

11th
Fiscal Period



Semi-Annual Report

September 1, 2020 to February 28, 2021
Securities Code: 3462

Nomura Real Estate Master Fund, Inc.





MASTER
FUND

Driving the
Market as One
of Japan's
Largest REITs



CONTENTS

Message from the Management To Our Unitholders / Performance Highlights	p. 3
Management Strategy Track Record of Growth since Incorporation/Impact of COVID-19/External Growth/ Internal Growth	p. 5
ESG Measures ESG Measures	p. 15
Financing Status Financing Status / Financial Statements Highlights	p. 17
Market Review Market Review	p. 19
Portfolio Portfolio Analysis / Portfolio Gallery	p. 21
Investor Information Distribution Policy / Structure and Organization / Investor Information	p. 27
Financial Section Balance Sheet Statement Of Income And Retained Earnings Statement Of Changes In Net Assets Statement Of Cash Flows Notes To Financial Statements Independent Auditor's Report	p. 31

Message from the Management

NMF will strive to increase unitholder value by securing stable income over the medium to long term and ensuring the steady growth of assets under management.



Shuhei Yoshida Executive Director

(From left)

Koichi Owada Supervisory Director

Mineo Uchiyama Supervisory Director

Mika Okada ^(Note) Supervisory Director

Nomura Real Estate Master Fund, Inc.

(Note) Mika Okada is her maiden name and the name she uses professionally. The name recorded on her family register is Mika Furusawa.

To Our Unitholders

First, we would like to express our deepest condolences to those who have lost their lives due to COVID-19 and their families, as well as our sympathies to those fighting the disease.

In reaching the end of our 11th fiscal period, we would also like to extend our sincere gratitude to all unitholders for your continued support for Nomura Real Estate Master Fund, Inc.

During the 11th fiscal period, we achieved improvement of portfolio quality as well as steady external growth through acquisition of Landport Ome II (¥14.6 billion), a sponsor-developed logistics facility that is expected to generate stable earnings even amid the COVID-19 crisis.

This acquisition expanded our portfolio holdings in the logistics sector to 18.9%, second only to offices.

Amid the ongoing impacts of another wave of COVID-19 infections and requests to shorten operating hours following declaration of the second state of emergency, we offered rent reduction/exemption and other forms of relief again this fiscal period to support some of our retail tenants. Nevertheless, the impact of this on the revenue of our overall portfolio was limited.

Furthermore, in the office sector and rental apartment sector, market changes, such as rising vacancy rates and decreasing advertised rents, were also observed. The properties held by NMF were also affected by an increase in the number of contract terminations and a longer period of tenant recruitment. However, through appropriate and flexible leasing activities based on market trends, as well as rent increases upon tenant change or contract renewal, we were able to continue promoting internal growth.

As a result, at the end of the eleventh fiscal period, our portfolio consisted of 299 properties with a total acquisition price of ¥1,066.2 billion. Operating revenues totaled ¥38,064 million, operating profit reached ¥15,370 million, and net income came to ¥13,016 million.

As for rent reduction/exemption and other factors that led to temporary decrease in revenue due to COVID-19, partial reversal of internal reserves was made in the amount of ¥62 million for the purpose of leveling the amount of distribution. Accordingly, the per-unit distribution for the eleventh fiscal period came to ¥3,330, the same as the initial forecast.

In addition, in the area of ESG (environmental, social and governance) activities, which we have been promoting for some time, we disclosed on our official website the climate change awareness, policies and initiatives of NMF and Nomura Real Estate Asset Management Co., Ltd. (NREAM)—our asset management company—based on the Task Force on Climate-related Financial Disclosure (TCFD) recommendations which NREAM endorsed in July 2020, according to each of the four disclosure items recommended by the TCFD—Governance, Strategy, Risk Management, and Metrics and Targets.

Note that in analyzing and verifying the financial impact under Strategy, after first assessing the risks and opportunities that climate change risks bring to NMF, three possible scenarios—the 4°C, 2°C and 1.5°C scenarios—were set for the first time among J-REITs, and the financial impact of each identified risk and opportunity were analyzed and verified.

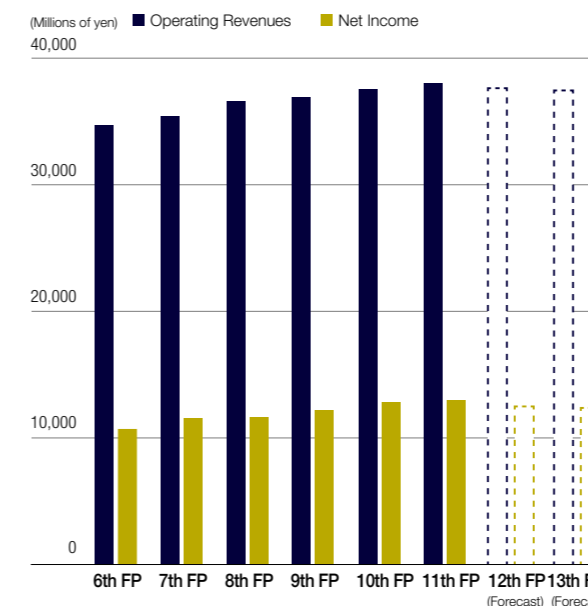
With a careful eye on the impact of COVID-19, we remain strongly committed to enhancing fund performance and managing the fund's assets in an aim to live up to the expectations and trust of our unitholders. We ask for your continued support and encouragement.

PERFORMANCE HIGHLIGHTS

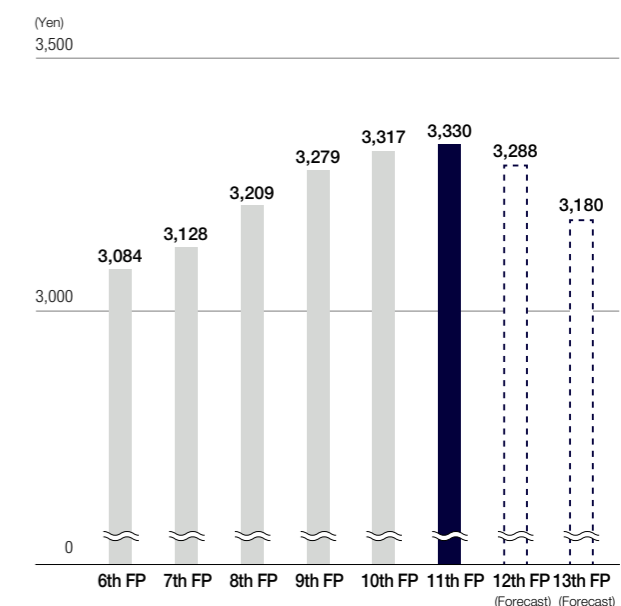
	11th Fiscal Period	12th Fiscal Period (forecast)*	13th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of net income)	¥3,330	¥3,288	¥3,180
Operating Revenues	¥38,064 million	¥37,627 million	¥37,450 million
Operating Expense	¥22,693 million	¥22,830 million	¥22,850 million
Net Income	¥13,016 million	¥12,488 million	¥12,372 million
Total Assets	¥1,196,357 million	¥1,194,826 million	¥1,190,234 million

* The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 11th Fiscal Period Ended February 28, 2021," published April 14, 2021. As such, the actual distribution may differ from this forecast due to future property acquisitions or sales, changes in the real estate market, tenant changes or other changes in the circumstances surrounding NMF. The distribution forecast is not a guarantee of distributions.

Operating Revenues and Net Income



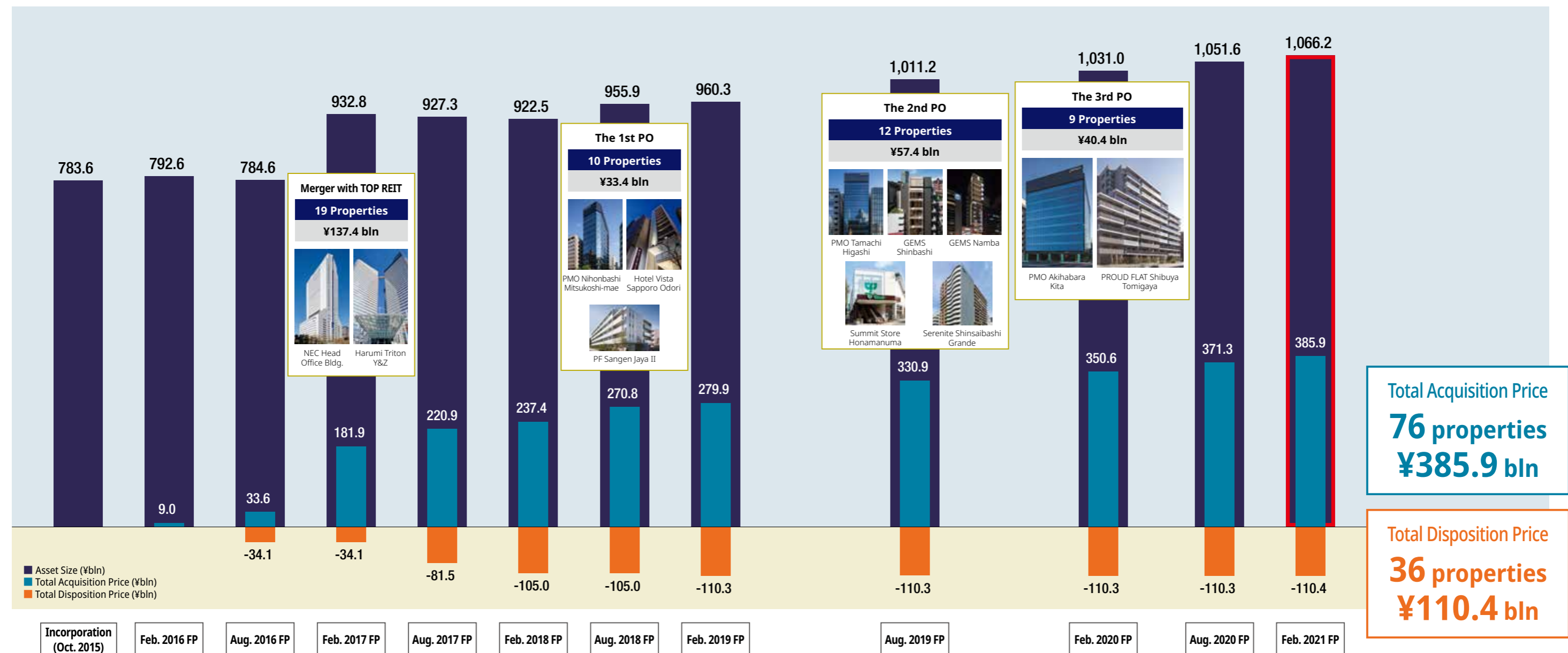
Per-Unit Distribution



Track Record of Growth since Incorporation

Improved portfolio quality through property replacement taking advantage of the Sponsor's support and achieved steady increase in distributions.

	Incorporation		Feb. 2021 FP
Number of Properties	257	Acquisition of high-quality properties mainly developed by the Sponsor	299
Ratio of top 10 Properties	26.8%		22.0%
Greater Tokyo area ratio	79.8%	Disposition of less competitive properties due to building age, etc.	83.0%
Average building age	19.3 yrs		19.3 yrs (24.7 years without SPR) ^(Note 2)
DPU	¥2,656 ^(Note 1)		¥3,330 (+25.4%)



(Note 1) Distributions for February 2016 (the 1st FP) are calculated on a six-month basis for 152 operating days.

(Note 2) Average building age without taking into account the effect of property acquisition and disposition from the original portfolio at incorporation until February 28, 2021.

Impact of COVID-19

(1) Impact on Each Sector

The COVID-19 crisis had an impact on the entire 11th fiscal period, and as a result, in addition to hotels and retail facilities near stations that were deeply affected by requests to stay at home and requests to shorten operating hours, offices and residential facilities were also affected more than during the tenth fiscal period. As for the office sector, although the number of contract terminations increased on the back of lower cost requirements, and negotiations for rent revision and recruitment of new tenants have tended to take longer, rent increases have continued backed by rent gaps^(Note). With regard to residential facilities, while occupancy rates declined, especially for high-priced residences in central Tokyo, as a result of switching to a leasing strategy focused on occupancy rates, occupancy rates recovered significantly during the period, and rent increases have continued. Along with retail facilities in residential areas, logistic facilities have been stable due in part to steadily capturing stay-at-home demand. As for hotels and retail facilities near stations, given the relatively large impact of COVID-19 on the business results of tenants, we changed hotel operators following the departure of tenants, and we offered partial reductions/exemptions to some tenants at retail facilities near stations who were under requests to operate for shortened hours, to support them in staying in business.

(Note) "Rent gap" refers to the difference between the level of rent for a tenant occupying an office property held by NMF and the level of rent advertised in the leasing market. A positive gap means the level of rent advertised in the leasing market is higher. NMF's rent gap as of February 28, 2021 is +8.1%.

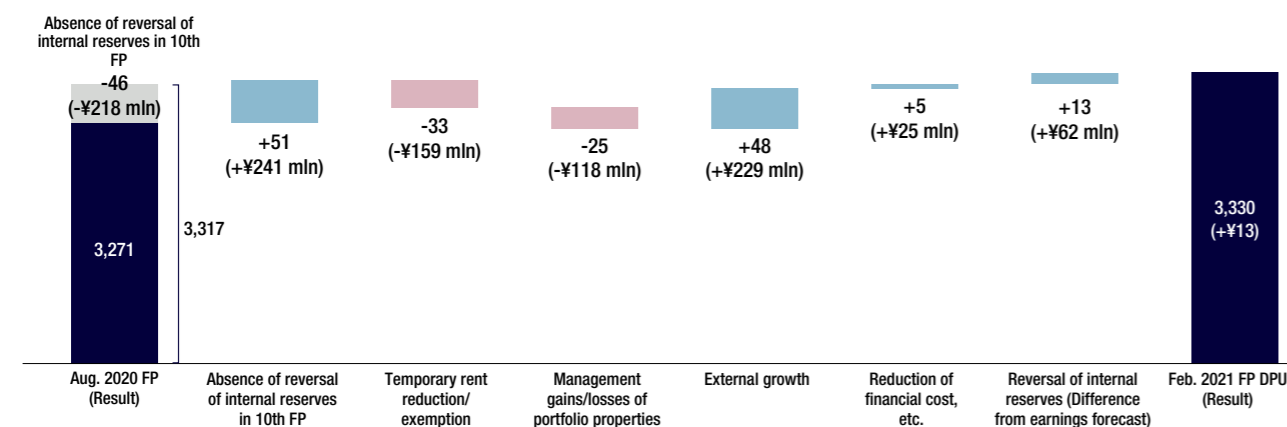
Sector	Ratio ^(Note)	Operating status including the impact of COVID-19
Office	44.4%	<ul style="list-style-type: none"> Increase in cancellation against the backdrop of cost reduction, introduction of remote work, etc. due to poor business performance; and prolonged downtime for new leases and rent revision negotiations. Rent increase upon tenant replacement and rent revision against the backdrop of rent gap has continued.
Residential	18.9%	<ul style="list-style-type: none"> Despite an increase in the vacancy rate centering on residences for singles in central Tokyo, the occupancy rate has seen a significant recovery due to the shift to a leasing strategy focused on occupancy rates. Rent increase upon tenant replacement and contract renewal has continued.
Logistics	18.9%	<ul style="list-style-type: none"> No impact is seen at present, and logistics companies handling mail-order items and daily necessities such as food performed strongly. Rent increase upon tenant replacement and contract renewal has continued.
Retail Facilities (Near stations)	11.2%	<ul style="list-style-type: none"> Cancellations by some tenants due to the continuation of the decrease in sales brought about by the issuance of second state of emergency declaration, etc. Supported some tenants that were requested to shorten operating hours through temporary rent reduction/exemption.
Retail Facilities (Residential Areas)	5.5%	<ul style="list-style-type: none"> Food supermarket tenants and specialized stores (electronics store, etc.) continued to perform well in sales due to special demand attributable to COVID-19.
Hotels	0.6%	<ul style="list-style-type: none"> Changed the operator for Comfort Inn Naha Tomari Port (former Red Planet Naha Okinawa).

(Note) Calculated based on acquisition price at the end of the 11th FP (Feb. 2021 FP).

(2) Impact on Distribution for the Fiscal Period Ended February 2021 (11th Fiscal Period)

Despite temporary rent reductions/exemptions, a decrease in revenue from properties owned and other factors attributable to the spread of COVID-19, there were also factors leading to an increase in revenue, such as the external growth effect of Landport Ome II, which was acquired during the 11th fiscal period. In addition, by allocating internal reserves to cover the difference with the earnings forecast, we secured per-unit distribution of ¥3,330, the same as the earnings forecast.

Factors for the increase/decrease of per-unit distribution



External Growth

Acquisition of Landport Ome II

Acquired a logistics facility from which stable income can be expected even amid the COVID-19 crisis, expanding logistics to occupy the second-largest portfolio share after office.

Landport Ome II Acquisition price ¥14.6 bln NOI yield 4.6% Building age 0.6 yrs



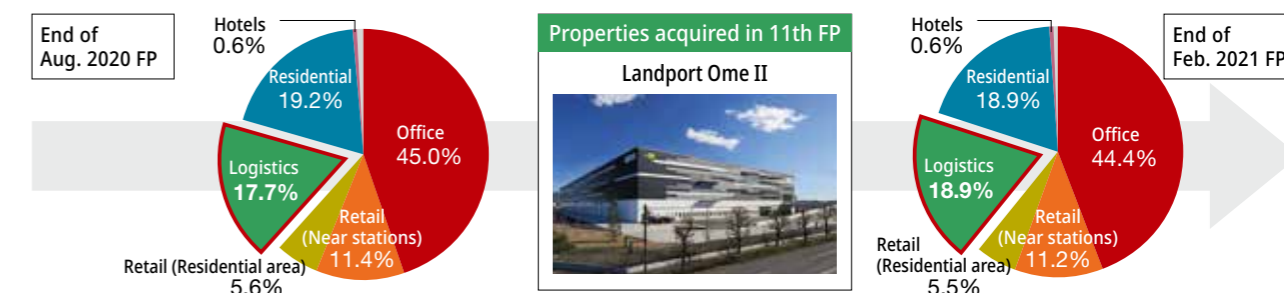
Good location allowing for wide area delivery to the entire Tokyo metropolitan area
 Located in approximately 2.4 km from the Ome Interchange on the Ken-O Expressway and close to National Route 16, allowing for wide-area delivery to the entire Tokyo metropolitan area.

24 hours a day, 365 days a year operation with favorable employment environment
 Located in the Nishi-Tokyo Industrial Park, which is a 10-minute walk from Ozaku Station on the JR Ome Line, the nearest station, so it can operate 24 hours a day, 365 days a year and allows tenants to maintain a favorable employment environment.

A "category-wide multi-function" logistics facility
 A logistics facility that pursues optimization and efficiency by adopting a category-wide multi-function that adds functions specific to the target tenant's industry needs.

Acquisition price	¥14,620 million
Appraisal value	¥15,100 million
Acquisition date	October 1, 2020
Location	Ome, Tokyo
Total floor space	63,879.98 m ²
Completion	February 2020

Logistics portfolio status



External Growth Policy Going Forward

Selective investment upon careful assessment of the impact of COVID-19. Continue to consider growth strategies including property replacement.

Investment Policy

Selective investment in prime properties upon taking into account also the medium- to long-term outlook for the impact of COVID-19. Analyze and examine with particular care in the case of the sectors (retail and hotel) that have been significantly affected even in the short term.

Growth Strategies

Given the status of the real estate market and the investment unit price level, implement the most effective measures for maintaining/improving the investment unit price and distributions.

