of May 31, 2015)

Number of Units Issued

160,800 (as of May 31, 2015)

Number of Unitholders

10,595 (as of May 31, 2015)

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

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Investor Relations

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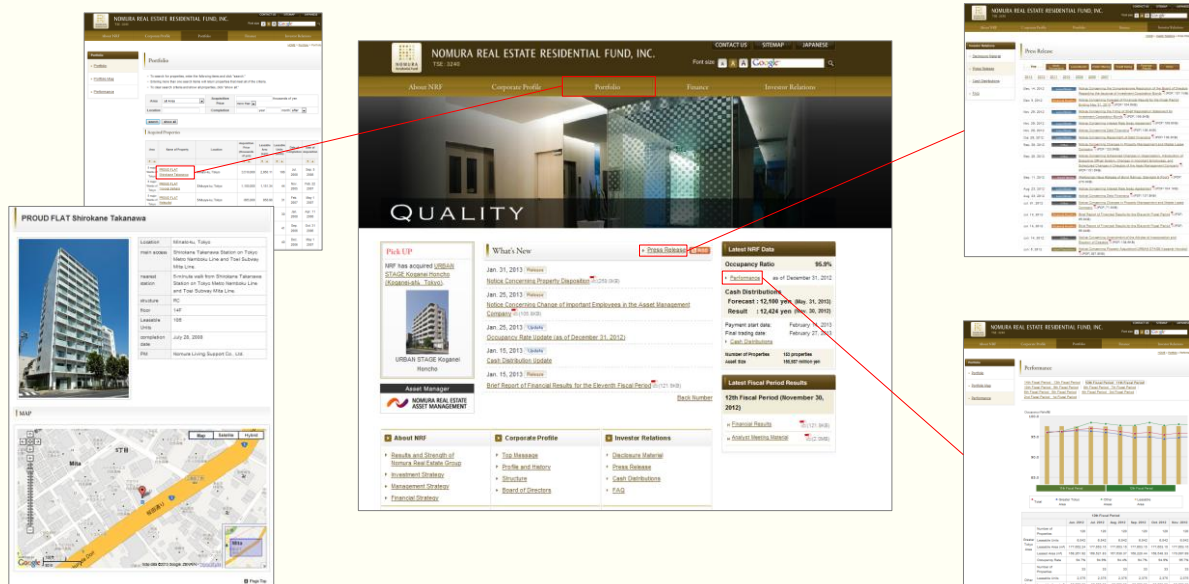
Nomura Real Estate Residential Fund's Website

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

- Strength of NRF, Asset Management Policies, Corporate Profile
- Portfolio Summary, Portfolio Data, Occupancy Rates.
- 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-rf.co.jp/english/>



Disclaimer

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

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

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