- Replacement of properties**
 Consider property replacements of properties deemed to be difficult to maintain competitiveness over the medium to long term in terms of location, specifications, building age and profitability by sale in combination with acquisition of prime new assets
- Utilization of borrowing capacity and free cash flow**
 Borrowing capacity up to target maximum LTV on normalized basis (45%)
- Capital increase**
 Comprehensively verify the investment unit price level, profitability of acquired properties, enhancement of portfolio

Internal Growth—Management Status

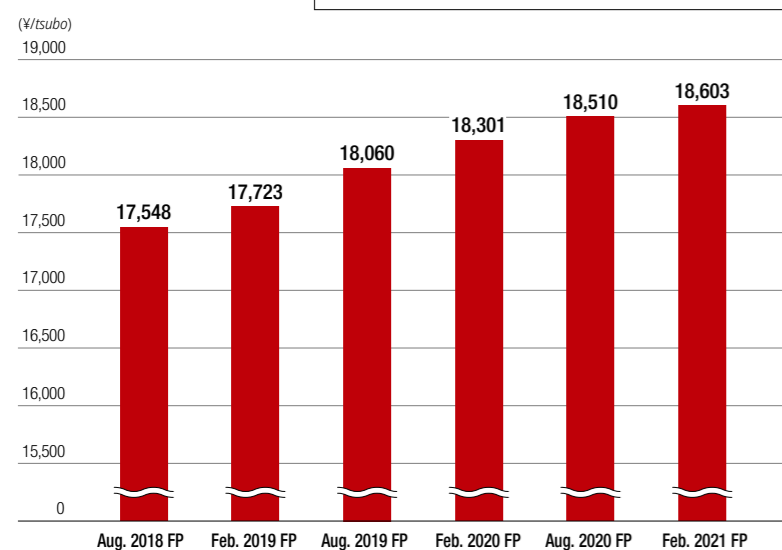
Office

Strong trend of rent increase backed by rent gaps continued despite a downward trend in the occupancy rate

Asset Management Topics for Feb. 2020 FP

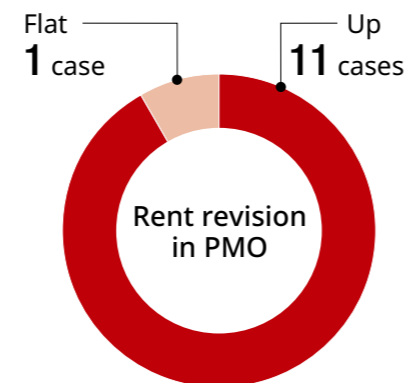
- The rate of rent increase upon tenant replacement: +15.9%**
(The rate of rent increase within tenant replacement with rent increase: +19.6%)
- The rate of rent increase upon rent revision: +3.0%**
(The rate of rent increase within rent revision with rent increase: +5.5%)
- The rate of rent increase upon rent revision only at PMOs: +6.4%**
(contract renewal included)
- The rent gap (Note 1) as of Feb. 28, 2021: +8.1%**
(Down 1.9pt from previous FP)

Average rent



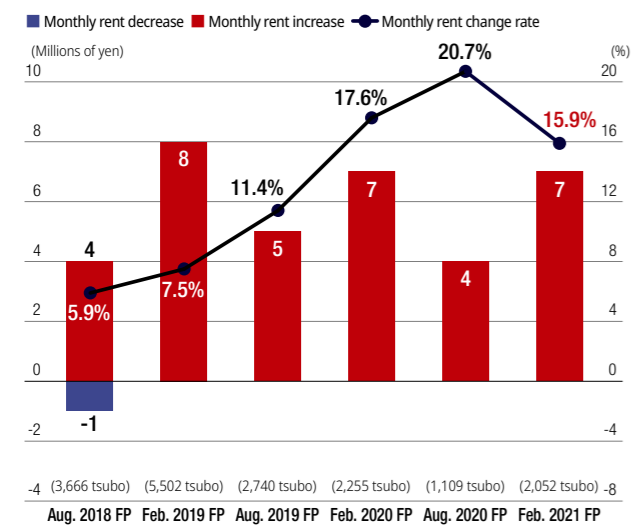
Rent revision in PMO

The rate of rent increase upon rent revision only at PMOs (contract renewal included) **+6.4%**



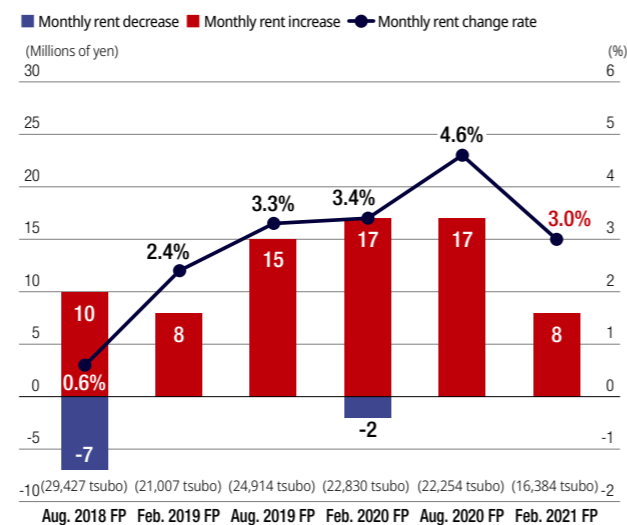
Amount and rate of change in monthly rent upon tenant replacement (Note 2)

Average rate of rent increase within tenant replacement with rent increase **+19.6%**

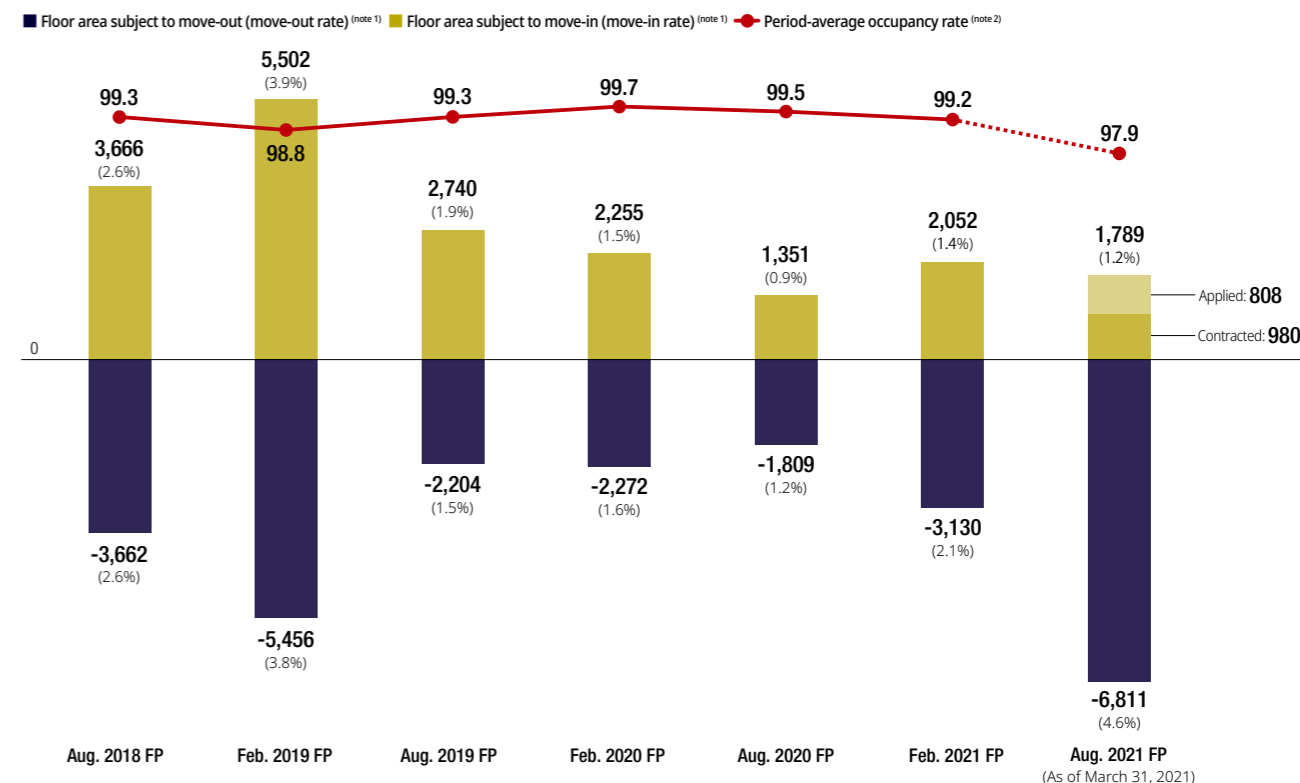


Amount and rate of change in monthly rent upon rent revision (Note 2)

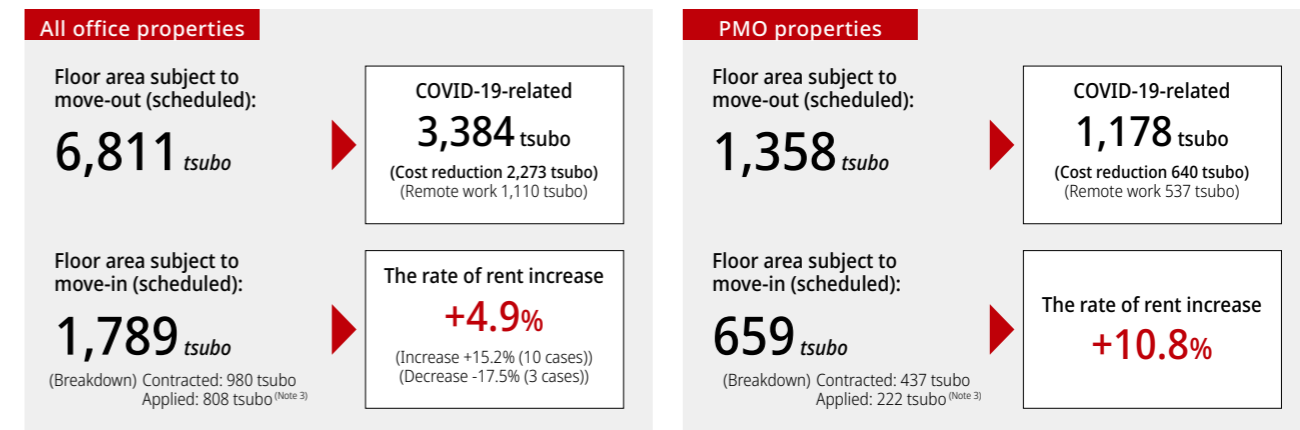
Average rate of rent increase within rent revision with rent increase **+5.5%**



Change in floor area from move-ins and move-outs (tsubo)



<Aug. 2021 FP> Progress on tenant replacement (As of March 31, 2021)



Future outlook

- Cost reduction** Expect fewer cancellations aiming for cost reduction as business performance in general moves towards recovery from the latter half of this year.
 - Remote work** Although the trend of seeking new work styles and their impact is assumed to continue, the impact on the market as a whole is expected to be limited.
- ⇒ For either needs, highly competitive properties are expected to demonstrate superiority.

(Note 1) It is calculated for owned properties excluding the properties for which the entire building is leased to one tenant.
(Note 2) Figures in parentheses are the floor area upon tenant replacement and the floor area (tsubo) subject to rent revision. The change in monthly rent is calculated as the weighted average of all subjected area. The same applies to the following investment sectors.

(Note 1) Calculated by dividing the total floor area leased to tenants (occupying or moved out) for each period by average value of total leasable area.
(Note 2) Period-average occupancy rate is calculated based on the floor area subject to move-ins and move-outs assumed in the earning forecast.
(Note 3) The figure shows floor area for which NMF received applications for occupancy.

Internal Growth—Management Status

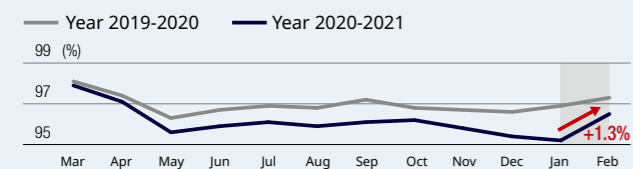
Residential

By seizing the trend of the market and shifting to a leasing strategy focused on the occupancy rate, raised the occupancy rate significantly in a short period of time.

Assets Management Topics in Feb. 2021 FP

Shift of a leasing strategy

Shifted to a leasing strategy focused on the occupancy rate during the period. (Occupancy rate at the end of February: 96.5%)



Change in monthly rent due to move-ins and move-outs or contract renewals

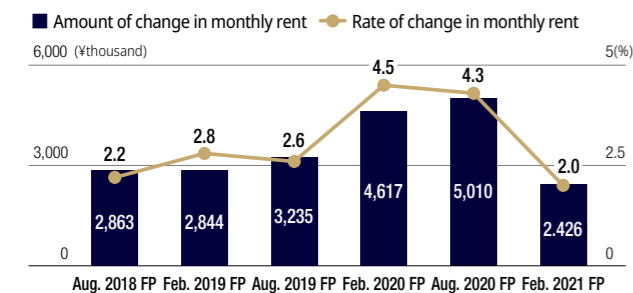
1) Change in monthly rent due to move-ins and move-outs

660 out of 1,110 units (59.5%) replaced with increased rent
Change in monthly rent **+2.0% (+ ¥2,426 thousand/mo)**

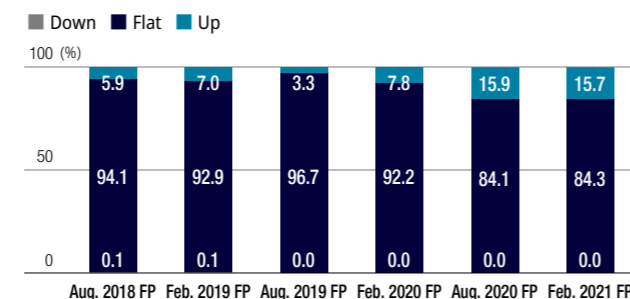
2) Change in monthly rent due to contract renewals

225 out of 1,431 units (15.7%) renewed contract with increased rent
Change in monthly rent **+0.4% (+ ¥681 thousand/mo)**

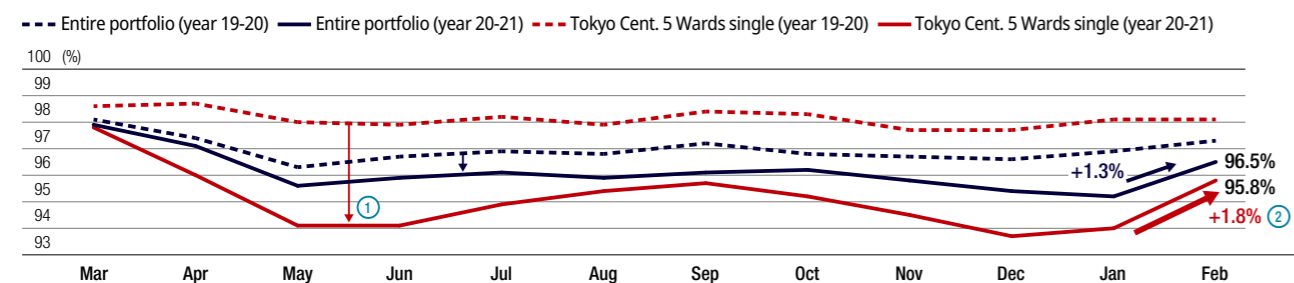
Amount of change in monthly rent at move-ins and move-outs



Rate of change in monthly rent at contract renewals



Occupancy rate (Entire portfolio / Tokyo Central Five Wards (single type))



① Main factors for falling occupancy at single-type properties in central Tokyo

- Decrease in demand from companies due to sluggish business performance, etc.
- Decrease in individual budgets due to concerns over future income environment
- Lower priority for choosing highly convenient location because of self-imposed restrictions on outings

② Background to the recovery of occupancy

The number of new contracts increased centering on individual customers as a result of the shift of leasing strategy from the one focusing on the balance between rent increase and occupancy rate to the one focusing on the occupancy rate.

Five Wards: **+1.8%** (January 2021 → February 2021)

▶ Potential demand for properties in central Tokyo is solid.

Future outlook

The downward trend of occupancy for properties in central Tokyo is expected to halt along with the recovery of business performance, easing of self-imposed restrictions on outings, etc.

⇒ Seek to maintain high occupancy through the agile and flexible leasing strategy for the time being.

(Note) "Tokyo Central Five Wards (single type)" refers to properties that are located in the Tokyo Central Five Wards and have an average dwelling unit area of less than 30 m².

Logistics

With no impact of the COVID-19 crisis seen, continued to achieve upside potential while generating stable income.

Assets Management Topics for Feb. 2021 FP

Re-contracted with increased rents with tenants of which fixed-term lease had expired

Landport Kashiwa Shonan I

Re-contracted with one existing tenant for a 10-year lease for the entire building
(Rent increase rate: +6.8%)

Landport Kawagoe

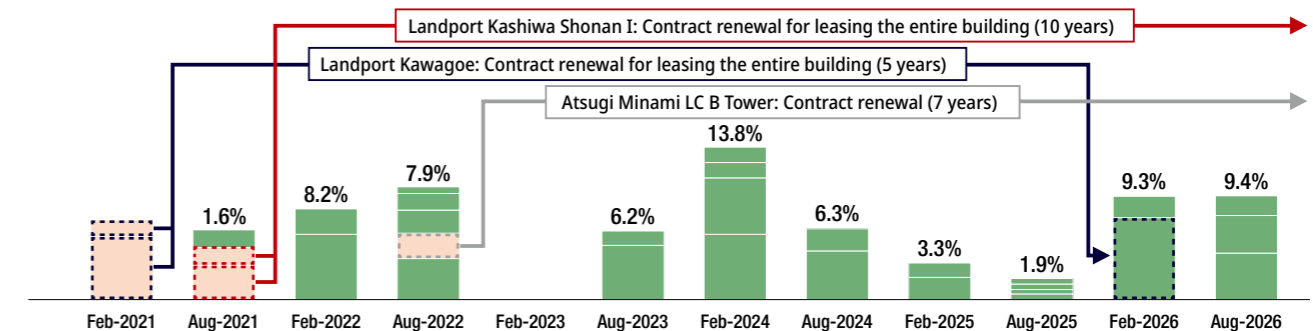
Re-contracted with one existing tenant for a 5-year lease for the entire building
(Rent increase rate: +2.2%)

Atsugi Minami LC B Tower

Requested by the tenant, re-contracted for a long-term lease (7 years) more than a year prior to the expiration of the fixed-term contract
(Rent increase rate: +2.9%)



Lease Maturities (rent basis)



Hotels

Comfort Inn Naha Tomari Port (Ex-Red Planet Naha Okinawa)

Change of the operator / Overview of rebranding

- Terminated the agreement with the previous operator by consent on January 31, 2021, in light of the operation status under the COVID-19 crisis, feasibility of continued operation going forward, etc.
- Concluded an agreement with GREENS Co., LTD. among several operator candidates based on the presented terms, their track record in hotel operation and financing status.
- Conducting renovation from March to June 2021 and scheduled to reopen in July.

(Contract outline)

New hotel name	Comfort Inn Naha Tomari Port
Operator	GREENS Co., LTD.
Date of reopen	July 2021 (scheduled)
Contract period	10 years (fixed-term)
Monthly rent	First 1-2 years: fixed rent From 3rd year: fixed rent + variable rent (GOP-linked)

About GREENS Co., LTD.

Company name	GREENS Co., LTD. (listed on the First Section of the Tokyo Stock Exchange)
Establishment	January 8, 1964
Capital	¥1,948 million (as of June 30, 2020)
Operating hotels	98 hotels (as of January 31, 2021)
Major operating brands	· "Comfort" brand (Business specializing in providing accommodation) · Original brands such as "Hotel Econo" and "Hotel Green Park" (Community-based business)

Review of rent revenue

The rent level of the new operator is expected to be the same as or above the level of the previous operator after the end of the COVID-19 crisis.

Hotel Vista Sapporo Odori

Overview of the civil rehabilitation

- Filed a petition for commencement of pre-packaged civil rehabilitation^(Note) proceedings on March 11, 2021.
- The company intends to seek to reconstruct the business with the financial support of the new sponsor, etc., and to continue the operations of the hotel.

▶ Holding talks on economic conditions with an assumption that the contract will be continued.

(Note) Civil rehabilitation proceedings for which a sponsor candidate has been selected in advance.

Internal Growth—Management Status

Retail

Continued to support restaurants experiencing prolonged sluggish sales. Sales of retail facilities located in residential areas continued to be strong.

Assets Management Topics for Feb. 2021 FP

Retail properties in residential areas

Food supermarket tenants and specialized stores (electronics store, etc.) continued to perform well in sales due to special demand attributable to COVID-19.

<February 2021 FP> Sales status (compared with the previous year): **107%**

*For tenants of which sales for September 2020 to February 2021 could be grasped

Retail properties in station areas

Impact differed for each facility depending on the tenant composition.

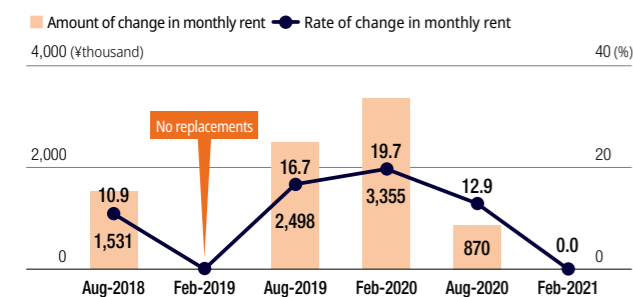
- Impact on sales of retail/services tenants was limited.
- Sales of restaurants stagnated due to the prolonged request for shortened operating hours, etc.

⇒ Continued to provide financial support and sales support through sales promotion to restaurants.

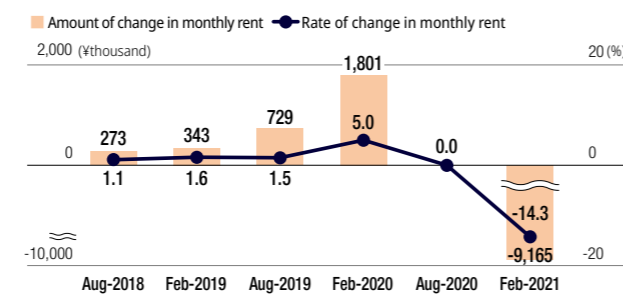
Sales (change from same month of previous year)

Properties	Year 2020				Year 2021		Major Tenants
	Sep	Oct	Nov	Dec	Jan	Feb	
	Go To campaign				State of Emergency Declaration		
Entire GEMS	62%	77%	72%	49%	25%	40%	restaurant
Universal CityWalk Osaka	39%	52%	74%	35%	22%	27%	restaurant/retail
nORBESA	86%	78%	38%	41%	39%	35%	restaurant/retail
Recipe SHIMOKITA	79%	103%	102%	99%	100%	91%	retail/services
covirna machida	126%	141%	121%	84%	80%	86%	retail/services

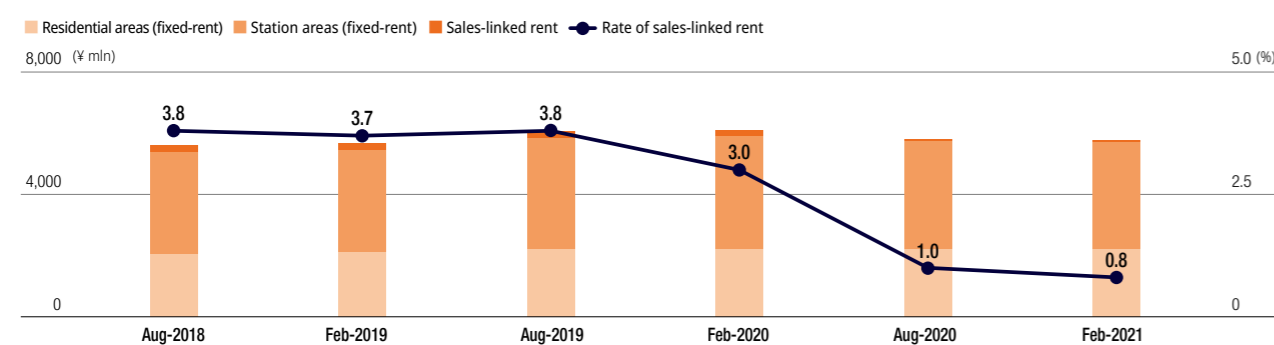
Amount of change in monthly rent and rate of change in monthly rent upon tenant replacement (retail properties in station areas)



Amount of change in monthly rent and rate of change in monthly rent upon rent revision (retail properties in station areas)



Rent revenue breakdown (overall retail)



GEMS

Management status

Sales (change from same month of previous year) (Note 1)

Although sales showed a recovery trend last fall due to the impact of the Go To campaign, etc., sales slowed down centering on facilities located in business districts due to the second state of emergency declaration.

Properties	Year 2020				Year 2021	
	Sep	Oct	Nov	Dec	Jan	Feb
	Go To campaign				State of Emergency Declaration	
"Business district" GEMS (6 properties)	54.0%	68.9%	63.3%	45.0%	18.9%	31.3%
"Residential area" GEMS (3 properties)	79.9%	96.7%	91.0%	58.2%	38.9%	59.3%

Occupancy status

Cancellations were seen mainly among tenants which had sluggish sales even before the COVID-19 crisis, but the spread of the impact has been mitigated by various support measures.

Occupancy rate for the entire GEMS: **91.5%** (Note 2)

Policy going forward

Support for recovery in sales through additional sales promotions

Consider and implement effective measures to boost sales by further raising sales promotion budget, also for the purpose of strengthening tenant relations.

Sales promotion expenses: **¥5,480 thousand/property** (usually ¥2,500 thousand/property)

(Sales promotion examples)

- Discount coupons at owners' expense
- "GEMS Food Truck" Selling food from restaurants in GEMS at condominiums/apartments, etc.
- "GEMS Hopping Delivery" Delivering food from restaurants in the same GEMS on the same truck



GEMS Food Truck (image only)

Expand the target business category when leasing

Roll out leasing activities targeting not only restaurant tenants but also new tenant groups that will create synergy with restaurant tenants.

Universal CityWalk Osaka

Management status

Sales (change from same month of previous year)

Properties	Year 2020				Year 2021	
	Sep	Oct	Nov	Dec	Jan	Feb
	Go To Event				State of Emergency Declaration	
Universal CityWalk Osaka	39.0%	51.8%	74.0%	35.1%	22.4%	27.0%

Policy going forward

March 18, 2021

Opening of world's first **Super Nintendo World**

⇒ Sales for March 18 to 31, 2021 recovered to **60.1%** of that for the same period of year 2019

Plan to implement joint sales promotion with USJ intended to increase the number of facility users and average sales per customer in line with the pickup in the number of USJ visitors

(Note 1) Business district GEMS refers to GEMS Shinbashi, Kanda, Kayabacho, Ichigaya, Daimon, and Shibuya; and residential area GEMS refers to GEMS Sangenjaya, Shin-Yokohama, and Namba. The sales are tallied for only restaurants for which comparison of sales with previous year was possible.

(Note 2) Reflecting sections for which cancellations have been agreed and new contracts have been concluded.

Occupancy Rate and Average Rent

Occupancy Rate (%)

	Aug-2018	Feb-2019	Aug-2019	Feb-2020	Aug-2020	Feb-2021
Office	99.4	99.4	99.8	99.8	99.4	98.9
Logistics	99.6	99.6	99.1	99.2	99.5	98.8
Retail	100.0	100.0	100.0	98.5	100.0	100.0
Residential	97.0	97.2	96.8	97.3	95.9	96.5
Hotels	100.0	100.0	100.0	100.0	100.0	56.9
Others	100.0	100.0	100.0	100.0	100.0	100.0
Total	99.3	99.3	99.3	98.8	99.1	98.8

Average Rent (¥/tsubo)

	Aug-2018	Feb-2019	Aug-2019	Feb-2020	Aug-2020	Feb-2021
Office	17,548	17,723	18,060	18,301	18,510	18,604
Logistics	8,461	8,255	8,642	8,696	8,727	8,566
Retail	3,922	3,936	3,983	3,999	4,003	3,975
Residential	11,234	11,327	11,358	11,520	11,602	11,606

ESG Measures

Disclosed Climate-related financial information based on the TCFD Recommendations

Disclosures based on the Task Force on Climate-related Financial Disclosures

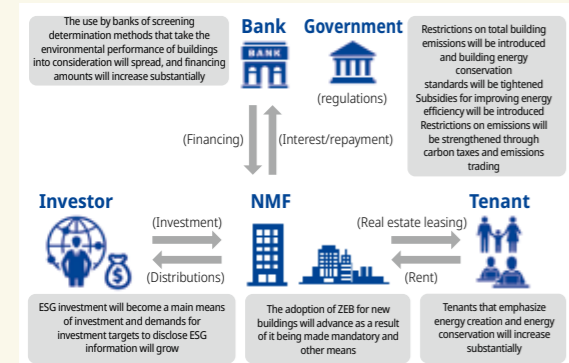
Based on Disclosure Items Recommended by the TCFD, which we expressed its support in July 2020, we disclosed information on financial impact based on multiple scenario analyses as first time in J-REITs in addition to an overview of climate change risks and opportunities.



Outline of Disclosure based on TCFD Recommendations

- Identify climate change-related risks and opportunities
- Set three patterns of scenarios, 4°C scenario, 2°C scenario, and 1.5°C scenario, mainly referring to future climate forecasts published by the IEA and IPCC
- Analyze and verify financial impact for each identified risk and opportunity

(World view of 2°C scenario)



(Disclosure Items Recommended by the TCFD)

Disclosure Item	Disclosure Details
Governance	Organizational governance relating to climate-related risks and opportunities
Strategy	Actual and potential impacts from climate-related risks and opportunities on the organization's businesses, strategies, and financial planning
Risk management	The organization's climate-related risk identification, assessment, and management processes
Metrics and Targets	Metrics and targets used to assess and manage climate-related risks and opportunities

(Verification of financial impact based on scenario analysis)

* Pale red and blue indicate a minor impact, and deep red and blue indicate a major

Category	Financial impacts	Type	Scope of Financial Impact Amount					
			4°C		2°C		1.5°C	
			2030 (Mid)	2050 (Long)	2030 (Mid)	2050 (Long)	2030 (Mid)	2050 (Long)
Transition Risks	(1) Retrofitting expenses	Risk						
	(2) Lower utility expenses as a result of ZEB	Opportunity						
	(3) Increased carbon tax burdens	Risk						
	(4) Costs for purchase of renewable energy credits will be incurred	Risk						
	(5) Certification and other costs will be incurred	Risk						
Markets	(6) Lower capital procurement costs as a result of green bonds, green loans, etc.	Opportunity						
	(7) Higher occupancy rates at energy-generating and energy-conserving buildings	Opportunity						
Reputation	(8) Lower occupancy rates at buildings with high disaster risks	Risk						
	(9) Loss of sales opportunities due to building flooding	Risk						
Physical Risks	(10) Increase in repair costs and casualty insurance premiums due to building flooding	Risk						

* The effects of chronic physical risks are likely to manifest after 2050, so they are excluded from the investigation of financial impact amounts.

Specific Measures to Reduce Environmental Impact

Implemented a variety of capital investments in owned properties to reduce their environmental impact (The examples below are from the 11th FP)

(1) Saving Energy with LED Lighting

- Shinjuku Nomura Building
- Kojimachi Millennium Garden
- NMF Shiba Building
- Sagamihara Tana Logistics Center
- Landport Itabashi
- Yokosuka More's City
- PRIME URBAN Hongo Ikizaka
- PRIME URBAN Nishi Waseda others

<Saving energy by work in the 11th FP>
-1,286 Mwh/year (approx. -52.8%)



Landport Itabashi

(2) Saving Energy by Upgrading Air-Conditioners

- Nishi Shinjuku Showa Building
- NRE Osaka Building
- Hanyu Logistics Center
- Izumiya Yao others

<Saving energy by work in the 11th FP>
-525 Mwh/year (approx. -20.1%)

Conducted energy-saving checks

Plans future energy-saving works based on the results of the checks



Percentage of checked areas (as of February 28, 2021)
64.2% (Total floor space basis)

S ESG Measures (S: Society)

Measures to Prevent the Spread of COVID-19

Measures at owned properties	Measures of Asset Management Company
<ul style="list-style-type: none"> Installation of alcohol-based hand sanitizer and thermometers Ventilation by leaving entrances and exits open at stores Secure social distancing by installing footprints Take temperature of each tenant, and other measures 	<ul style="list-style-type: none"> Installation of alcohol-based hand sanitizer and thermometers Installation of partitions in conference rooms, etc. Encourage employees to work from home and practice staggered commuting Establish an online conference system Take temperature of visitors, and other measures



New measures to increase customer satisfaction

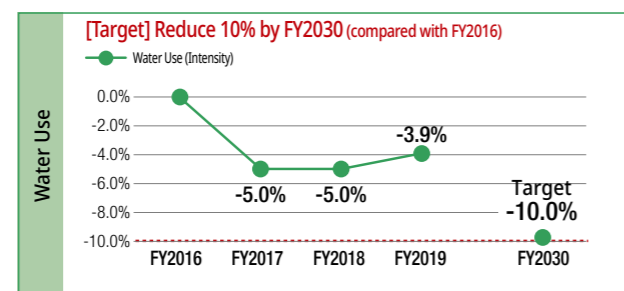
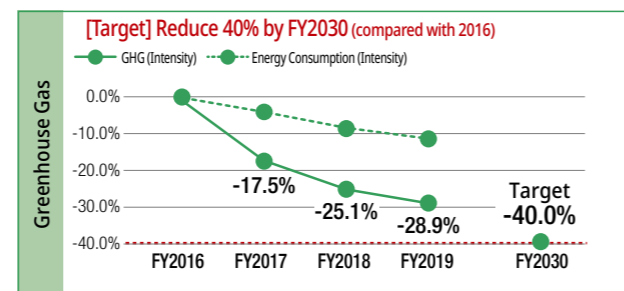
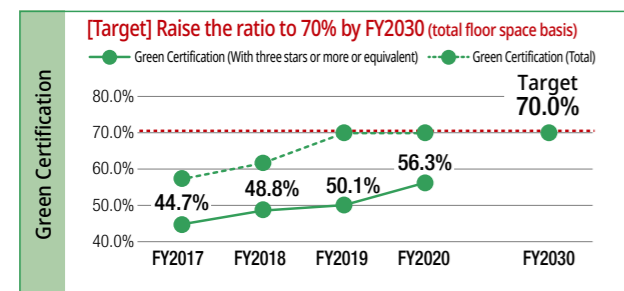
Offered new services for residents at owned residential properties

- Bicycle sharing --- Improves transportation convenience and addresses lack of exercise from working from home.
- Mobile stores --- Provides quality foodstuff, meals, etc. close to home to help residents enrich their time at home.



E ESG Measures (E: Environment)

Environmental Indicators



(Note) "Green Certification" refers to either DBJ Green Building Certification, BELS Certification or CASBEE for Real Estate. "Green Certification (With three stars or more or equivalent)" refers to three stars or more for DBJ Green Building Certification, three stars or more for BELS Certification, or B+ or higher for CASBEE for Real Estate.

G ESG Measures (G: Governance)

Workable sustainability policies and systems

The Asset Management Company has established the following systems to promote measures based on the Sustainability Policy in a continuous and systematic manner.

Board of Directors	: Meets once a year, in principle Approval of policies and rules, etc., monitoring and supervision of the status of sustainability promotion
Investment Committee	: Meets twice a year (decisions on goals and measures), in principle Decision-making body for sustainability (goals, measures, etc.)
Sustainability Promotion Committee	: Meets once a quarter, in principle Formulates sustainability goals and measures and monitors achievement status
Chief Sustainability Officer	: Involved in decision-making at the Investment Committee as the chief officer for sustainability and reports to the Board of Directors at least once a year based on the sustainability promotion rules.
Sustainability Operating Officer	: Responsible for the execution of sustainability promotion, the Sustainability Operating Officer convenes the Sustainability Promotion Committee, submits matters for discussion and reports to the Investment Committee.

Enhancement of sustainability policies and systems through sustainability training session (once a year).

Training is conducted for the officers and employees at NREAM and property management companies. (held online in line with the implementation of remote work)



<Details of the training>
- Background to and purpose of the promotion of ESG
- Examples of ESG initiatives and disclosures by other companies, etc.

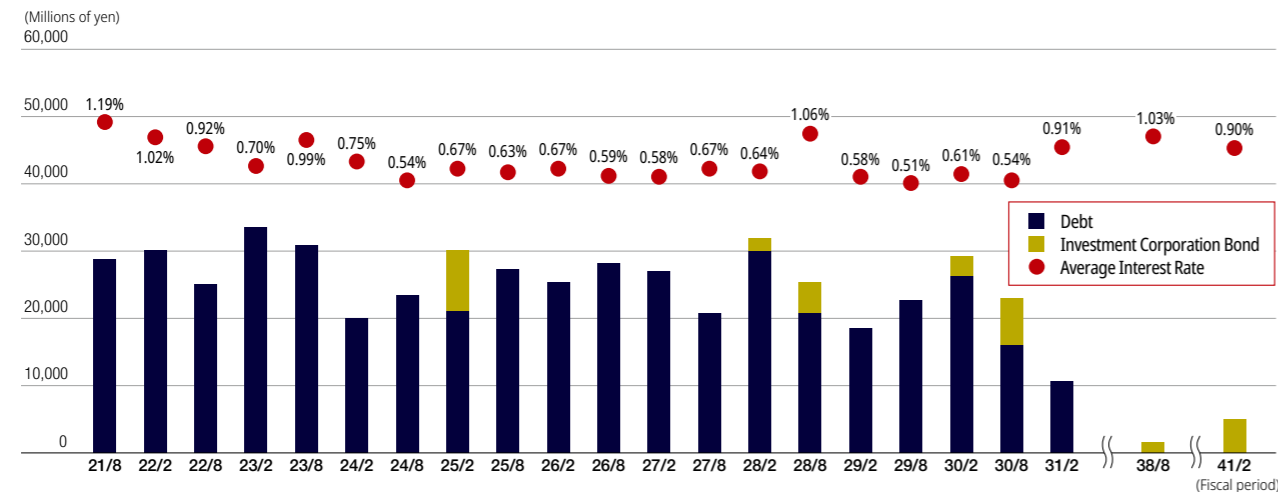
Financing Status

Pursuing low interest rates and prolonged borrowing periods through refinancing.

Status of Interest-bearing Debt (as of end of fiscal period)

	Aug. 2017 FP (4th FP)	Feb. 2018 FP (5th FP)	Aug. 2018 FP (6th FP)	Feb. 2019 (7th FP)	Aug. 2019 (8th FP)	Feb. 2020 (9th FP)	Aug. 2020 (10th FP)	Feb. 2021 FP (11th FP)
Total interest-bearing debt	¥488,741 million	¥486,198 million	¥497,155 million	¥497,112 million	¥510,770 million	¥510,727 million	¥517,884 million	¥517,841 million
Average remaining duration	4.54 years	4.52 years	4.61 years	4.52 years	4.64 years	4.82 years	4.97 years	4.97 years
Average interest rate	0.92%	0.91%	0.88%	0.87%	0.83%	0.82%	0.76%	0.74%
Ratio of long-term debt	88.0%	88.0%	87.2%	86.9%	86.0%	87.1%	88.2%	88.7%
Ratio of fixed-rate debt	94.9%	95.4%	95.4%	95.4%	94.1%	95.6%	95.7%	95.7%
LTV	44.6%	44.6%	44.4%	44.5%	43.9%	42.8%	43.2%	43.3%

Diversification of Repayment Dates (as of end of fiscal period)



Refinancing during February 2021 FP

Repayment Overview (Note 1)	
Total amount of refinancing	32,400 mln
Average interest rate	0.70%
Average remaining duration	5.6 years

(Note 1) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate at the time of repayment. Excluding ¥42.8 million in contractual repayment.

Refinancing Overview (Note 2)	
Total amount of refinancing	32,400 mln
Average interest rate	0.48%
Average remaining duration	7.9 years

(Note 2) Average interest rate and Average remaining duration are those at the time of refinancing.

Scheduled repayment during August 2021 FP

Scheduled Repayment (Note 3)	
Total amount of refinancing	28,650 mln
Average interest rate	1.19%
Average remaining duration	6.7 years

(Note 3) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate as of the end of February 2021. Excluding ¥42.8 million in contractual repayment.

Ratings

Credit Rating Agency	Rating Description
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA
Rating and Investment Information, Inc. (R&I)	Issuer rating: AA-
S&P Global Ratings Japan Inc. (S&P)	Long-term Issuer credit rating: A /Short-term Issuer credit rating: A-1

Financial Statements Highlights

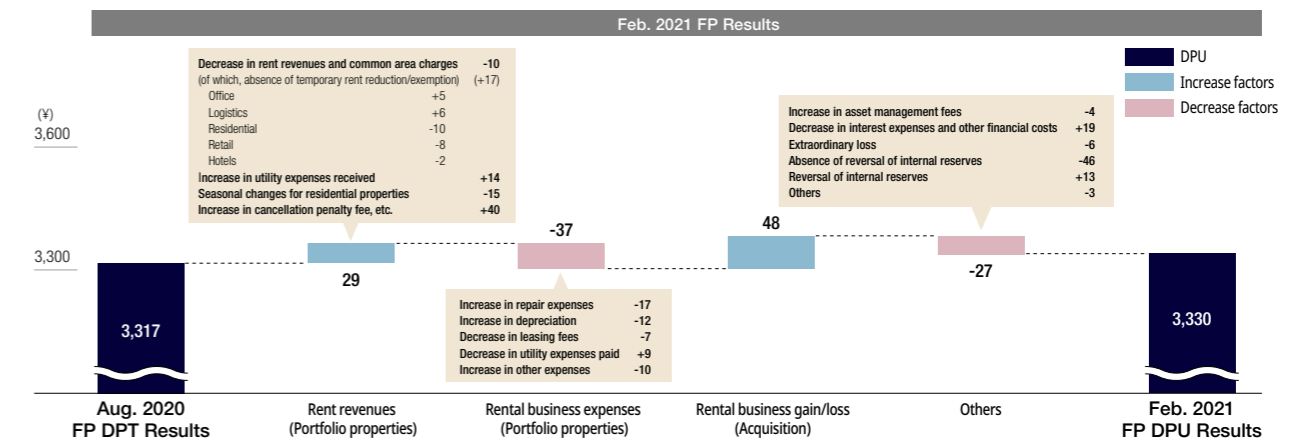
Revenues decreased due to COVID-19, but distributions were achieved as forecast as a result of external growth, reversal of internal reserves, etc. DPU for Feb. 2021 FP is ¥3,330, up ¥13 (+0.4%) from the Aug. 2020 FP results

	Ended Aug. 31, 2020 (10th FP)	Ended Feb. 28, 2021 (11th FP)	Differences	
	Result (A)	Result (B)	(B)-(A)	
Operating Revenue	37,577	38,064	487	
Rental revenues	34,884	35,172	288	
Other rental revenues	2,693	2,892	198	
Operating Expenses	22,364	22,693	329	
Rental Business Expenses	15,678	15,973	295	
Repair Expenses	1,418	1,510	92	
Tax and Public Dues	3,124	3,110	-14	
Depreciation and amortization	5,369	5,482	113	
Others	5,765	5,869	104	
Loss on sales of real estate	—	6	6	
Asset management fees	3,420	3,441	21	
Amortization of goodwill	2,622	2,622	—	
Other operating expenses	643	649	6	
Operating profit	15,212	15,370	157	
Non-operating revenues	4	2	-1	
Non-operating expenses	2,413	2,324	-88	
Interest Expenses and other financial costs	2,402	2,312	-90	
Other non-operating expenses	11	12	1	
Ordinary income	12,803	13,048	245	
Extraordinary gain and loss	—	-31	-31	
Net income	12,799	13,016	217	
Distribution of Earnings	a	12,797	13,018	221
Distribution in excess of net earnings	b	2,843	2,682	-160
Total distributions	a+b	15,640	15,701	61
Internal reserves	-218	-62	155	
(Total Internal Reserves)	(3,201)	(3,138)	(-62)	
DPU	3,317	3,330	13	
Distributions of earnings per unit	2,714	2,761	47	
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	377	374	-3	
Other distributions in excess of earnings	226	195	-31	
Total assets	1,197,766	1,196,357	-1,408	
Acquisition price	1,051,686	1,066,269	14,583	
Interest-bearing debt	517,884	517,841	-42	
LTV	43.2%	43.3%	0.0%	
Market Capitalization	640,795	752,074	111,278	
NOI	27,268	27,573	304	
FFO	20,798	21,167	369	

Main factors accounting for differences between the 10th results and the 11th results (¥ mln)

Operating Revenue	487
Rental revenues	288
Rent and common area charges of portfolio properties (of which, absence of temporary rent reduction/exemption +81)	-48
Impact of acquisition	337
Other rental revenues	198
Increase in utility expenses received	70
Seasonal changes for residential facilities, etc. (key money, renewal fee)	-67
Increase in cancellation penalty fee, etc.	196
Operating Expense	329
Rental Business Expenses	295
Decrease in utility expenses paid	-43
Increase in depreciation	113
Increase in repair expenses	92
Increase in maintenance cost	63
Increase in other expenses	70
Asset management fees / Other operating expenses	34
Non-operating expenses	-88
Interest expenses and other financial costs	-90
Other non-operating expenses	1
Extraordinary gain and loss	-31
Extraordinary loss on natural disasters	-31
Net income	217
Absence of 10th FP's reversal of internal reserve	-218
11th FP's reversal of internal reserves (cover part of temporary decrease in revenues attributable to COVID-19)	62

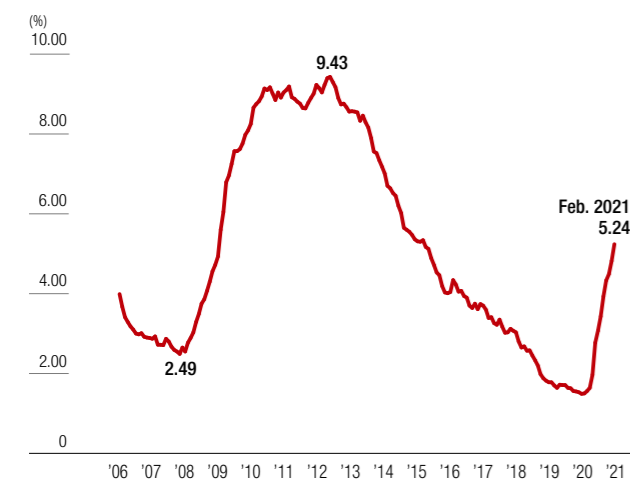
Main Factors in Change of DPU (¥/unit)



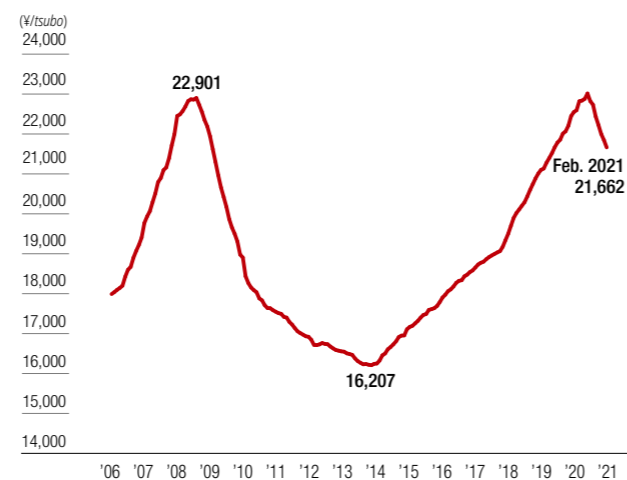
Market Review

Office

Vacancy Rate (Tokyo Central Five Wards)

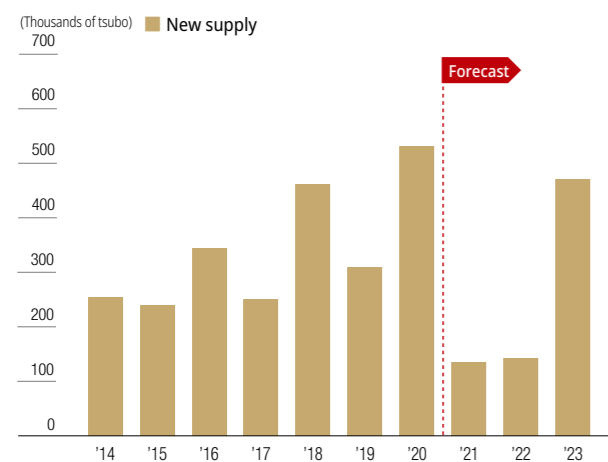


Average Monthly Rent (Tokyo Central Five Wards)



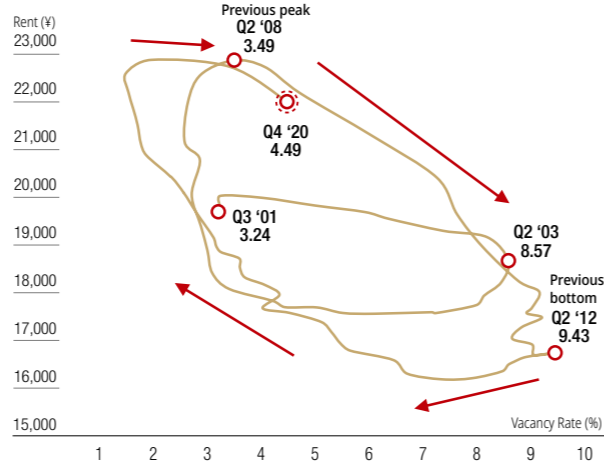
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Supply of Office Buildings (Tokyo Central Five Wards)



Source: Originally prepared by NREAM based on results of surveys by brokers, etc.

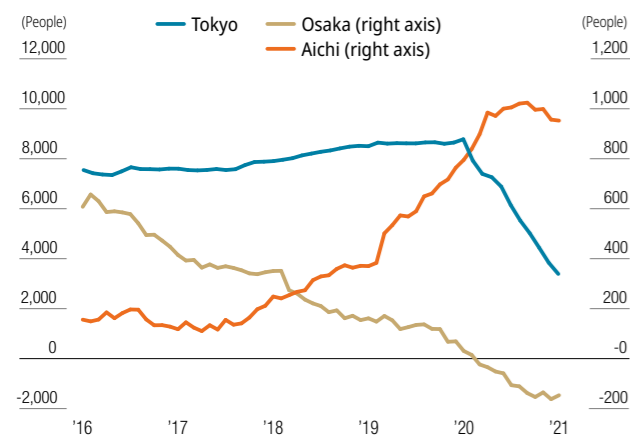
Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

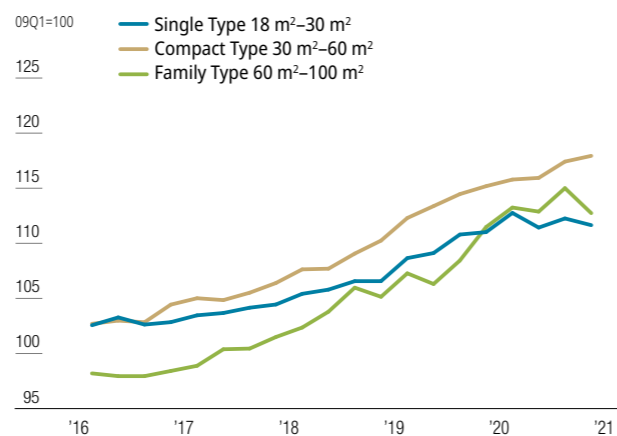
Residential

Net Population Inflow (12-month moving average)



Source: Prepared by NREAM based on data from Ministry of Internal Affairs and Communications

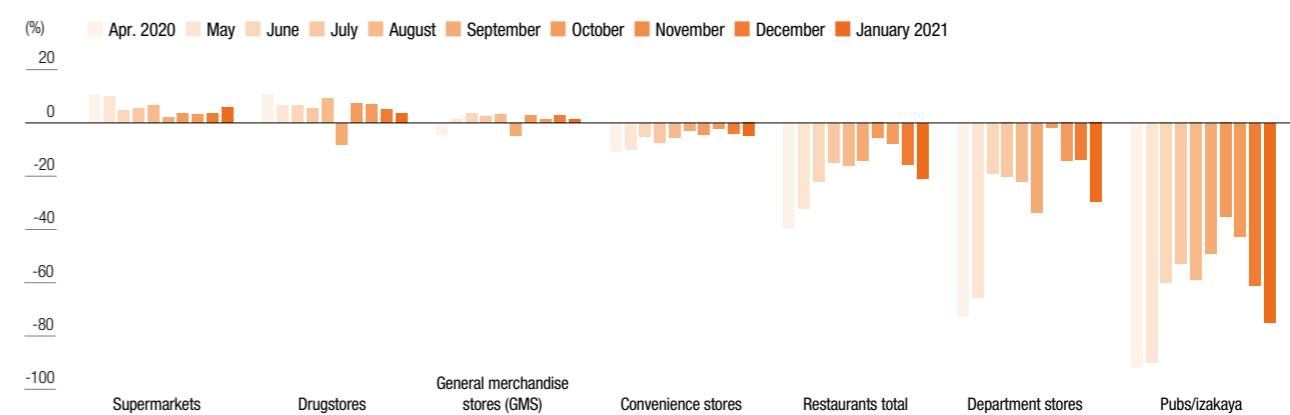
Rental Condominium Rent Index (Tokyo's 23 Wards)



Source: Prepared by NREAM based on data from At Home Co., Ltd. and Sumitomo Mitsui Trust Research Institute Co., Ltd.

Retail

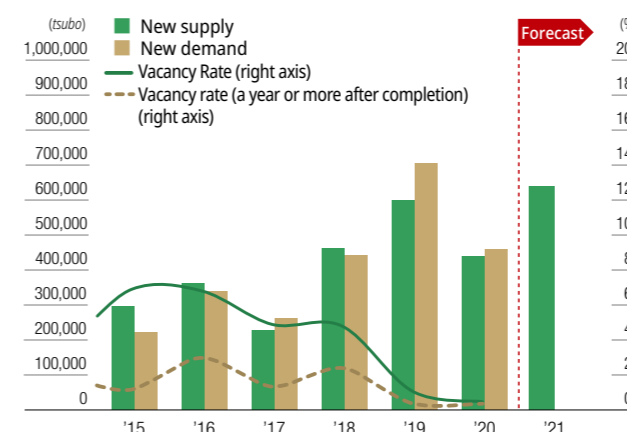
Retail and Restaurant Sales Volume by Store Type Year-on-Year Change



Source: Prepared by NREAM based on data from the Ministry of Economy, Trade and Industry and various organizations in the respective industries
Note: The figures represent year-on-year change in nationwide sales, partially including preliminary figures. Drugstores, restaurants total, and pubs/izakaya are on an all-ops basis. All others are on an existing-shop basis.

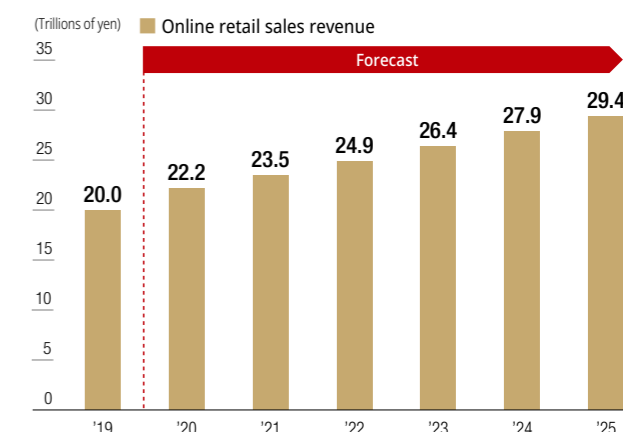
Logistics

Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area as of December 31, 2020



Source: Prepared by NREAM based on data from CBRE

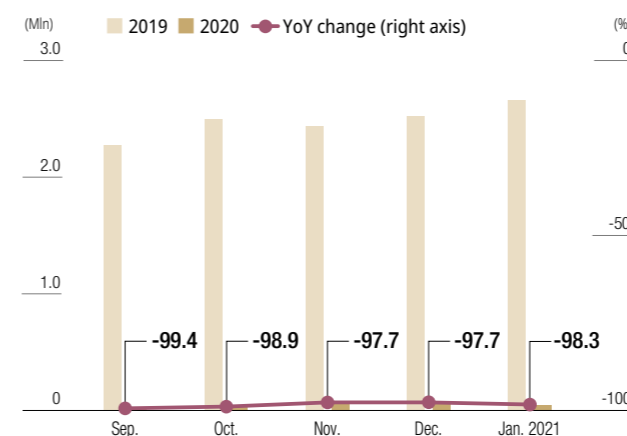
Japanese Ecommerce (B2C) Market



Source: Prepared by NREAM based on data from "IT Navigator 2021" published by Nomura Research Institute, Ltd.
* "Years" show fiscal years

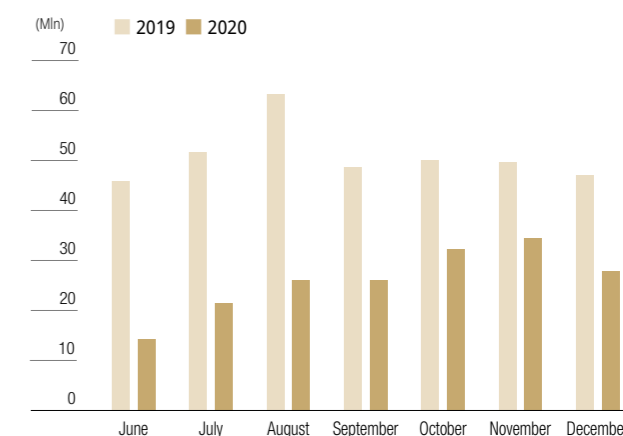
Hotels

Foreign Visitor Arrivals (Year-on-Year Comparison of Sep. '20-Jan. '21)



Source: Prepared by NREAM based on data from JNTO
Note: Preliminary figures are included.

Total Number of Overnight Guests (Year-on-Year Comparison of '19 and '20)



Source: Prepared by NREAM based on data from CBRE
Note: Preliminary figures are included.

Portfolio Analysis (as of Feb. 28, 2021)

NUMBER OF PROPERTIES

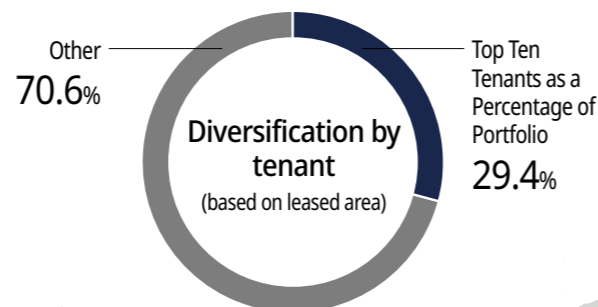
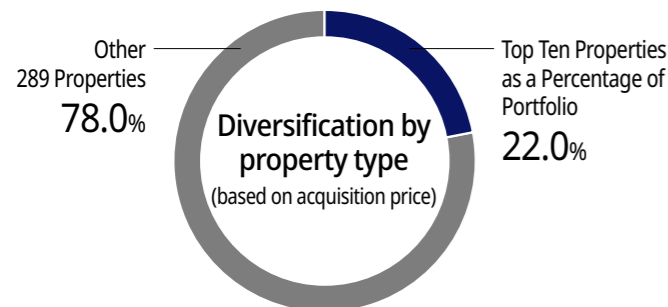
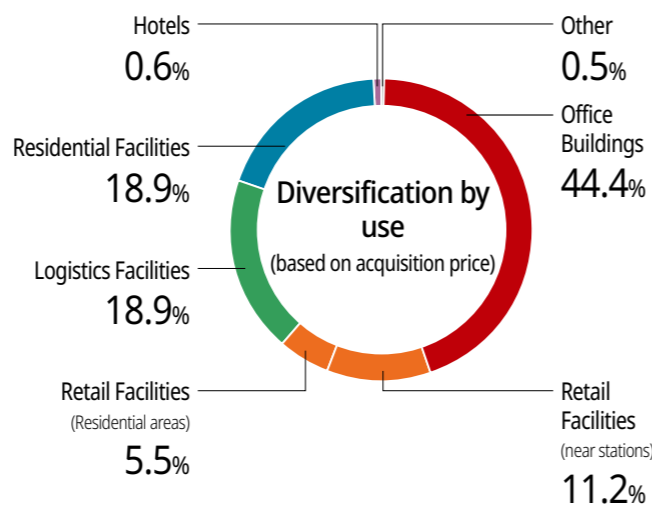
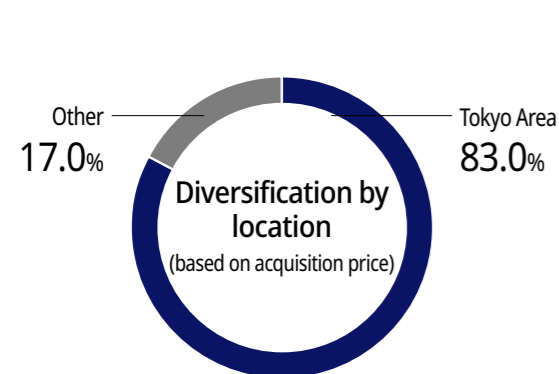
ASSET SIZE

OCCUPANCY RATE

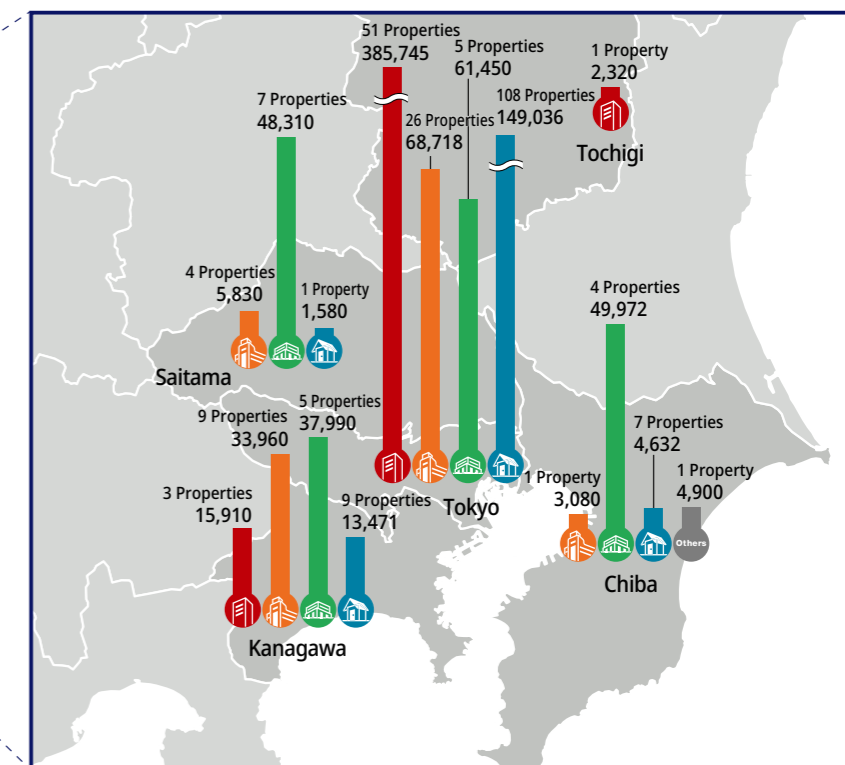
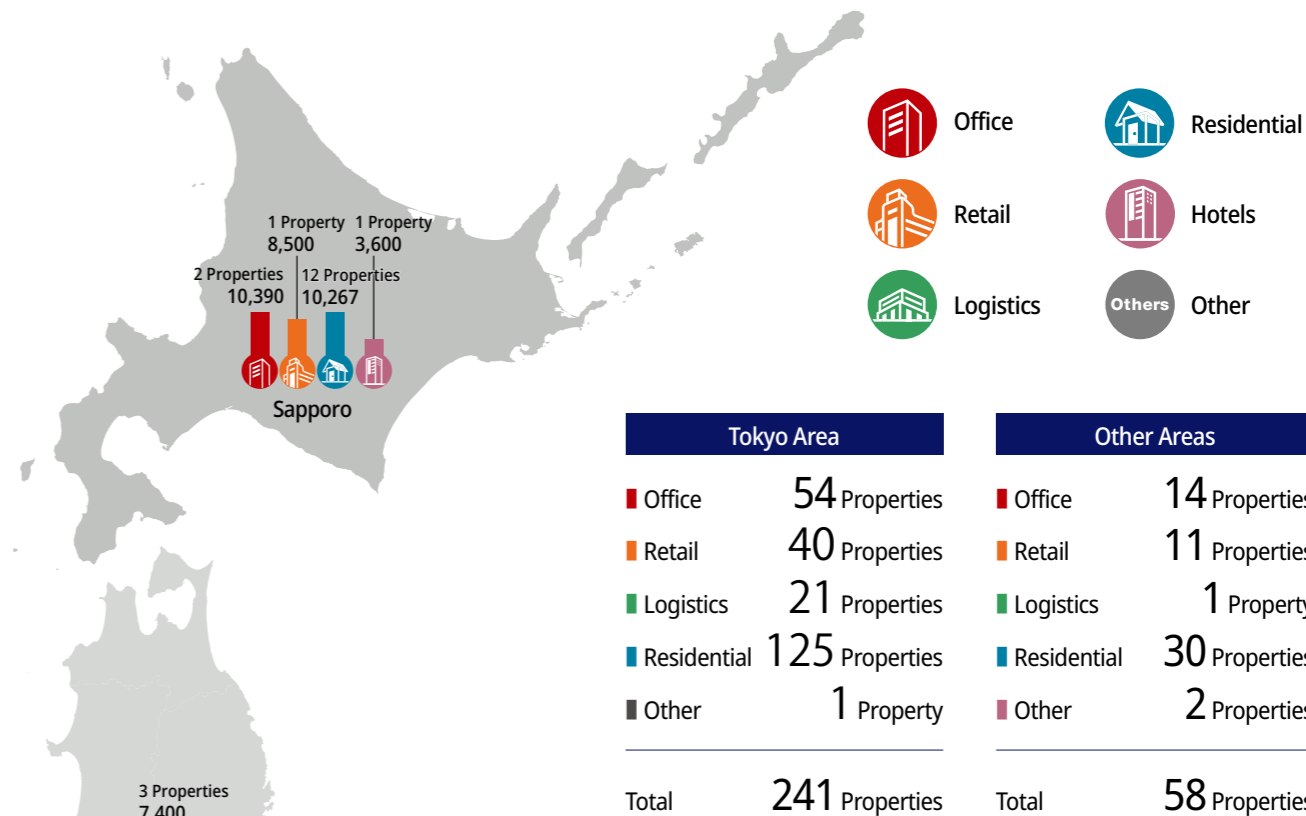
299 properties

¥1,066,269 million

98.8%



Portfolio Distribution (property locations in Japan, millions of yen)



For a detailed list of properties in our portfolio, visit the website below.
<https://www.nre-mf.co.jp/en/portfolio/index.html>

(Note) In the diversification by tenant, the leased areas of properties under pass-through master lease agreements are calculated based on the leased areas of end tenants.

Portfolio Gallery

Office

Retail

TOP 3 Properties (acquisition price)

1 **NEC Head Office Building**
 Location: Minato Ward, Tokyo
 Acquisition price: ¥44,100 million
 Total floor area: 144,476.05 m²



2 **Shinjuku Nomura Building**
 Location: Shinjuku Ward, Tokyo
 Acquisition price: ¥43,900 million
 Total floor area: 117,258.88 m²



3 **Kojimachi Millennium Garden**
 Location: Chiyoda Ward, Tokyo
 Acquisition price: ¥26,700 million
 Total floor area: 16,050.53 m²



TOP 3 Properties (acquisition price)

1 **Universal CityWalk Osaka**
 Location: Osaka City, Osaka
 Acquisition price: ¥15,500 million
 Total floor area: 17,769.42 m²



2 **Yokosuka More's City**
 Location: Yokosuka City, Kanagawa
 Acquisition price: ¥13,640 million
 Total floor area: 40,030.08 m²



3 **Nakaza Cui-daore Building**
 Location: Osaka City, Osaka
 Acquisition price: ¥11,600 million
 Total floor area: 8,280.08 m²



Omron Kyoto Center Building
 Location: Kyoto City, Kyoto
 Total floor area: 34,616.84 m²



NMF Shibuya Koen-dori Building
 Location: Shibuya Ward, Tokyo
 Total floor area: 5,358.55 m²



SORA Shin-Osaka 21
 Location: Osaka City, Osaka
 Total floor area: 38,252.92 m²



EQUINA Ikebukuro
 Location: Toshima Ward, Tokyo
 Total floor area: 3,476.36 m²



Konami Sports Club Fuchu
 Location: Fuchu City, Tokyo
 Total floor area: 12,214.97 m²



NRE Kichijoji Building
 Location: Musashino City, Tokyo
 Total floor area: 5,550.35 m²



PMO Akihabara Kita
 Location: Taito Ward, Tokyo
 Total floor area: 6,367.04 m²



PMO Nihonbashi Kayabacho
 Location: Chuo Ward, Tokyo
 Total floor area: 4,067.34 m²



NRE Ueno Building
 Location: Taito Ward, Tokyo
 Total floor area: 7,117.78 m²



GEMS Shibuya
 Location: Shibuya Ward, Tokyo
 Total floor area: 2,000.70 m²



Summit Store Mukodaicho
 Location: Nishitokyo City, Tokyo
 Total floor area: 10,659.55 m²



Izumiya Yao
 Location: Yao City, Osaka
 Total floor area: 34,198.01 m²



Portfolio Gallery

Logistics

Residential

TOP 3 Properties (acquisition price)

1 **Landport Urayasu**
 Location: Urayasu City, Chiba
 Acquisition price: ¥17,400 million
 Total floor area: 71,570.64 m²



2 **Landport Itabashi**
 Location: Itabashi Ward, Tokyo
 Acquisition price: ¥15,710 million
 Total floor area: 53,561.44 m²



3 **Landport Ome II** **NEW**
 Location: Ome City, Tokyo
 Acquisition price: ¥14,620 million
 Total floor area: 63,879.98 m²



TOP 3 Properties (acquisition price)

1 **Fukasawa House Towers H&I**
 Location: Setagaya Ward, Tokyo
 Acquisition price: ¥7,140 million
 Total floor area: 12,135.36 m²



2 **Serenite Shinsaibashi Grande**
 Location: Osaka City, Osaka
 Acquisition price: ¥5,567 million
 Total floor area: 7,794.23 m²



3 **PRIME URBAN Toyosu**
 Location: Koto Ward, Tokyo
 Acquisition price: ¥5,290 million
 Total floor area: 9,630.96 m²



Landport Kawagoe
 Location: Kawagoe City, Saitama
 Total floor area: 72,352.88 m²



Landport Atsugi
 Location: Atsugi City, Kanagawa
 Total floor area: 49,504.38 m²



Landport Kashiwa Shonan I
 Location: Kashiwa City, Chiba
 Total floor area: 49,394.87 m²



RIME URBAN Sapporo Riverfront
 Location: Sapporo City, Hokkaido
 Total floor area: 21,239.84 m²



PROUD FLAT Kamata II
 Location: Ota Ward, Tokyo
 Total floor area: 5,315.83 m²



PROUD FLAT Sangenjaya II
 Location: Setagaya Ward, Tokyo
 Total floor area: 3,522.92 m²



Sagamihara Tana Logistics Center
 Location: Sagami City, Kanagawa
 Total floor area: 51,474.82 m²



Kawaguchi Ryoke Logistics Center
 Location: Kawaguchi City, Saitama
 Total floor area: 41,867.82 m²



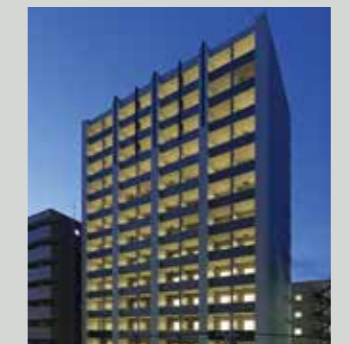
Landport Higashi-Narashino
 Location: Narashino City, Chiba
 Total floor area: 61,573.49 m²



PRIME URBAN Musashi Kosugi comodo
 Location: Kawasaki City, Kanagawa
 Total floor area: 4,233.62 m²



PROUD FLAT Shin Osaka
 Location: Osaka City, Osaka
 Total floor area: 3,201.17 m²



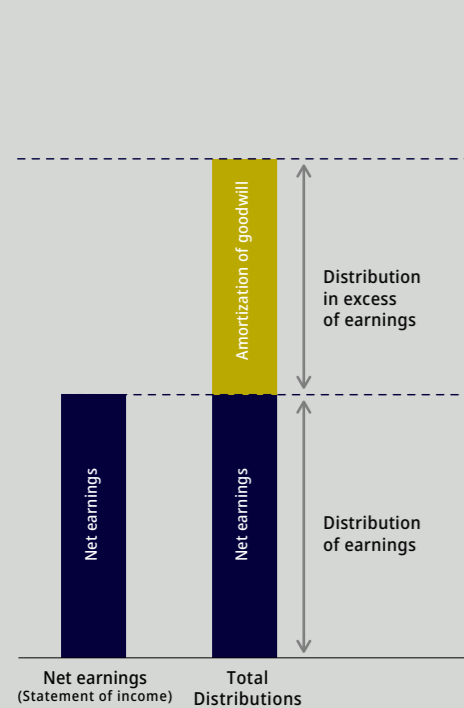
PRIME URBAN Mejiro
 Location: Shinjuku Ward, Tokyo
 Total floor area: 2,190.05 m²



Distribution Policy

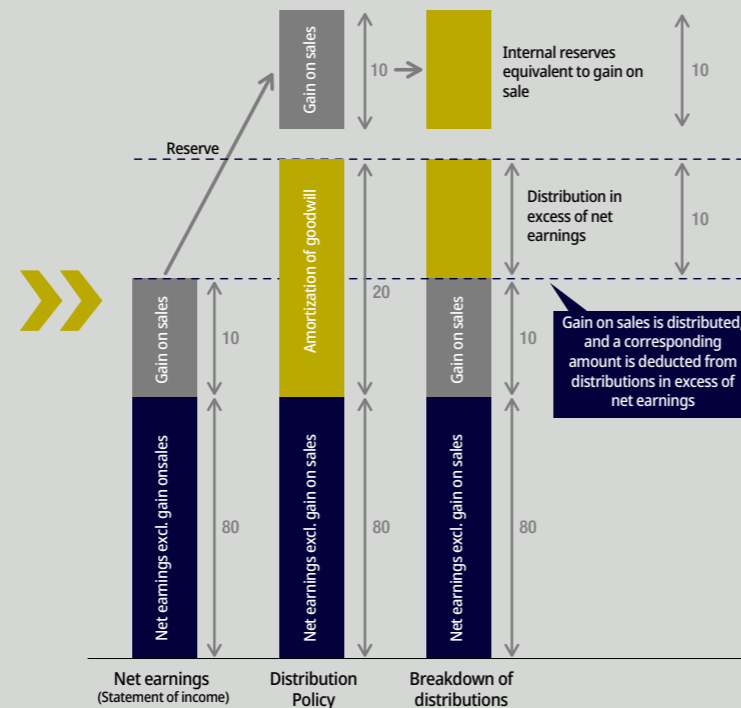
Basic Distribution Policy

Distribute net earnings + amortization of goodwill



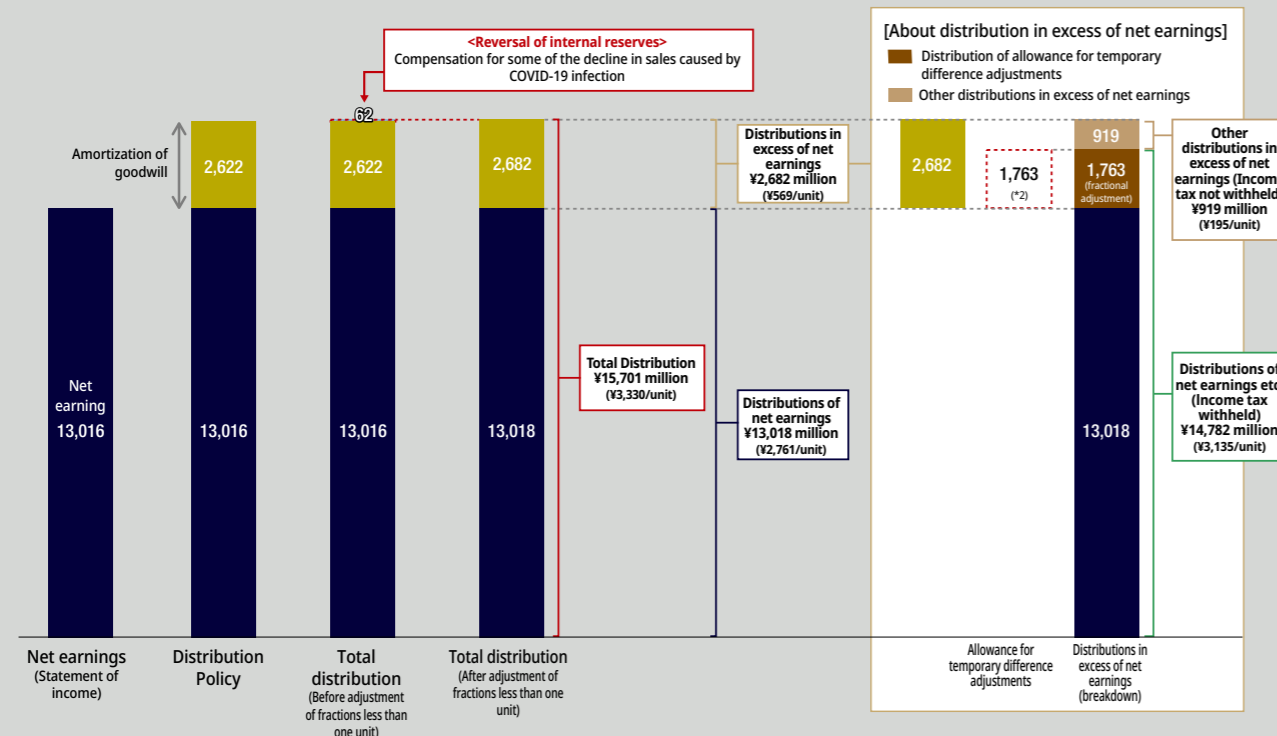
Distribution policy if gain on sales of real estate occurs

Distributions in excess of net earnings may be adjusted to retain cash of an amount equivalent to gain on sale of real estate to promote stable medium- to long-term management. (Note 1)



(Note) Figures shown above are for illustrative purposes only

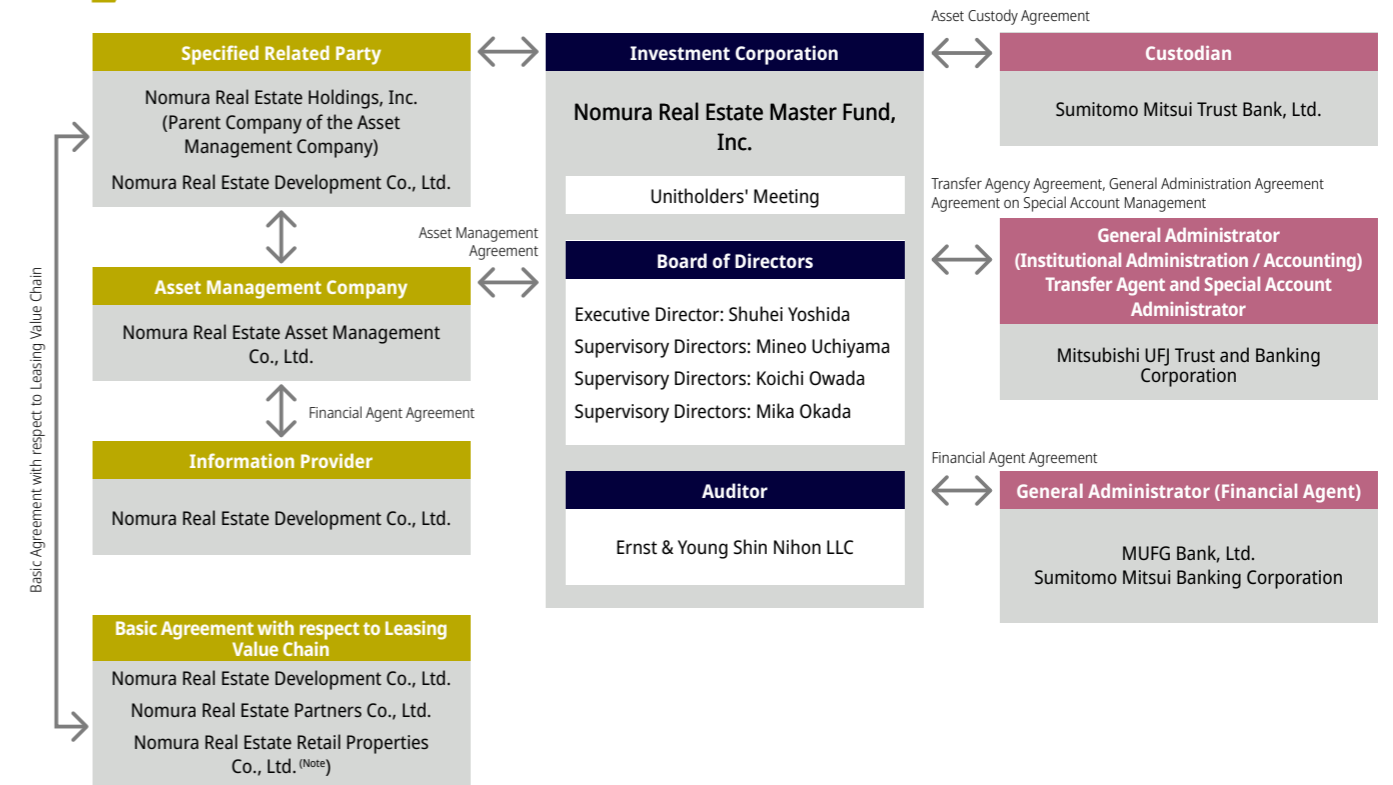
Distributions in excess of net earnings in the 11th Fiscal Period



(*1) When there is a gain on sales, NMF's policy is, in principle, to set aside an amount equivalent to the gain that is not more than the amount of amortization of goodwill as retained earnings within the scope that will not be subject to income tax.
 (*2) The amount is obtained by deducting under depreciation, etc. (provision deduction items) attributable to the difference between depreciation in tax and accounting treatments from amortization of goodwill, etc. (provision addition items).

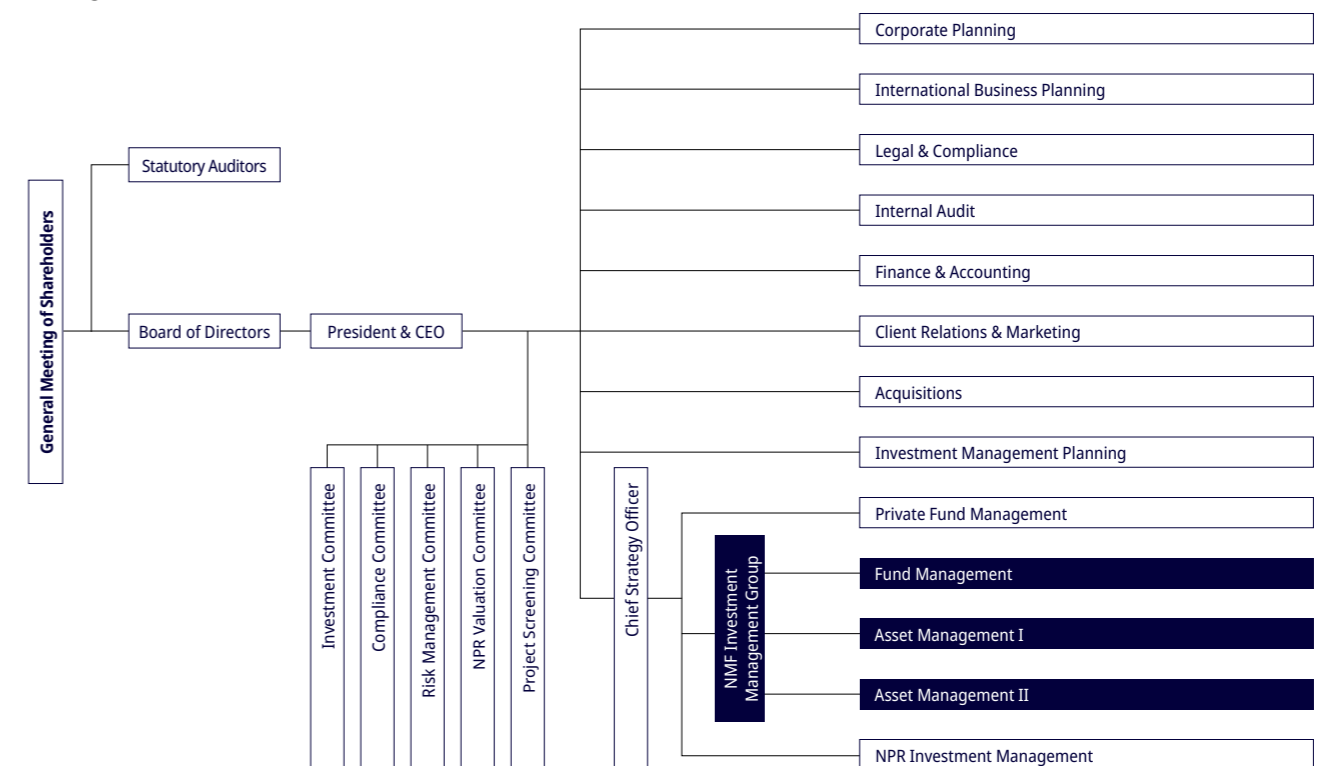
Structure and Organization

Structure of NMF



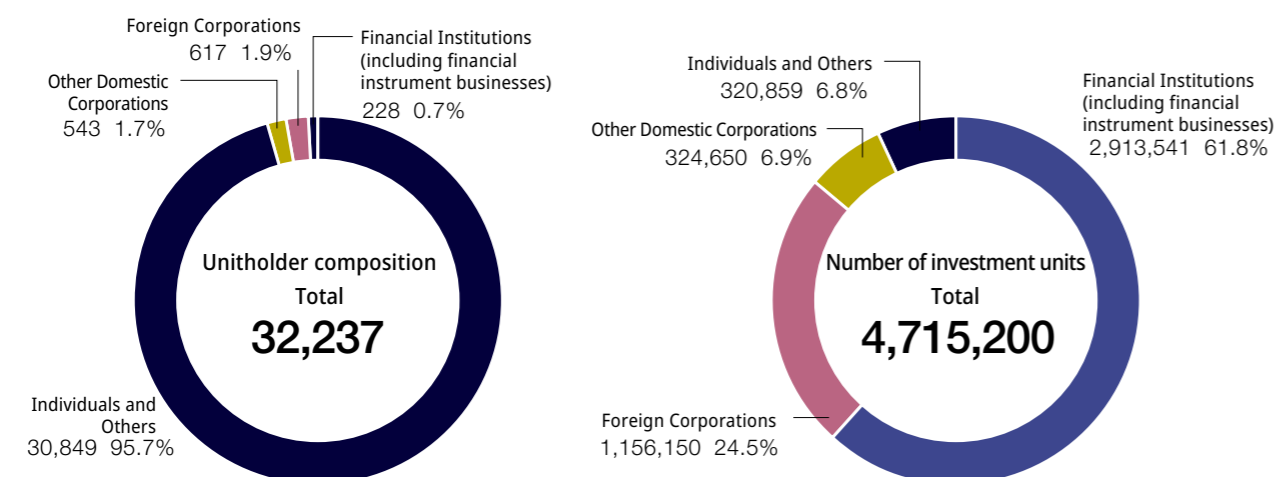
(Note) GEO-AKAMATSU Co., Ltd. changed its name to Nomura Real Estate Retail Properties Co., Ltd. on October 1, 2020. The same shall apply hereinafter.

Organization of NREAM

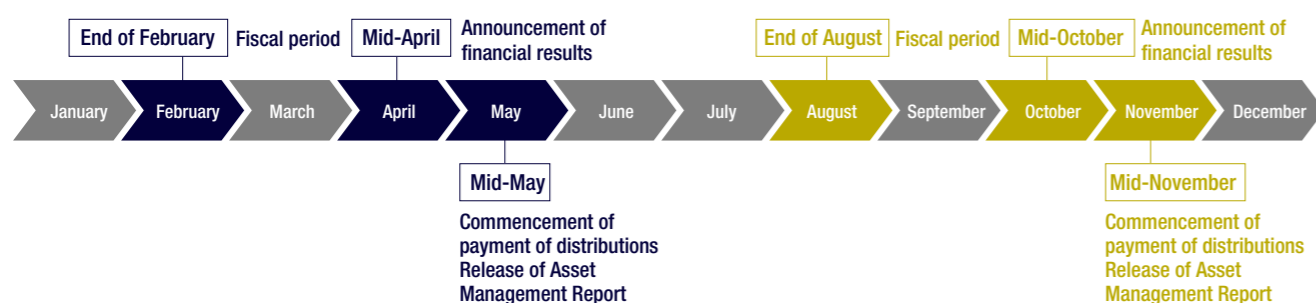


Investor Information

Composition of Unitholders



IR Calendar



Unitholder Information

The process for changing your address and other information

To change your address, name, seal, or other information, please contact the securities firm where your account was established.

Distributions

Stockholders can collect distributions at a Japan Post Bank or post office. If the receipt date has passed, please refer to instructions on the back of the distribution receipt and either send it to the Corporate Agency Division of Mitsubishi UFJ Trust and Banking Corporation or present it at the counter of one of the bank's branches. In addition, regarding distributions going forward, if you wish distributions to be paid in the form of bank deposits or other, please contact your securities firm.

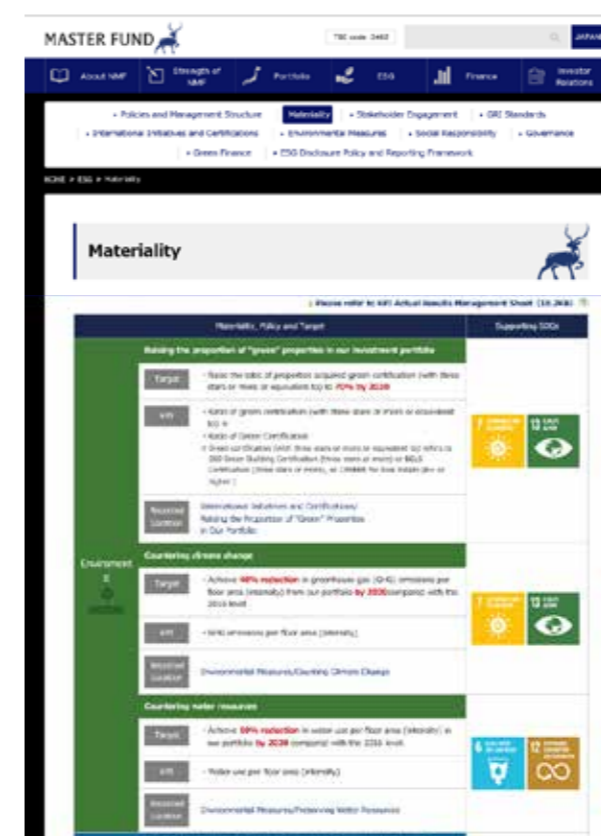
Important Reminders for Unitholders

Closing dates	The last days of February and August of every year
General meeting of unitholders	At least once every two years in principle
Unitholder record date for voting eligibility	The last day of February 2017, and then the last day of February every second year or a date announced in advance
Distribution payment record dates	The last days of February and August of every year
Stock exchange listings	Tokyo Stock Exchange (securities code: 3462)
Newspaper for announcements	Nihon Keizai Shimbun
Share transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the share transfer agent	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu, Tokyo, Japan TEL. 0120-232-711 (toll free) in Japan only Mailing address: P.O. Box #29 Shin-Tokyo Post Office, Tokyo, Japan 137-8081 Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

IR ACTIVITIES

We are committed to SDGs in addition to its operational status and strive to make disclosures easy for investors to understand.

Official Website



ESG Annual Report



IR Activities

- IR tour of the financial results on Aug. 2020 period for domestic institutional investors (Conducted by telephone conference)
- One-on-one IR meetings with overseas investors in North America, Europe and in Asia (Conducted by telephone conference)

BALANCE SHEET

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
ASSETS		
Current Assets:		
Cash and bank deposits	75,166,359	63,840,679
Rental receivables	1,067,208	848,941
Other current assets	1,477,045	1,368,039
Total current assets	77,710,612	66,057,659
Property and Equipment:		
Land	724,484,881	733,890,292
Buildings and structures	351,355,493	360,001,455
Machinery and equipment	1,702,406	1,868,183
Tools, furniture and fixtures	1,388,724	1,573,678
Leased assets	4,752	4,752
Construction in progress	16,224	56,913
Subtotal	1,078,952,483	1,097,395,275
Less accumulated depreciation	(51,964,605)	(57,435,192)
Net property and equipment	1,026,987,877	1,039,960,082
Investments and Other Assets:		
Goodwill	80,342,494	77,720,251
Leasehold rights	8,958,147	8,957,761
Intangible assets	47,510	60,632
Long-term prepaid expenses	2,090,012	1,976,031
Long-term deposits	527,473	542,235
Security deposits	936,452	925,784
Deferred investment corporation bond issuance costs	165,509	157,524
Total investments and other assets	93,067,601	90,340,222
Total Assets	1,197,766,091	1,196,357,965

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

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
LIABILITIES		
Current Liabilities:		
Trade accounts payable	2,536,859	2,482,387
Current portion of long-term debt	61,135,600	58,760,600
Lease obligations	871	871
Other accounts payable	2,883,286	3,432,497
Accrued expenses	337,398	314,504
Accrued income taxes	3,774	1,028
Accrued consumption taxes	134,705	552,992
Rent received in advance	5,584,162	5,641,129
Unearned revenue	112,213	94,952
Provision for loss on disaster	3,811	31,000
Derivatives liabilities	64,132	106,143
Other current liabilities	36,740	18,807
Total current liabilities	72,833,555	71,436,916
Long-term Liabilities:		
Investment corporation bonds	32,000,000	32,000,000
Long-term debt	424,748,800	427,081,000
Lease obligations	3,339	2,904
Long-term advances received	75,088	34,401
Security deposits from tenants	42,177,982	42,542,701
Derivatives liabilities	421,674	245,210
Total long-term liabilities	499,426,885	501,906,216
Total Liabilities	572,260,441	573,343,133
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	244,307,911	244,606,999
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(13,515,837)	(14,994,380)
Other deductions from capital surplus	(12,398,315)	(13,763,038)
Total deductions from capital surplus	(25,914,153)	(28,757,419)
Net capital surplus	368,098,805	365,255,539
Retained earnings	13,583,176	13,503,646
Total surplus	381,681,981	378,759,186
Total unitholders' equity	625,989,893	623,366,185
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(484,242)	(351,354)
Total valuation and translation adjustments	(484,242)	(351,354)
Total Net Assets	625,505,650	623,014,831
Total Liabilities and Net Assets	1,197,766,091	1,196,357,965

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 March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	37,577,424	38,064,606
Operating Expenses:	37,577,424	38,064,606
Real estate rental expenses	15,678,281	15,973,489
Asset management fees	3,420,656	3,441,901
Loss on sale of real estate	—	6,245
Asset custody fees	56,792	57,100
Administrative service fees	170,478	173,243
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	416,003	419,470
Operating Income	15,212,969	15,370,912
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	496	326
Reversal of dividends payable	3,561	2,170
Interest on refund	—	230
Other non-operating revenues	15	4
	4,073	2,732
Non-Operating Expenses:		
Interest expense	1,809,934	1,716,238
Interest expenses on investment corporation bonds	160,997	170,802
Amortization of investment corporation bonds issuance costs	5,984	7,984
Loan arrangement fees	431,408	425,105
Other non-operating expenses	5,346	4,824
	2,413,671	2,324,955
Ordinary Income	12,803,370	13,048,689
Extraordinary Losses:		
Loss on disaster	—	31,000
	—	31,000
Income before Income Taxes	12,803,370	13,017,689
Income Taxes:		
Current	3,830	1,078
	3,830	1,078
Net Income	12,799,540	13,016,610
Retained earnings brought forward	783,636	487,036
Retained Earnings at End of Period	13,583,176	13,503,646

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

STATEMENT OF CHANGES IN NET ASSETS

For the period from March 1, 2020 to August 31, 2020

Thousands of Yen

	Unitholders' Equity						
	Surplus						
	Capital surplus						
	Deductions from capital surplus						
	Units	Unitholders' capital	Capital surplus	Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deductions from capital surplus	Net capital surplus
Balance as of March 1, 2020	4,715,200	244,185,429	394,012,959	(11,903,126)	(10,738,678)	(22,641,804)	371,371,154
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	122,481	—	122,481	(122,481)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,735,193)	—	(1,735,193)	(1,735,193)
Other distributions in excess of net earnings	—	—	—	—	(1,537,155)	(1,537,155)	(1,537,155)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	122,481	—	(1,612,711)	(1,659,637)	(3,272,348)	(3,272,348)
Balance as of August 31, 2020	4,715,200	244,307,911	394,012,959	(13,515,837)	(12,398,315)	(25,914,153)	368,098,805

Thousands of Yen

	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
	Retained earnings	Total surplus					
Balance as of March 1, 2020	13,094,910	384,466,064	628,651,494	(783,330)	(783,330)	627,868,163	
Distributions of retained earnings	(12,188,792)	(12,188,792)	(12,188,792)	—	—	(12,188,792)	
Reversal of allowance for temporary difference adjustments	(122,481)	(122,481)	—	—	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,735,193)	(1,735,193)	—	—	(1,735,193)	
Other distributions in excess of net earnings	—	(1,537,155)	(1,537,155)	—	—	(1,537,155)	
Net income	12,799,540	12,799,540	12,799,540	—	—	12,799,540	
Net changes of items other than unitholders' equity	—	—	—	299,087	299,087	299,087	
Total changes of items during the period	488,266	(2,784,082)	(2,661,600)	299,087	299,087	(2,362,512)	
Balance as of August 31, 2020	13,583,176	381,681,981	625,989,893	(484,242)	(484,242)	625,505,650	

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

For the period from September 1, 2020 to February 28, 2021

Thousands of Yen

	Unitholders' Equity						
	Surplus						
	Capital surplus						
	Deductions from capital surplus						
	Units	Unitholders' capital	Capital surplus	Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deductions from capital surplus	Net capital surplus
Balance as of September 1, 2020	4,715,200	244,307,911	394,012,959	(13,515,837)	(12,398,315)	(25,914,153)	368,098,805
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	299,087	—	299,087	(299,087)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,777,630)	—	(1,777,630)	(1,777,630)
Other distributions in excess of net earnings	—	—	—	—	(1,065,635)	(1,065,635)	(1,065,635)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	299,087	—	(1,478,542)	(1,364,723)	(2,843,265)	(2,843,265)
Balance as of February 28, 2021	4,715,200	244,606,999	394,012,959	(14,994,380)	(13,763,038)	(28,757,419)	365,255,539

Thousands of Yen

	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
	Retained earnings	Total surplus					
Balance as of September 1, 2020	13,583,176	381,681,981	625,989,893	(484,242)	(484,242)	625,505,650	
Distributions of retained earnings	(12,797,052)	(12,797,052)	(12,797,052)	—	—	(12,797,052)	
Reversal of allowance for temporary difference adjustments	(299,087)	(299,087)	—	—	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,777,630)	(1,777,630)	—	—	(1,777,630)	
Other distributions in excess of net earnings	—	(1,065,635)	(1,065,635)	—	—	(1,065,635)	
Net income	13,016,610	13,016,610	13,016,610	—	—	13,016,610	
Net changes of items other than unitholders' equity	—	—	—	132,888	132,888	132,888	
Total changes of items during the period	(79,529)	(2,922,795)	(2,623,707)	132,888	132,888	(2,490,819)	
Balance as of February 28, 2021	13,503,646	378,759,186	623,366,185	(351,354)	(351,354)	623,014,831	

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

STATEMENT OF CASH FLOWS

Thousands of Yen

	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	12,803,370	13,017,689
Depreciation	5,370,699	5,483,396
Amortization of goodwill	2,622,242	2,622,242
Amortization of investment corporation bonds issuance costs	5,984	7,984
Increase (Decrease) in provision for loss on disaster	(16,433)	27,189
Interest income	(496)	(326)
Interest expense	1,970,931	1,887,041
Loss on disposal of property and equipment	5,711	8,416
Decrease (Increase) in rental receivables	(476,056)	210,746
Decrease (Increase) in long-term prepaid expenses	(24,131)	113,980
Decrease (Increase) in long-term deposits	(7,896)	(14,761)
Increase (Decrease) in trade accounts payable	(22,653)	(54,472)
Increase (Decrease) in other accounts payable	11,576	74,558
Increase (Decrease) in accrued consumption taxes	(1,023,713)	418,287
Increase (Decrease) in accrued expenses	38,989	—
Increase (Decrease) in rent received in advance	203,667	56,967
Decrease in property and equipment in trust due to sales	—	37,695
Other	154,529	131,321
Subtotal	21,616,320	24,027,957
Interest received	496	326
Interest paid	(2,072,086)	(1,967,252)
Income taxes paid	(3,053)	(3,824)
Net cash provided by (used in) operating activities	19,541,676	22,057,206
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(24,292,996)	(18,027,237)
Payments for purchases of leasehold rights and intangible assets	(13,553)	(12,390)
Reimbursement of security deposits to tenants	(595,776)	(980,430)
Proceeds from security deposits from tenants	1,275,513	1,307,669
Payments from security deposits	—	(52)
Proceeds from security deposits	—	10,720
Net cash provided by (used in) investing activities	(23,626,812)	(17,701,720)
Cash Flows from Financing Activities		
Proceeds from short-term debt	7,000,000	—
Repayments of short-term debt	(7,000,000)	—
Proceeds from long-term debt	33,600,000	32,400,000
Repayments of long-term debt	(28,442,800)	(32,442,800)
Proceeds from issuance of investment corporation bonds	7,000,000	—
Repayment of investment corporation bonds	(5,000,000)	—
Payments of investment corporation bonds issuance costs	(44,199)	—
Distributions to unitholders	(12,188,068)	(12,795,769)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,735,356)	(1,777,350)
Other distributions in excess of net earnings	(1,537,147)	(1,065,245)
Net cash provided by (used in) financing activities	(8,347,572)	(15,681,165)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,432,707)	(11,325,679)
Cash and Cash Equivalents at Beginning of Period	87,599,067	75,166,359
Cash and Cash Equivalents at End of Period	75,166,359	63,840,679

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Nomura Real Estate Master Fund, Inc. (NMF) is a real estate investment corporation formed to own and invest primarily in office buildings, retail facilities, logistics and residential facilities. NMF 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. NMF was established on October 1, 2015 through the consolidation type merger involving the former Nomura Real Estate Master Fund, Inc. (hereinafter the "former NMF"), Nomura Real Estate Office Fund, Inc. (hereinafter "NOF") and Nomura Real Estate Residential Fund, Inc. (hereinafter "NRF"), and listed its investment securities (TSE code: 3462) on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on October 2 of the same year.

NMF adopts the basic policy of investing primarily in real estate and other assets to secure stable income and steady growth of assets under management over the medium to long term. In order to realize this basic policy, NMF adopts an investment strategy that centers on the Greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama prefectures), which has strong tenant demand, while also considering regional diversification through the three major metropolitan areas and cabinet-order designated cities, etc. By combining the "diversified type strategy" in which investments are made in facilities of a variety of sectors such as office buildings, retail facilities, logistics and residential facilities with the "large-scale REIT strategy," which pursues the effects of diversifying properties and tenants, to make the portfolio more stable as well as with the utilization of the "leasing value chain" with the Nomura Real Estate Group, the sponsor, NMF will aim to increase unitholder value by securing stable income and steady growth of assets under management over the medium to long term.

2. BASIS OF PRESENTATION

NMF 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 NMF, which were prepared in accordance with Japanese GAAP and were presented in NMF's Securities Report 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 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.

NMF's fiscal period is a six-month period which ends at the end of February or August. NMF 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	4–70 years
Structures	3–45 years
Machinery and equipment	5–17 years
Tools, furniture and fixtures	3–20 years

Intangible assets

Intangible assets are amortized by the straight-line method.

Goodwill is amortized using the straight-line method over 20 years.

NOTES TO FINANCIAL STATEMENTS

Long-term prepaid expenses

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

Impairment of fixed assets

NMF 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.

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.

Investment units issuance expenses

The entire amount is expensed as incurred.

Allowances and provisions

(1) Allowance for doubtful accounts

For allowance for doubtful accounts against possible losses arising from default on receivables, the 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.

(2) Provision for loss on disaster

The amount that is reasonably estimated at the end of the fiscal period under review is recorded to cover expenditures for restoration etc. following Typhoon Faxai and Hagibis in 2019. In addition, the amount that is reasonably estimated at the end of the fiscal period under review is recorded to cover expenditures for restoration, etc. following the 2021 Fukushima Earthquake.

Accounting treatment of beneficial interests in real estate

All assets and liabilities held in trust, for which the real estate in possession of NMF 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 the 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 ¥108,493 thousand for the fiscal period ended August 31, 2020 and ¥4,533 thousand for the fiscal period ended February 28, 2021.

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

NMF utilizes interest-rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. NMF 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 deferral hedge accounting is generally applied, NMF applies the 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.

(Accounting standards issued but not yet applied)

“Accounting Standard for Revenue Recognition” (the Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued by ASBJ on March 31, 2020)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by ASBJ on March 31, 2020)

(1) Overview

Comprehensive accounting standards on revenue recognition were developed jointly by the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), and were released publicly in May 2014 as “Revenue from Contracts with Customers” (IFRS 15 by the IASB, and Topic 606 by the FASB). In light of this, the ASBJ developed a comprehensive accounting standard on revenue recognition, and issued it together with implementation guidance.

The basic policy adopted by the ASBJ in developing the accounting standard was to start by incorporating the basic principles of IFRS 15 from the perspective of comparability between financial statements, which is one of the benefits of maintaining consistency with IFRS 15. Then, where consideration should be given to practices used up to that time in Japan, the ASBJ added alternative treatments, to the extent they do not impair comparability.

(2) Scheduled date of application

These accounting standard and guidance will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the new accounting standard.

The impact of applying the accounting standard and implementation guidance on the financial statements is currently under evaluation.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued by ASBJ on July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued by ASBJ on July 4, 2019)

(1) Overview

The IASB and the FASB have established detailed guidance on measuring fair value (IFRS 13 “Fair Value Measurement” issued by the IASB, and Topic 820 “Fair Value Measurement” issued by the FASB). In order to improve comparability with the provisions of these international accounting standards, the ASBJ gave extensive consideration primarily regarding guidance and disclosure concerning the fair value of financial instruments, following which it issued the Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The basic policy adopted by the ASBJ in developing the accounting standard was to fundamentally incorporate all of the provisions of IFRS 13 from the perspective of improving comparability of financial statements between companies in Japan and overseas by using uniform methods of calculation. Then, taking account of practices used up to that time in Japan, the ASBJ established other treatment for individual items, to the extent it does not significantly impair comparability between financial statements.

(2) Scheduled date of application

These accounting standard and guidance will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the new accounting standard.

The impact of applying the accounting standard and implementation guidance on the financial statements is currently under evaluation.

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued by ASBJ on March 31, 2020)

(1) Overview

Requests have been made to consider requiring the disclosure of the “sources of estimation uncertainty,” which is required to be disclosed in Paragraph 125 of the International Accounting Standard (IAS) 1 “Presentation of Financial Statements” (hereinafter “IAS 1”) issued by the IASB in 2003, under Japanese standards as highly useful information for the users of financial statements, and the accounting standard for the disclosure of accounting estimates (hereinafter the “Accounting Standard”) was developed and issued by the ASBJ.

As a basic policy upon the development of the Accounting Standard by the ASBJ, it will not enhance the content of each note but describe the principle (purpose of disclosure), and the specific content of disclosure shall be judged by companies in reference to the purpose of disclosure. Upon the development, the provision of Paragraph 125 of IAS 1 will be used as a reference.

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending August 31, 2021.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 (Revised 2020), issued by ASBJ on March 31, 2020)

(1) Overview

Due to the proposal for the consideration on the enrichment of the information on notes regarding the “principles and procedures of accounting adopted when the provision of related accounting standards are not clear,” such standard was issued as an accounting standard for accounting policy disclosures, accounting changes and error corrections after making necessary amendments by the ASBJ.

Moreover, upon the enrichment of the information on notes regarding the “principles and procedures of accounting adopted when the provision of related accounting standards are not clear,” the provision of the annotations on the corporate accounting principles (Notes 1-2) shall be effective to avoid any impact on actual business practices until now when the provision of the related accounting standards are clear.

(2) Scheduled date of application

The accounting standard will be applied from the end of the fiscal period ending August 31, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2020 and February 28, 2021 consist of the following:

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
Cash and bank deposits	75,166,359	63,840,679
Cash and cash equivalents	75,166,359	63,840,679

Important contents of the non-cash transactions:

Not applicable.

5. ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral are as follows:

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
Buildings in trust	3,298,689	3,274,450
Land in trust	6,096,368	6,096,368
Structures in trust	4,530	4,438
Tools, furniture and fixtures in trust	733	4,095
Total	9,400,322	9,379,352

The secured liabilities are as follows:

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
Tenant leasehold and security deposits in trust	726,648	726,648
Total	726,648	726,648

6. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2020 and February 28, 2021 consist of the following:

	Thousands of Yen			
	As of August 31, 2020		As of February 28, 2021	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	301,575,945	301,575,945	311,019,052	311,019,052
Buildings and structures	153,244,413		159,563,452	
Accumulated depreciation	(18,797,006)	134,447,407	(21,135,533)	138,427,919
Machinery and equipment	880,429		986,902	
Accumulated depreciation	(535,202)	345,227	(563,469)	423,433
Tools, furniture and fixtures	458,386		511,319	
Accumulated depreciation	(169,698)	288,687	(210,485)	300,833
Land in trust	422,908,935	422,908,935	422,871,240	422,871,240
Buildings and structures in trust	198,111,079		200,438,003	
Accumulated depreciation	(31,901,067)	166,210,012	(34,844,012)	165,593,990
Machinery and equipment in trust	821,977		881,280	
Accumulated depreciation	(174,637)	647,339	(217,496)	663,784
Tools, furniture and fixtures in trust	930,338		1,062,358	
Accumulated depreciation	(386,069)	544,269	(462,875)	599,483
Lease assets in trust	4,752		4,752	
Accumulated depreciation	(924)	3,828	(1,320)	3,432
Construction in progress	16,224	16,224	56,913	56,913
Total	1,026,987,877	1,026,987,877	1,039,960,082	1,039,960,082

NOTES TO FINANCIAL STATEMENTS

7. SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT

Short-term debt and current portion of long-term debt as of August 31, 2020 and February 28, 2021 consist of the following:

	As of August 31, 2020		As of February 28, 2021	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on September 28, 2020	3,000,000	0.22000%	—	—
Unsecured loans from banks due on November 26, 2020	3,500,000	0.46075%	—	—
Unsecured loans from banks due on November 26, 2020	2,350,000	0.46190%	—	—
Unsecured loans from a bank due on November 26, 2020	500,000	0.47375%	—	—
Unsecured loans from banks due on November 26, 2020	1,230,000	0.19000%	—	—
Unsecured loans from banks due on February 26, 2021	5,000,000	1.35250%	—	—
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.17750%	—	—
Unsecured loans from banks due on February 26, 2021	2,000,000	1.19211%	—	—
Unsecured loans from banks due on February 26, 2021	2,000,000	0.80832%	—	—
Unsecured loans from a bank due on February 26, 2021	3,000,000	0.86350%	—	—
Unsecured loans from banks due on February 26, 2021	2,120,000	0.85050%	—	—
Unsecured loans from a bank due on February 26, 2021	500,000	0.46725%	—	—
Unsecured loans from a bank due on February 26, 2021	2,000,000	0.22560%	—	—
Unsecured loans from banks due on February 26, 2021	2,800,000	0.14700%	—	—
Unsecured loans from a bank due on February 26, 2021	400,000	0.21810%	—	—
Unsecured loans from banks due on March 26, 2021	4,670,000	0.22000%	4,670,000	0.24818%
Unsecured loans from banks due on May 26, 2021	8,000,000	1.56250%	8,000,000	1.56250%
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	1,000,000	1.46375%
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 banks due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
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 August 26, 2021	3,600,000	0.81585%	3,600,000	0.81585%
Unsecured loans from a bank due on November 26, 2021	—	—	2,000,000	1.30289%
Unsecured loans from banks due on November 26, 2021	—	—	2,000,000	1.11662%
Unsecured loans from banks due on November 26, 2021	—	—	4,900,000	0.97410%
Unsecured loans from banks due on December 27, 2021	—	—	6,375,000	0.24818%
Unsecured loans from a bank due on January 26, 2022	—	—	3,500,000	1.48300%
Unsecured loans from banks due on February 28, 2022	—	—	4,500,000	1.31850%
Unsecured loans from a bank due on February 28, 2022	—	—	2,750,000	1.29600%
Unsecured loans from banks due on February 28, 2022	—	—	4,000,000	1.16000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	42,800	2.21812%	42,800	2.21812%
Total	61,135,600		58,760,600	

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 ¥10.7 million will be made on the 26th day of every third month starting on August 26, 2013, with the remaining payment of ¥497.1 million to be repaid on May 26, 2025.

- (1) The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2020. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2020.
- (2) The Company entered into ¥40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended August 31, 2020. The total unused amount of such credit facilities was ¥40,000 million as of August 31, 2020.
- (3) The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended February 28, 2021. The total unused amount of such credit facilities was ¥10,000 million as of February 28, 2021.
- (4) The Company entered into ¥40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended February 28, 2021. The total unused amount of such credit facilities was ¥40,000 million as of February 28, 2021.

8. LONG-TERM DEBT

Long-term debts as of August 31, 2020 and February 28, 2021 consist of the following:

	As of August 31, 2020		As of February 28, 2021	
	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 November 26, 2021	2,000,000	1.30289%	—	—
Unsecured loans from banks due on November 26, 2021	2,000,000	1.11662%	—	—
Unsecured loans from banks due on November 26, 2021	4,900,000	0.97410%	—	—
Unsecured loans from banks due on December 27, 2021	6,375,000	0.22000%	—	—
Unsecured loans from a bank due on January 26, 2022	3,500,000	1.48300%	—	—
Unsecured loans from banks due on February 28, 2022	4,500,000	1.31850%	—	—
Unsecured loans from a bank due on February 28, 2022	2,750,000	1.29600%	—	—
Unsecured loans from banks due on February 28, 2022	4,000,000	1.16000%	—	—
Unsecured loans from banks due on May 26, 2022	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from banks due on May 31, 2022	4,500,000	0.82500%	4,500,000	0.82500%
Unsecured loans from banks due on June 27, 2022	4,000,000	0.19000%	4,000,000	0.21818%
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 August 26, 2022	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from banks due on August 26, 2022	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022	1,000,000	0.32886%	1,000,000	0.32886%
Unsecured loans from banks due on September 30, 2022	4,000,000	0.76250%	4,000,000	0.76250%
Unsecured loans from banks due on October 26, 2022	3,000,000	0.22000%	3,000,000	0.24818%
Unsecured loans from banks due on November 28, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from banks due on November 28, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023	10,000,000	0.48700%	10,000,000	0.48700%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	500,000	0.41435%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	6,700,000	0.55700%
Unsecured loans from banks due on September 26, 2023	—	—	3,000,000	0.24818%
Unsecured loans from banks due on November 27, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from banks due on November 27, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from banks due on November 27, 2023	4,000,000	0.49380%	4,000,000	0.49380%
Unsecured loans from banks due on November 27, 2023	1,500,000	0.47483%	1,500,000	0.47483%
Unsecured loans from banks due on November 27, 2023	—	—	1,230,000	0.24818%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from banks due on February 26, 2024	1,300,000	0.53630%	1,300,000	0.53630%
Unsecured loans from a bank due on February 26, 2024	500,000	0.24000%	500,000	0.24000%
Unsecured loans from a bank due on February 26, 2024	1,000,000	0.18500%	1,000,000	0.18500%
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%

NOTES TO FINANCIAL STATEMENTS

	As of August 31, 2020		As of February 28, 2021	
	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 May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	2,700,000	0.49533%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%
Unsecured loans from a bank due on August 26, 2024	1,000,000	0.28624%	1,000,000	0.28624%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on November 26, 2024	2,000,000	0.42630%	2,000,000	0.42630%
Unsecured loans from a bank due on November 26, 2024	800,000	0.21380%	800,000	0.21380%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%
Unsecured loans from banks due on May 26, 2025	2,000,000	0.46301%	2,000,000	0.46301%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.19750%	1,000,000	0.19750%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%
Unsecured loans from banks due on February 26, 2026	800,000	0.37630%	800,000	0.37630%
Unsecured loans from a bank due on February 26, 2026	500,000	0.39196%	500,000	0.39196%
Unsecured loans from banks due on February 26, 2026	1,500,000	0.17136%	1,500,000	0.17136%
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	3,600,000	0.60880%
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.37000%	1,100,000	0.37000%
Unsecured loans from a bank due on May 26, 2026	1,500,000	0.25873%	1,500,000	0.25873%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%

	As of August 31, 2020		As of February 28, 2021	
	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 August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	1,000,000	0.64500%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	1,000,000	0.42118%
Unsecured loans from a bank due on August 26, 2026	500,000	0.43627%	500,000	0.43627%
Unsecured loans from banks due on August 26, 2026	1,500,000	0.20880%	1,500,000	0.20880%
Unsecured loans from a bank due on August 26, 2026	—	—	1,000,000	0.30116%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%
Unsecured loans from banks due on November 26, 2026	2,000,000	0.60750%	2,000,000	0.60750%
Unsecured loans from banks due on November 26, 2026	1,000,000	0.28000%	1,000,000	0.28000%
Unsecured loans from banks due on November 26, 2026	1,200,000	0.30000%	1,200,000	0.30000%
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
Unsecured loans from banks due on February 26, 2027	1,500,000	0.46630%	1,500,000	0.46630%
Unsecured loans from a bank due on February 26, 2027	500,000	0.44859%	500,000	0.44859%
Unsecured loans from banks due on February 26, 2027	1,000,000	0.48144%	1,000,000	0.48144%
Unsecured loans from a bank due on February 26, 2027	1,500,000	0.28500%	1,500,000	0.28500%
Unsecured loans from a bank due on February 26, 2027	1,000,000	0.28500%	1,000,000	0.28500%
Unsecured loans from a bank due on February 26, 2027	300,000	0.16205%	300,000	0.16205%
Unsecured loans from a bank due on February 26, 2027	500,000	0.10094%	500,000	0.10094%
Unsecured loans from a bank due on February 26, 2027	500,000	0.35139%	500,000	0.35139%
Unsecured loans from banks due on March 26, 2027	1,500,000	0.69068%	1,500,000	0.69068%
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	1,800,000	0.70250%
Unsecured loans from a bank due on May 26, 2027	1,400,000	0.32000%	1,400,000	0.32000%
Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	1,000,000	0.74500%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.51356%	1,000,000	0.51356%
Unsecured loans from banks due on August 26, 2027	1,500,000	0.29000%	1,500,000	0.29000%
Unsecured loans from a bank due on August 26, 2027	600,000	0.32630%	600,000	0.32630%
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%
Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	1,800,000	0.75050%
Unsecured loans from banks due on November 26, 2027	1,700,000	0.70750%	1,700,000	0.70750%
Unsecured loans from banks due on November 26, 2027	2,500,000	0.52234%	2,500,000	0.52234%
Unsecured loans from banks due on November 26, 2027	—	—	1,000,000	0.31630%
Unsecured loans from a bank due on November 26, 2027	—	—	750,000	0.29630%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	2,355,000	0.76241%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	1,500,000	0.78296%
Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	1,800,000	0.79642%
Unsecured loans from a bank due on February 28, 2028	2,650,000	0.54205%	2,650,000	0.54205%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.57365%	1,500,000	0.57365%
Unsecured loans from banks due on February 28, 2028	1,000,000	0.17813%	1,000,000	0.17813%
Unsecured loans from a bank due on February 28, 2028	—	—	1,000,000	0.41000%
Unsecured loans from a bank due on February 28, 2028	—	—	1,000,000	0.41000%

NOTES TO FINANCIAL STATEMENTS

	As of August 31, 2020		As of February 28, 2021	
	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 28, 2028	—	—	500,000	0.39000%
Unsecured loans from a bank due on February 28, 2028	—	—	920,000	0.30000%
Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	5,000,000	0.79880%
Unsecured loans from a bank due on May 26, 2028	2,000,000	0.75922%	2,000,000	0.75922%
Unsecured loans from a bank due on May 26, 2028	1,550,000	0.55038%	1,550,000	0.55038%
Unsecured loans from a bank due on May 26, 2028	500,000	0.54010%	500,000	0.54010%
Unsecured loans from banks due on May 26, 2028	2,000,000	0.54750%	2,000,000	0.54750%
Unsecured loans from a bank due on May 26, 2028	1,400,000	0.40500%	1,400,000	0.40500%
Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	3,600,000	0.84750%
Unsecured loans from a bank due on August 28, 2028	500,000	0.61005%	500,000	0.61005%
Unsecured loans from banks due on August 28, 2028	1,000,000	0.62163%	1,000,000	0.62163%
Unsecured loans from a bank due on August 28, 2028	500,000	0.62025%	500,000	0.62025%
Unsecured loans from a bank due on August 28, 2028	500,000	0.37500%	500,000	0.37500%
Unsecured loans from a bank due on August 28, 2028	1,000,000	0.40380%	1,000,000	0.40380%
Unsecured loans from a bank due on August 28, 2028	—	—	1,260,000	0.45375%
Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	2,000,000	0.81130%
Unsecured loans from banks due on November 27, 2028	3,000,000	0.59375%	3,000,000	0.59375%
Unsecured loans from a bank due on November 27, 2028	1,800,000	0.50880%	1,800,000	0.50880%
Unsecured loans from a bank due on November 27, 2028	—	—	500,000	0.39380%
Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	2,500,000	0.65880%
Unsecured loans from banks due on February 26, 2029	1,400,000	0.67098%	1,400,000	0.67098%
Unsecured loans from a bank due on February 26, 2029	2,300,000	0.63692%	2,300,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	500,000	0.63692%	500,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	3,500,000	0.41815%	3,500,000	0.41815%
Unsecured loans from a bank due on February 26, 2029	500,000	0.37000%	500,000	0.37000%
Unsecured loans from a bank due on February 26, 2029	—	—	500,000	0.49750%
Unsecured loans from banks due on May 28, 2029	5,000,000	0.64000%	5,000,000	0.64000%
Unsecured loans from a bank due on May 28, 2029	800,000	0.55190%	800,000	0.55190%
Unsecured loans from a bank due on May 28, 2029	500,000	0.26451%	500,000	0.26451%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.45875%	1,000,000	0.45875%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.44880%	1,000,000	0.44880%
Unsecured loans from banks due on May 28, 2029	—	—	1,000,000	0.38500%
Unsecured loans from banks due on August 27, 2029	2,000,000	0.46130%	2,000,000	0.46130%
Unsecured loans from banks due on August 27, 2029	3,900,000	0.46130%	3,900,000	0.46130%
Unsecured loans from banks due on August 27, 2029	2,800,000	0.55845%	2,800,000	0.55845%
Unsecured loans from banks due on August 27, 2029	1,600,000	0.48380%	1,600,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	1,500,000	0.48380%	1,500,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	500,000	0.46380%	500,000	0.46380%
Unsecured loans from banks due on August 27, 2029	—	—	1,000,000	0.43880%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	1,200,000	0.59500%	1,200,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	1,000,000	0.59500%	1,000,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	750,000	0.48000%	750,000	0.48000%
Unsecured loans from a bank due on November 26, 2029	500,000	0.59500%	500,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	2,000,000	0.50630%	2,000,000	0.50630%
Unsecured loans from a bank due on November 26, 2029	—	—	750,000	0.47380%
Unsecured loans from banks due on November 26, 2029	—	—	4,000,000	0.54904%
Unsecured loans from banks due on February 26, 2030	4,250,000	0.52000%	4,250,000	0.52000%
Unsecured loans from a bank due on February 26, 2030	1,500,000	0.48000%	1,500,000	0.48000%
Unsecured loans from a bank due on February 26, 2030	600,000	0.40915%	600,000	0.40915%
Unsecured loans from a bank due on February 26, 2030	500,000	0.34054%	500,000	0.34054%
Unsecured loans from banks due on February 26, 2030	1,300,000	0.59482%	1,300,000	0.59482%

	As of August 31, 2020		As of February 28, 2021	
	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, 2030	1,500,000	0.52446%	1,500,000	0.52446%
Unsecured loans from a bank due on February 26, 2030	—	—	1,400,000	0.58630%
Unsecured loans from a bank due on February 26, 2030	—	—	1,000,000	0.58630%
Unsecured loans from banks due on May 27, 2030	7,000,000	0.54630%	7,000,000	0.54630%
Unsecured loans from a bank due on May 27, 2030	800,000	0.52630%	800,000	0.52630%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.53250%	1,000,000	0.53250%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.55988%	1,000,000	0.55988%
Unsecured loans from a bank due on May 27, 2030	500,000	0.50485%	500,000	0.50485%
Unsecured loans from a bank due on May 27, 2030	—	—	720,000	0.59399%
Unsecured loans from banks due on August 26, 2030	2,000,000	0.56500%	2,000,000	0.56500%
Unsecured loans from a bank due on August 26, 2030	1,100,000	0.54500%	1,100,000	0.54500%
Unsecured loans from a bank due on August 26, 2030	300,000	0.54500%	300,000	0.54500%
Unsecured loans from banks due on August 26, 2030	—	—	500,000	0.52063%
Unsecured loans from a bank due on August 26, 2030	—	—	1,000,000	0.46000%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on November 26, 2030	—	—	350,000	0.42630%
Unsecured loans from a bank due on November 26, 2030	—	—	500,000	0.53630%
Unsecured loans from a bank due on February 26, 2031	—	—	700,000	0.67750%
Unsecured loans from a bank due on February 26, 2031	—	—	2,000,000	0.67750%
Unsecured loans from banks due on February 26, 2031	—	—	4,000,000	0.67750%
Unsecured loans from a bank due on February 26, 2031	—	—	400,000	0.50000%
Unsecured loans from a bank due on February 26, 2031	—	—	420,000	0.65750%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	646,900	2.17000%	625,500	2.17000%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	646,900	2.21812%	625,500	2.21812%
Total	424,748,800		427,081,000	

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, 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 interest rate.

Note 2: Installments of ¥10.7 million will be made on the 26th day of every third month starting on August 26, 2013, with the remaining payment of ¥497.1 million to be repaid on May 26, 2025.

NOTES TO FINANCIAL STATEMENTS

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
As of August 31, 2020	55,090,600	64,435,600	39,035,600	48,387,000
As of February 28, 2021	58,615,600	50,765,600	44,435,600	52,694,200

9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of August 31, 2020		As of February 28, 2021	
	Amount (Thousands of Yen)	Interest rate ^(Note 1)	Amount (Thousands of Yen)	Interest rate ^(Note 1)
Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024	3,000,000	0.87%	3,000,000	0.87%
NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024	6,000,000	1.02%	6,000,000	1.02%
NMF's 2nd series of unsecured investment corporation bonds due on November 16, 2027	2,000,000	0.59%	2,000,000	0.59%
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.90%	4,500,000	2.90%
NMF's 4th series of unsecured investment corporation bonds due on September 20, 2029(green bonds)	3,000,000	0.53%	3,000,000	0.53%
NMF's 6th series of unsecured investment corporation bonds due on August 14, 2030(green bonds)	7,000,000	0.54%	7,000,000	0.54%
NMF's 3rd series of unsecured investment corporation bonds due on May 21, 2038	1,500,000	1.03%	1,500,000	1.03%
NMF's 5th series of unsecured investment corporation bonds due on September 20, 2039	5,000,000	0.90%	5,000,000	0.90%
Total	32,000,000		32,000,000	

Note 1: The interest rate is rounded to the nearest second decimal place.

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
As of August 31, 2020	—	—	—	—	9,000,000
As of February 28, 2021	—	—	—	9,000,000	—

10. UNITHOLDERS' EQUITY

NMF 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. NMF is required to maintain net assets of at least ¥50,000 thousand as set forth in the Investment Trust Act.

11. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

The movement in the allowance for temporary difference adjustments on the Balance Sheet was as follows:

For the period from March 1, 2020 to August 31, 2020

1. Reason, related assets and amounts

							Thousands of Yen
Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	17,355,854	9,669,084	1,740,727	—	11,409,812	—
Land, buildings, etc.	Merger expenses	4,029,135	1,328,228	(5,534)	—	1,322,694	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	905,812	—	(122,481)	783,330	Changes in fair value of derivative transactions
Increase - subtotal		—	11,903,126	1,735,193	(122,481)	13,515,837	—
Total		—	11,903,126	1,735,193	(122,481)	13,515,837	—

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

Item	Method of reversal
Buildings, etc.	Upon depreciation and sale, etc., the corresponding amount is scheduled to be reversed.
Land	Upon sale, etc., the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, etc., the corresponding amount is scheduled to be reversed.
Land in trust	
Leasehold rights	Upon sale, etc., the corresponding amount is scheduled to be reversed.
Leasehold rights in trust	

(3) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

For the period from September 1, 2020 to February 28, 2021

1. Reason, related assets and amounts

							Thousands of Yen
Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	19,978,097	11,409,812	1,783,145	—	13,192,958	—
Land, buildings, etc.	Merger expenses	4,029,135	1,322,694	(5,515)	—	1,317,179	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	783,330	—	(299,087)	484,242	Changes in fair value of derivative transactions
Increase - subtotal		—	13,515,837	1,777,630	(299,087)	14,994,380	—
Total		—	13,515,837	1,777,630	(299,087)	14,994,380	—

NOTES TO FINANCIAL STATEMENTS

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

Item	Method of reversal
Buildings, etc.	Upon depreciation and sale, etc., the corresponding amount is scheduled to be reversed.
Land	Upon sale, etc., the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, etc., the corresponding amount is scheduled to be reversed.
Land in trust	
Leasehold rights	Upon sale, etc., the corresponding amount is scheduled to be reversed.
Leasehold rights in trust	

(3) Deferred gains or losses on hedges

Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

12. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of August 31, 2020 and February 28, 2021 were as follows:

	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Net assets per unit	132,657	132,129
Net income per unit	2,714	2,760

Note 1: The net income per unit is calculated by dividing net income by the weighted-average number of units outstanding.
Note 2: The basis for calculating net income per unit is as follows.

	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Net income (Thousands of Yen)	12,799,540	13,016,610
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	12,799,540	13,016,610
Average number of units during the period (Units)	4,715,200	4,715,200

13. RELATED PARTY TRANSACTIONS

For the periods from March 1, 2020 to August 31, 2020 and from September 1, 2020 to February 28, 2021

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

14. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 31.46% for the fiscal period ended February 28, 2021. 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 ¥15,701,616 thousand for the fiscal period ended February 28, 2021, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Deferred tax asset:		
Valuation difference on other assets acquired by merger	19,965,899	19,717,747
Deferred gains or losses on hedges	152,343	110,536
Unearned revenue	58,798	40,685
Write-offs for long-term prepaid expenses	6,268	3,237
Depreciation costs of trust leasehold rights	1,581	1,702
Non-deductible accrued enterprise tax	233	22
Subtotal	20,185,125	19,873,932
Valuation allowance	(20,185,125)	(19,873,932)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

The following summarizes the significant differences between the statutory tax rate and the effective tax rate.

	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(35.81%)	(35.72%)
Valuation of allowance	(2.07%)	(2.07%)
Amortization of goodwill	6.44%	6.34%
Other	0.00%	0.00%
Effective tax rate	0.03%	0.01%

15. 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

Borrowings 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 debt. 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 debt 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 debt by swapping such floating-rate interest payments for fixed-rate interest payments.

NOTES TO FINANCIAL STATEMENTS

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 "23. 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 March 1, 2020 to August 31, 2020

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2020.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	75,166,359	75,166,359	—
(ii) Current portion of long-term debt	(61,135,600)	(61,355,060)	219,460
(iii) Investment corporation bonds	(32,000,000)	(32,359,594)	359,594
(iv) Long-term debt	(424,748,800)	(431,174,794)	6,425,994
(v) Derivative transactions	(487,237)	(487,237)	—

For the period from September 1, 2020 to February 28, 2021

The following table summarizes the carrying value and the estimated fair values of financial instruments as of February 28, 2021.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	63,840,679	63,840,679	—
(ii) Current portion of long-term debt	(58,760,600)	(58,897,834)	137,234
(iii) Investment corporation bonds	(32,000,000)	(32,076,827)	76,827
(iv) Long-term debt	(427,081,000)	(432,301,445)	5,220,445
(v) Derivative transactions	(352,590)	(352,590)	—

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 long-term debt and (iv) 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 "22. 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.
- (iii) Investment corporation bonds
The fair value of investment corporation bonds issued by the Company is determined based on their market prices.
- (v) Derivative transactions
See "22. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of August 31, 2020

	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	75,166,359	—	—	—	—	—
Total	75,166,359	—	—	—	—	—

Redemption schedule for cash and bank deposits as of February 28, 2021

	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	63,840,679	—	—	—	—	—
Total	63,840,679	—	—	—	—	—

Note 4: Redemption schedule for debt as of August 31, 2020

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Investment corporation bonds	—	—	—	—	9,000,000	23,000,000
Long-term debt	61,135,600	55,090,600	64,435,600	39,035,600	48,387,000	217,800,000
Total	61,135,600	55,090,600	64,435,600	39,035,600	57,387,000	240,800,000

Redemption schedule for debt as of February 28, 2021

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Investment corporation bonds	—	—	—	9,000,000	—	23,000,000
Long-term debt	58,760,600	58,615,600	50,765,600	44,435,600	52,694,200	220,570,000
Total	58,760,600	58,615,600	50,765,600	53,435,600	52,694,200	243,570,000

16. INVESTMENT AND RENTAL PROPERTIES

The Company owns leasable office, leasable retail facilities, leasable logistics facilities, leasable residential (including land) in Greater Tokyo area and other areas for the purpose of earning revenue from leasing. The following table summarizes the carrying value and the estimated fair value of these properties.

	Thousands of Yen	
	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Carrying value		
Balance at beginning of the period	1,017,019,350	1,035,946,025
Amount of increase (decrease) during the period	18,926,674	12,971,818
Balance at end of the period	1,035,946,025	1,048,917,843
Fair value at end of the period	1,185,682,000	1,205,558,000

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

Note 2: Of the change in investment and rental properties, the increase during the previous period is mainly attributable to the acquisition of PMO Hamamatsucho (¥4,445,043 thousand), GEMS Sangenjaya (¥1,836,687 thousand), Landport Higashi-Narashino (¥12,025,405 thousand), PROUD FLAT Togoshi-Koen (¥2,670,972 thousand). The decrease during the previous period is mainly attributable to depreciation expenses (¥5,363,528 thousand). The increase during the current period is mainly attributable to the acquisition of Landport Ome II (¥14,888,784 thousand). The decrease during the current period is mainly attributable to the sale of Mitsubishi Motors Katsushika (a part of the land area) (¥37,695 thousand) as well as depreciation (¥5,474,834 thousand).

Note 3: Fair value at the end of the period is the appraisal value or survey price determined by an outside real estate appraiser.

The real estate rental revenues and expenses for the fiscal period ended February 28, 2021 are presented in "18. Breakdown of Real Estate Rental Revenues and Expenses."

NOTES TO FINANCIAL STATEMENTS

17. SEGMENT INFORMATION

For the periods from March 1, 2020 to August 31, 2020 and from September 1, 2020 to February 28, 2021

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 for 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, a 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, a geographical breakdown of property and equipment has been omitted.

3. Information about major clients

For the period from March 1, 2020 to August 31, 2020

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,400,637	Rental real estate business

For the period from September 1, 2020 to February 28, 2021

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,312,679	Rental real estate business

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended August 31, 2020 and February 28, 2021 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
Real estate rental revenues	37,577,424	38,064,606
Rental revenues	34,884,255	35,172,568
Rental revenues	32,456,559	32,764,268
Common area charges	2,427,695	2,408,300
Other rental revenues	2,693,169	2,892,037
Parking revenues	619,580	631,536
Incidental income	1,969,384	1,987,428
Other miscellaneous revenues	104,204	273,072
Real estate rental expenses	15,678,281	15,973,489
Property management costs	1,785,636	1,837,680
Property management fees	1,011,292	1,013,518
Property and other taxes	3,124,623	3,110,231
Utility expenses	1,605,607	1,561,738
Casualty insurance	45,011	44,576
Repairs and maintenance	1,418,953	1,510,977
Land rents	204,194	206,564
Depreciation	5,369,703	5,482,712
Other rental expenses	1,113,258	1,205,488
Real estate rental profits	21,899,143	22,091,116

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

For the period from March 1, 2020 to August 31, 2020

Not applicable.

For the period from September 1, 2020 to February 28, 2021

	Thousands of Yen	
Mitsubishi Motors Katsushika (a part of the land area)		
Proceeds from sales of real estate	35,012	
Cost of sales of real estate	37,695	
Other related sales expenses	3,562	
Loss on sales of real estate		6,245

20. BREAKDOWN OF EXTRAORDINARY LOSS

For the period from March 1, 2020 to August 31, 2020

Not applicable.

For the period from September 1, 2020 to February 28, 2021

Losses related to assets damaged by the 2021 Fukushima Earthquake totaling ¥31,000 thousand are recorded as loss on disaster.

21. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of August 31, 2020 and February 28, 2021 are summarized as follows:

	Thousands of Yen	
	As of August 31, 2020	As of February 28, 2021
Due within one year	36,427,540	36,123,509
Due after one year	75,591,563	76,658,145
Total	112,019,104	112,781,654

22. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of August 31, 2020

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

(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 ^(Note 1)		Fair value ^(Note 2)	
			Due after one year			
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	78,130,000	58,730,000	(487,237) ^(Note 3)	
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	51,639,700	34,846,900	(647,406) ^(Note 4)	
Total			129,769,700	93,576,900	(1,134,643)	

Note 1: Contract amount is based on notional amount.

Note 2: Fair value is measured by swap counterparty, based on the actual market interest rate, etc.

Note 3: Out of the fair value, (¥2,994 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥647,406 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

NOTES TO FINANCIAL STATEMENTS

Derivative transactions as of February 28, 2021

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

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

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount ^(Note 1)		Fair value ^(Note 2)
			Due after one year		
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	70,210,000	41,830,000	(352,590) ^(Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	42,868,300	34,825,500	(518,329) ^(Note 4)
Total			113,078,300	76,655,500	(870,920)

Note 1: Contract amount is based on notional amount.

Note 2: Fair value is measured by swap counterparty, based on the actual market interest rate, etc.

Note 3: Out of the fair value, (¥1,236 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥518,329 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

23. CASH DISTRIBUTIONS

	For the period from March 1, 2020 to August 31, 2020	For the period from September 1, 2020 to February 28, 2021
1. Retained earnings at end of period	13,583,176,757	13,503,646,955
2. Distributions in excess of retained earnings	2,843,265,600	2,682,948,800
Of which, allowance for temporary difference adjustment	1,777,630,400	1,763,484,800
Of which, other distributions in excess of net income	1,065,635,200	919,464,000
3. Incorporation into unitholders' capital	299,087,803	132,888,372
Of which, reversal of allowance for temporary difference adjustments	299,087,803	132,888,372
4. Distributions	15,640,318,400	15,701,616,000
[Distributions (per unit)]	(3,317)	(3,330)
Of which, distributions of earnings	12,797,052,800	13,018,667,200
[Of which, distributions of earnings (per unit)]	(2,714)	(2,761)
Of which, allowance for temporary difference adjustments	1,777,630,400	1,763,484,800
[Of which, allowance for temporary difference adjustments (per unit)]	(377)	(374)
Of which, other distributions in excess of net income	1,065,635,200	919,464,000
[Of which, other distributions in excess of net income (per unit)]	(226)	(195)
5. Retained earnings carried forward	487,036,154	352,091,383

Calculation method of distribution amount

NMF calculates distributions in accordance with the cash distribution policies as specified in Article 36, Paragraphs 1 and 2 of NMF's Articles of Incorporation.

For the fiscal period under review, NMF decided to implement a total of ¥15,701,616,000 in distributions (¥3,330 per investment unit). This figure was arrived at by adding to ¥13,016,610,801 in net income after taxes ¥2,622,242,820 in amortization of goodwill, and by adding ¥62,762,379 in consideration of temporary decrease in operating revenues due to the impact of COVID-19 pandemic on per-unit distribution.

Total distributions comprise distribution of earnings and distribution in excess of net income. Distribution of earnings as stipulated in Article 136, paragraph 1 of the Investment Trusts Act came to ¥13,018,667,200 (¥2,761 per investment unit). Distribution in excess of net income comprises a distribution of ¥1,763,484,800 (¥374 per investment unit) as allowance for temporary difference adjustment and ¥919,464,000 (¥195 per investment unit) in other distribution in excess of net income.

24. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

For the period from March 1, 2020 to August 31, 2020

1. Reason for provision, related assets and amounts

Related assets, etc.	Reason for provision	Provision of allowance
		for temporary difference adjustments
Goodwill	Amortization of goodwill	2,622,242
Long-term deposits	Shortfall of reserve for repairs	5,835
Increase-subtotal		2,628,078
Buildings, facilities, etc.	Depreciation deficiency equivalent	(761,508)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(74,207)
Others	—	(14,732)
Decrease-subtotal		(850,448)
Total		1,777,630

2. Reason for reversal, related assets and amounts

Related assets, etc.	Reason for reversal	Provision of allowance
		for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	— ^(Note 1)
Deferred gains or losses on hedges	Changes in fair value of derivatives	(299,087)
Total		(299,087)

Note 1: The amount of reversal during the current fiscal period (¥5,515 thousand) is included in "Depreciation deficiency equivalent" on "1. Reasons for provision, related assets and amounts."

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

Item	Method of reversal
Buildings, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land	Upon sale, the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land in trust, etc.	
Leasehold	Upon sale, the corresponding amount is scheduled to be reversed.
Leasehold in trust	

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

The amount corresponding to changes in the fair value of derivatives used as hedging instruments is scheduled to be reversed.

NOTES TO FINANCIAL STATEMENTS

For the period from September 1, 2020 to February 28, 2021

1. Reason for provision, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for provision	Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	2,622,242
Long-term deposits	Shortfall of reserve for repairs	6,013
Increase-subtotal		2,628,256
Buildings, facilities, etc.	Depreciation deficiency equivalent	(792,086)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(57,573)
Land	Cost of sales of land	(134)
Others	—	(14,976)
Decrease-subtotal		(864,771)
Total		1,763,484

2. Reason for reversal, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	— (Note 1)
Deferred gains or losses on hedges	Changes in fair value of derivatives	(132,888)
Total		(132,888)

Note 1: The amount of reversal during the current fiscal period (¥5,533 thousand) is included in "Depreciation deficiency equivalent" on "1. Reasons for provision, related assets and amounts."

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

Item	Method of reversal
Buildings, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land	Upon sale, the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land in trust, etc.	
Leasehold	Upon sale, the corresponding amount is scheduled to be reversed.
Leasehold in trust	

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

The amount corresponding to changes in the fair value of derivatives used as hedging instruments is scheduled to be reversed.

25. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1167
ey.com

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc. (the Company), which comprise the balance sheet as at February 28, 2021, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Supervisory Director 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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Director is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 26, 2021

Toshihiro Morishige
Designated Engagement Partner
Certified Public Accountant

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant