



Nomura Real Estate Master Fund, Inc.

13th Fiscal Period Report on Financial Results and Operational Status (Asset Management Report)

September 1, 2021 to February 28, 2022

Securities Code: 3462





Driving the Market as One of Japan's Largest REITs

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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 (Note 1) Supervisory Director

Mineo Uchiyama Supervisory Director

Mika Okada (Note 2) Supervisory Director

Nomura Real Estate Master Fund, Inc.

(Note 1) As of April 30, 2022, Koichi Owada retired as Supervisory Director.

(Note 2) 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 13th fiscal period ended February 2022, 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 13th fiscal period, we decided to implement asset replacement as part of our policy of external growth, with the acquisition of four properties (Landport Ome III, PMO Hamamatsucho II, PROUD FLAT Togoshi-Ginza, and PRIME URBAN Higashi Nakano Court for a total price of ¥32 billion) and the sale of four properties (NMF Utsunomiya Building, Sundai Azaminokou, Ichibancho stear, and NRE Higashi-nihonbashi Building for a total price of ¥13.8 billion).

As a result of continuous asset replacement, we have enhanced the quality of our property portfolio by improving the ratio of properties in the Greater Tokyo area and improving building age. At the same time, we increased the ratios of properties in the logistics and residential sectors, which are expected to generate stable earnings even amid the COVID-19 pandemic.

In the fiscal period under review, while retail facilities, etc. are repeatedly requested to shorten operating hours with the declaration of a state of emergency and implementation of semi-emergency COVID-19 measures due to the prolonged COVID-19 pandemic, we continued to offer rent reduction/ exemption and other forms of relief to support some of our retail tenants. Nevertheless, the impact of this on overall portfolio revenue was limited.

Furthermore, the office sector and the residential sector continued to see a rise in vacancy rates and a decline in advertised rents in the market. Through appropriate and flexible leasing activities based on these market trends, we achieved the greatest number of new leases in the office sector since we listed on the stock exchange, and we are

seeing steady improvement in occupancy rates in the residential sector as well. Against the background of a continuing strong market, we achieved rent increases when re-contracting in the logistics sector despite the pandemic. Although we saw varying impacts of COVID-19 like this in each sector, we were able to leverage the strengths of NMF during this fiscal period as well to continue ensuring stable earnings through flexible operations that took market changes into account.

As a result, at the end of the 13th fiscal period, our portfolio consisted of 298 properties with a total acquisition price of ¥1,081.3 billion. Operating revenues totaled ¥37,520 million, operating profit reached ¥14,593 million, and net income came to ¥12,377 million for the fiscal period. Although booking a loss on the sale of Sundai Azaminokou, which was not expected in the earnings forecast, a portion of internal reserves equivalent to the amount of the loss (¥300 million) will be drawn down to achieve distributions per unit of ¥3,244 for this fiscal period, which is greater than the forecast at the beginning of the fiscal period.

In addition, in the area of ESG (environmental, social and governance) activities, which we have been promoting for some time, we continued to promote ESG initiatives, such as initiatives in the environmental field aiming for energy saving and initiatives in the social field aiming for improved tenant satisfaction and contributions to local communities. Our aim was to achieve materiality (material issues) and KPI targets formulated to realize sustainable growth of NMF. We will continue to proactively promote ESG initiatives as the front runner in the J-REIT industry.

With a careful eye on the impact of COVID-19 and the associated market changes, 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.

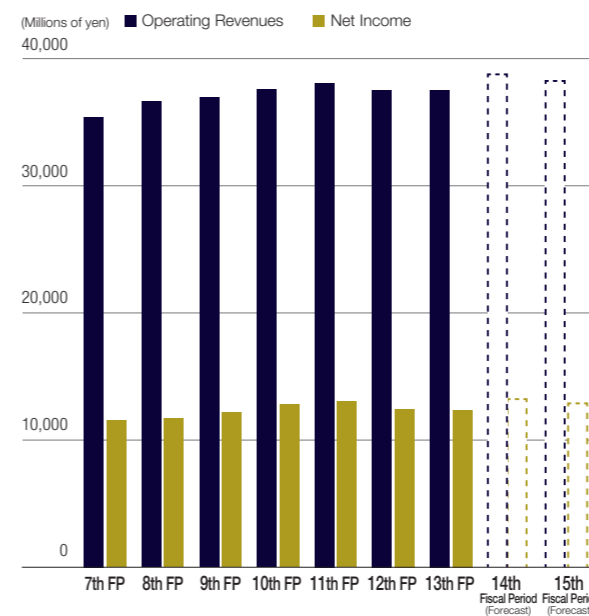
We ask for your continued support and encouragement.

PERFORMANCE HIGHLIGHTS

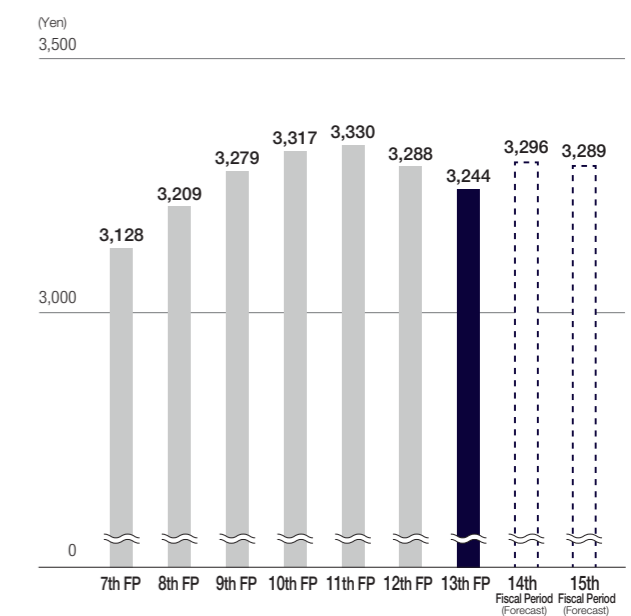
	13th FP	14th Fiscal Period (forecast)*	15th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of earnings)	¥3,244	¥3,296	¥3,289
Operating Revenues	¥37,520 million	¥38,762 million	¥38,243 million
Operating Expenses	¥22,927 million	¥23,294 million	¥23,174 million
Net Income	¥12,377 million	¥13,220 million	¥12,888 million
Total Assets	¥1,187,420 million	¥1,187,144 million	¥1,183,232 million

* The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) for the 13th Fiscal Period Ended February 28, 2022," published April 19, 2022. 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



Cash Distribution per Unit

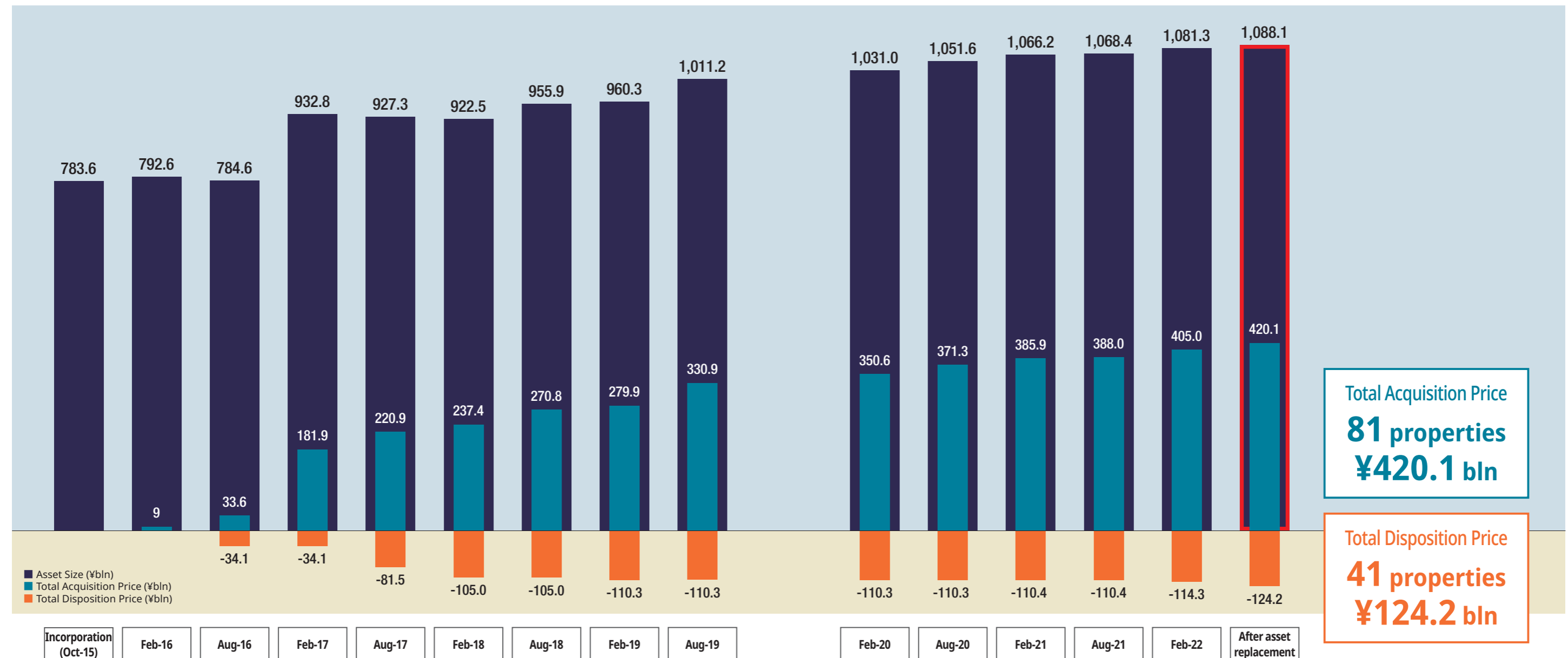


Track Record of Growth since Incorporation

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

	Incorporation		Feb. 2022 FP	After asset replacement (Note 2)
Number of properties	257	Acquisition of high-quality properties mainly developed by the Sponsor	298	299
Ratio of top 10 properties	26.8%		22.1%	22.0%
Ratio of Greater Tokyo area	79.8%	Disposition of less competitive properties due to building age, etc.	83.2%	83.8%
Average building age	19.3 years		20.0 years	20.8 years
DPU (Note 1)	¥2,656		¥3,244 (+22.1%)	

(26.3 years without SPR) (Note 3)



(Note 1) Distributions for February 2016 FP are calculated on a six-month basis for 152 operating days.
 (Note 2) As of March 15, 2023.
 (Note 3) It is an average building age without taking into account the effect of property acquisition and disposition from the original portfolio at incorporation until March 15, 2023.

External Growth

While acquiring relatively recently built sponsor-developed properties in the Greater Tokyo area, properties were sold where there were concerns about reduced competitiveness in the future.

	Logistics	Office	Residential
			
Property	Landport Ome III	PMO Hamamatsucho II	PROUD FLAT Togoshi-Ginza
Acquisition price	¥17,000 mln	¥5,500 mln	¥2,550 mln
Appraisal value	¥18,300 mln	¥5,950 mln	¥2,640 mln
Acquisition date	January 6, 2022	April 1, 2022	March 1, 2022
NOI yield	4.5%	3.6%	4.2%
Asset age	1.1 years	1.6 years	2.0 years
Location and transportation	<ul style="list-style-type: none"> Located approximately 2.9 km from the Ome Interchange on the Ken O Expressway 10-minute walk from Ozaku Station on the JR Ome Line 	<ul style="list-style-type: none"> 2-minute walk from Daimon Station on the Toei Asakusa Line (access to three stations on five lines) Good access to Haneda Airport 	<ul style="list-style-type: none"> 4-minute walk from Togoshi-ginza Station on the Tokyu Ikegami Line (access to two stations on two lines)

	Office	Retail	Retail
			
Property	NMF Utsunomiya Building	Sundai Azaminokou	Ichibancho stear
Sale price	¥2,720 mln	¥6,582 mln	
Appraisal value	¥2,390 mln	¥1,170 mln	¥5,270 mln
Sale date	October 29, 2021	January 31, 2022	March 18, 2022
Asset age	21.8 years	13.2 years	16.0 years
Gain on sale	¥162 mln	¥457 mln	

(Note 1) Asset age is calculated from the date of acquisition or date of sale.

Leveraging the strengths of NMF, an extremely rare, large residential facility was acquired through an exchange with the external owner.

Acquisition: PRIME URBAN Higashi Nakano Court



- Location characteristics**
 - 8-minute walk from Higashi-Nakano Station on the JR Chuo and Sobu Lines, with excellent transportation access to three stations on several lines
 - Asset is highly convenient for daily living with a variety of retail facilities located in front of the nearest station
- Asset characteristics**
 - Common areas and comprehensive security features taking advantage of the economies of scale of all 173 units
 - Substantial number of family-oriented units (two-bedroom and three-bedroom units), demand for which is rising further due to the COVID-19 pandemic

Strengths of NMF in terms of the exchange

- Relations with a wide range of operating companies cultivated by the Nomura Real Estate Group
- Breadth of exchange possibilities that are unique to large and diversified type REITs

Acquisition date	March 15, 2022
Acquisition price	¥7,020 mln
Appraisal value	¥8,020 mln
NOI yield	4.4%
Asset age	12.9 years

Sale: NRE Higashi-nihonbashi Building

Selling schedule	(1) September 15, 2022 (2) March 15, 2023
Scheduled transfer price	¥4,520 mln
Appraisal value	¥4,350 mln
Asset age	32.4 years
Gain on sale	(1) ¥370 mln (2) ¥386 mln

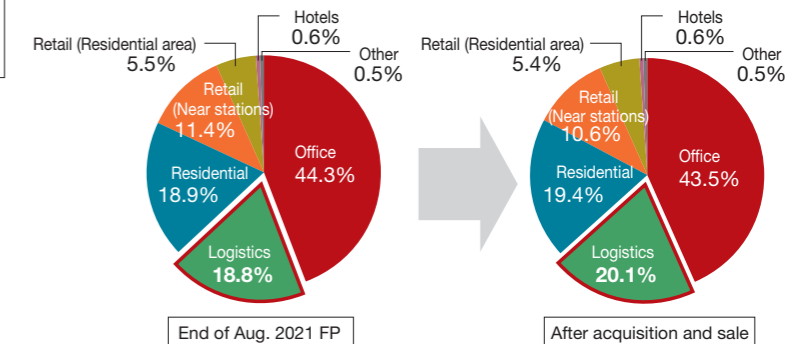
(Note 1) NOI yield is calculated based on the acquisition price or the anticipated sale price.
(Note 2) Asset age is calculated from the date of acquisition or scheduled date of sale.

In addition to expanding the portfolio and improving its quality through asset replacement, unrealized gains were realized across multiple periods.

(1) External growth through utilization of funds from sales and cash reserves

- Scale of assets expanded (total portfolio value +¥19,780 million)
- NOI increased (appraisal NOI +¥757 million ¥/year)

Acquisition: 4 properties Total acquisition price ¥32,070 mln
Sale: 4 properties Total sale price ¥13,822 mln



(2) Improvement of portfolio quality

- Solid increase in ratios for logistics and residential sectors despite COVID-19
- Improved Greater Tokyo area ratio (82.8% ⇒ 83.8%)
- Improved asset age (Average age of acquired assets: 3.8 years / Average age of sold assets: 21.5 years)

(3) Realization of unrealized gains across multiple periods

	Feb. 2022 FP	Aug. 2022 FP (forecast)	Feb. 2023 FP (forecast)	Aug. 2023 FP (forecast)
Gain on sales	¥162 mln (note)	¥757 mln	¥370 mln	¥386 mln

(Note) Separate to the gain on sales, losses on sales during the fiscal period ended February 28, 2022, amounted to 300 million yen, but an amount was appropriated from internal reserves to avoid impacting distributions.

Continued selective investment with a focus on sponsor-developed properties and aimed for distribution growth and improved portfolio quality through utilization of asset replacement and other methods.

Acquisitions

- Selective investments based on profitability and competitiveness even in a rising market, with a focus on sponsor developed properties
- Aiming to acquire high quality external properties by leveraging the strengths of NMF (comprehensive and diversified asset holdings)

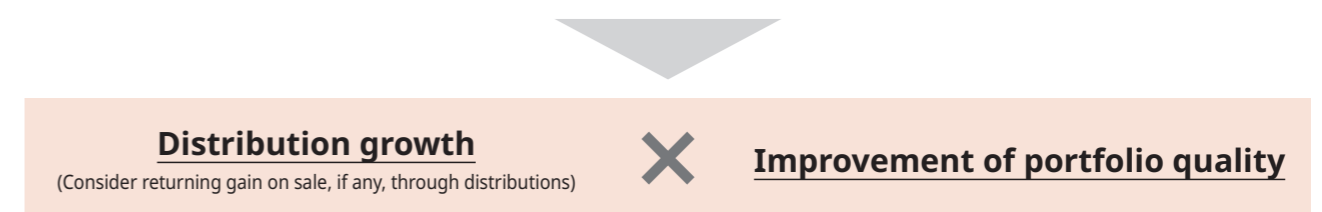
<Quality of sponsor developed properties (Note)>

(1) Ratio of Greater Tokyo area: 83.2% (Greater Tokyo area: 97.9%)

(2) Average building age: 7.9 (Entire portfolio: 20.0)

Disposition

Disposition took future competitive advantage into consideration (profitability, asset age, marketability, area growth potential, medium to long term operation, etc.)



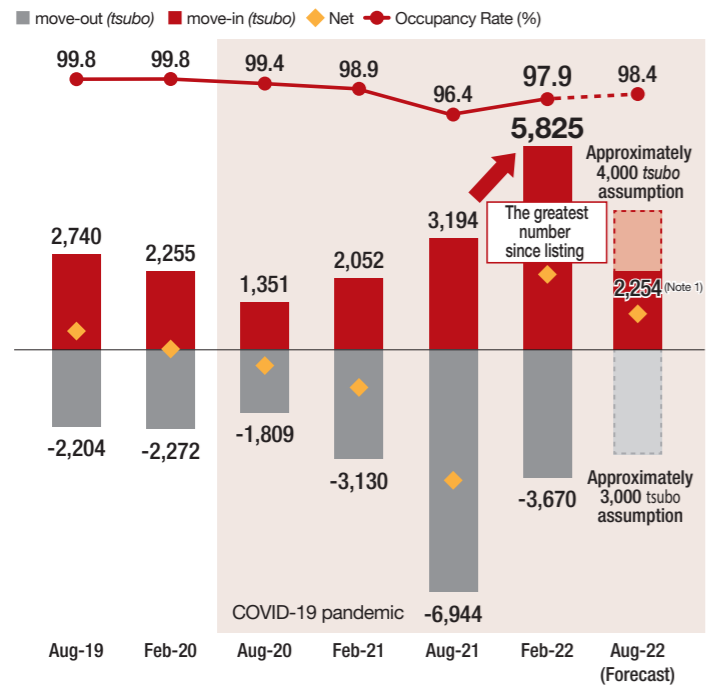
(Note) PMO, GEMS, Landport, and PROUD FLAT series of properties.

Internal Growth -Management Status-

Office

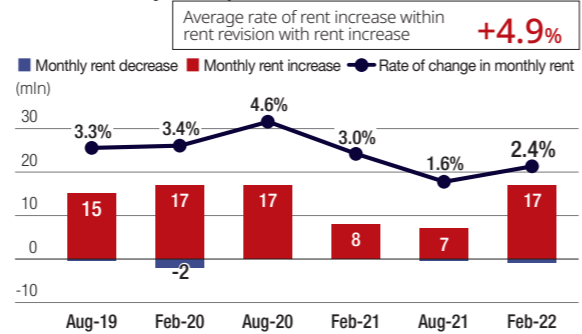
Through active leasing, achieved the greatest number of move-ins since listing on the stock exchange, and dramatically lifted occupancy rates.

Changes in move-in/out floor areas and period-end occupancy rates

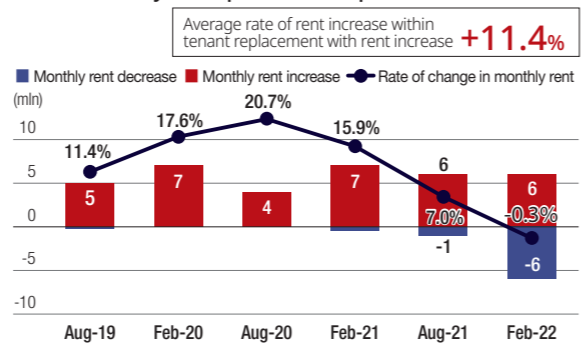


(Note 1) Contracted sections and sections with applications received as of March 31, 2022.

Amount of change in monthly rent and rate of change in monthly rent upon rent revision



Amount of change in monthly rent and rate of change in monthly rent upon tenant replacement



(Note 2) The rates of change in monthly rents are calculated as weighted averages of all relevant sections. This is the same for other sectors explained later.

Logistics

High performance has continued despite the pandemic, with rent increases continuing when re-contracting.

Re-contracted at a higher rent with tenants that have an expired fixed-term lease

Tenant with expired lease during February 2022 FP

- Landport Itabashi: Approx. 16,000 tsubo (2 tenants)
- (Rent increase rate +3.9%)

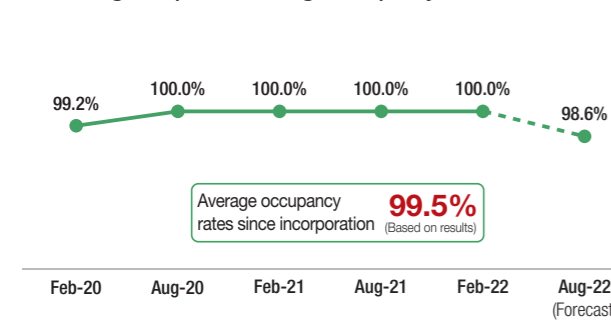
Tenant with expired lease during August 2022 FP

- Atsugi Minami Logistics Center B: Approx. 7,500 tsubo
- (Rent increase rate +2.9%)
- Landport Atsugi: Approx. 5,300 tsubo
- (Rent increase rate +2.2%)

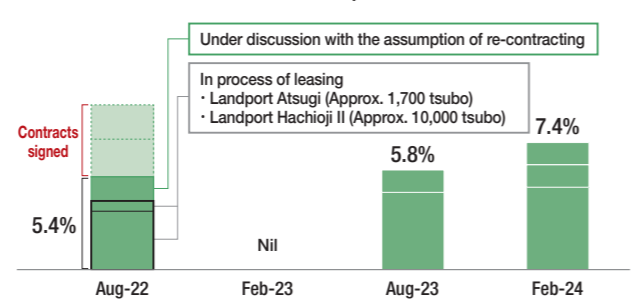


Atsugi Minami Logistics Center B

Changes in period-average occupancy rates



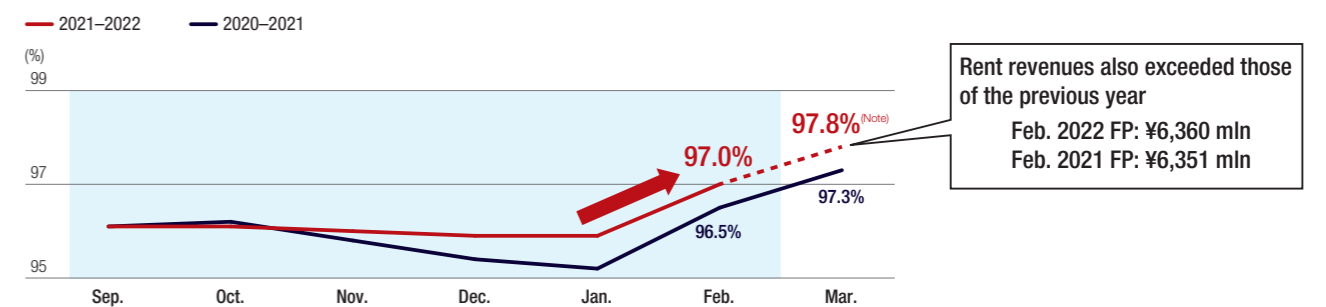
Breakdown of tenants with expired leases (rent basis)



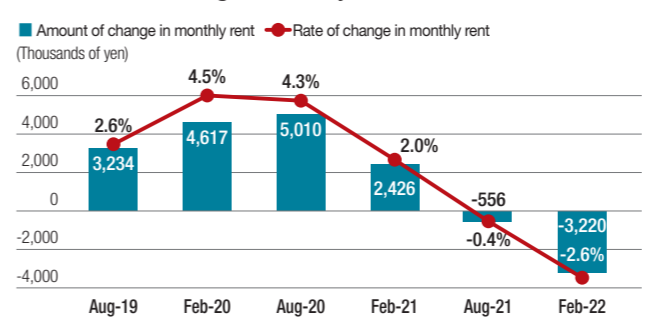
Residential

Occupancy exceeded the same period of the previous year due to an enhanced leasing strategy focused on occupancy rates, with rent revenues also exceeding those of the previous year.

Changes in occupancy rates

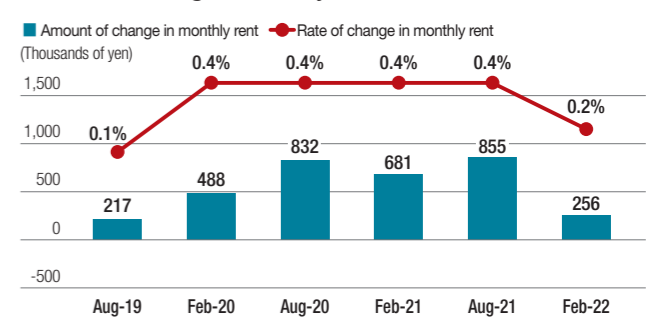


Amount of change in monthly rent at move-ins and move-outs



(Note) Forecast figures as of April 19, 2022.

Rate of change in monthly rent at renewals



Retail

Steadily capture the needs for store openings, which are on a recovery trend although the influence of COVID-19 still remains

Sales status for each facility type

- Sales of facilities located in residential areas continued to be strong
- Although sales of facilities located near stations were on a recovery trend after the lifting of the state of emergency in October, sales stagnated again due to the spread of the Omicron variant since January 2022.

Percentage of fixed rents across the overall retail sector is 97.0% (Note 2)
▶ Rents linked to sales were very limited

Sales status (change from same month of 2019-2020)

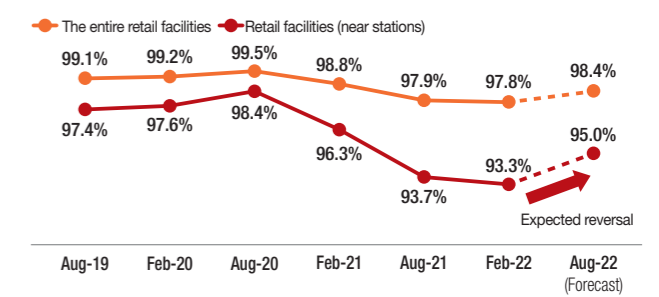
Properties	Kinds	Year 2021-2022 (change from the results of 2019-2020)						Major Tenant
		Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	
Retail Facilities (Residential Areas) ^(Note 1)	Residential Areas	97%	98%	93%	90%	96%	101%	Food supermarket, Retail
Recipe SHIMOKITA	Near Stations	71%	93%	91%	88%	87%	80%	Retail, Services
nORBESA	Near Stations	41%	76%	76%	78%	59%	37%	Restaurant, Retail, Services
Universal Citywalk Osaka	Near Stations	32%	47%	78%	93%	67%	49%	Restaurant, Retail
GEMS	Near Stations	25%	52%	60%	67%	45%	33%	Restaurant

New leasing results (facilities located near stations)

Steadily capture the needs for opening stores with a view to the future

February 2021 FP	August 2021 FP	February 2022 FP
3 cases	8 cases	15 cases (+7 cases)
Offices: 1 Retail: 1 Restaurants: 1	Services: 4 Retail: 2 Restaurants: 2	Restaurants: 6 Retail: 5 Services: 3 Others: 1

Changes in period-end occupancy rate



(Note 1) Tenants whose sales since September 2019 can be ascertained are included.
(Note 2) Calculated based on rents in February 2020 FP before the COVID-19 pandemic.

ESG Measures

Have been actively implementing a wide range of initiatives since 2015, including industry-first initiatives for a J-REIT.

2015 September 2016 GRESB real estate assessment: "Green Star"

2016 September 2017 GRESB real estate assessment: "5-Star"

2017 September 2018 GRESB real estate assessment: "Global Sector Leader"

2018 February 2019 Set ESG materiality issues (Materiality) Set J-REIT-first long-term targets

2019 May 29, 2019 Included in MSCI Japan ESG Select Leaders Index

2020 February 26, 2021 Based on Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), disclosed scenario analysis and financial impact (qualitative assessment) as a first for J-REITs

2021 September 20, 2019 Issued first NMF green bonds

2022 January 30, 2020 First J-REIT certified and registered for EcoAction 21 program, an Environmental Management System (EMS)

2015 December 2015 Established Sustainability Policy

2017 December 2017 Signatory to Principles for Responsible Investment (PRI) and United Nations Environment Programme Finance Initiative (UNEP FI)

2018 October 2018 Participated in Japan Climate Initiative (JCI)

2019 October 2019 Established a dedicated ESG department

2020 March 5, 2020 Received Minister of the Environment Award (the Most Excellent Efforts) from Principles for Financial Action for the 21st Century

2021 December 13, 2021 Received the 2021 Climate Change Action Environment Minister's Commendation

2022 July 14, 2020 Signatory to Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Received an Environment Minister's commendation in recognition of ongoing efforts on climate change, impact on the industry, etc.

Received the 2021 Climate Change Action Environment Minister's Commendation (Dissemination/Promotion category)

In recognition of ongoing efforts for mitigation and adaptation in the area of climate change by Nomura Real Estate Master Fund, Inc. (NMF), Nomura Real Estate Asset Management Co., Ltd., to which NMF entrusts management of its assets, received the 2021 Climate Change Action Environment Minister's Commendation (Dissemination/Promotion category) sponsored by the Ministry of the Environment.



(Award ceremony)
Left: Yutaka Shoda, Vice-Minister for Global Environment, Ministry of the Environment
Right: Koki Miura, President & CEO, Nomura Real Estate Asset Management Co., Ltd.

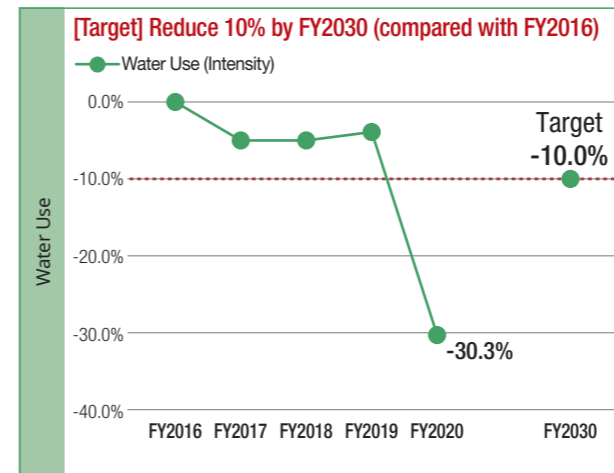
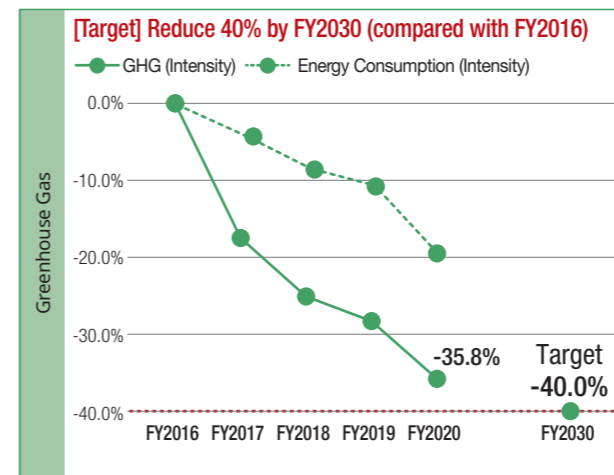
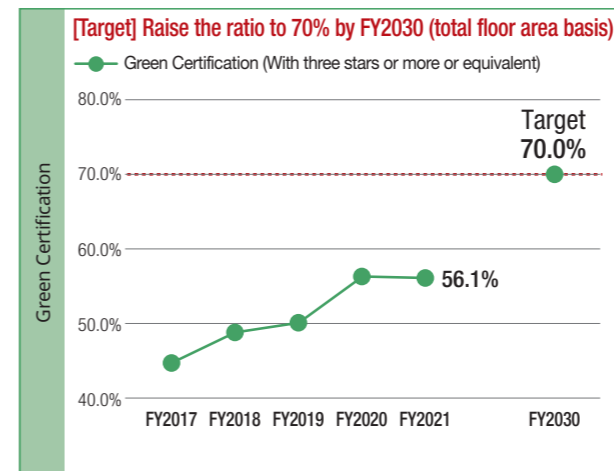
Outline of the Climate Change Action Environment Minister's Commendation

The Climate Change Action Environment Minister's Commendation is a commendation presented by the Ministry of the Environment to individuals and organizations that have made outstanding achievements in addressing climate change. The Ministry launched the Environment Minister's Award for Global Warming Prevention Activities in 1998 as part of its global warming countermeasures, but in consideration of factors such as recent trends in climate change measures in society, the commendation was updated in 2020 to the Climate Change Action Environment Minister's Commendation.



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.

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 13th FP)

(1) Saving Energy with LED Lighting

- NMF Takebashi Building
- PMO Hatchobori
- NMF Nagoya Fushimi Building
- Sagamihara Onodai Logistics Center
- Landport Kasukabe
- Yokosuka More's City
- EQUINIA Aobadai
- PRIME URBAN Shinkawa
- others



Energy reduction by work in the 13th FP
-1,382 Mwh/year (approx.-55.9%)

(2) Saving Energy by Upgrading Air-Conditioners

- NRE Tennozu Building
- Omron Kyoto Center Building
- Sapporo North Plaza

Energy reduction by work in the 13th FP
-385 Mwh/year (approx.-7.9%)

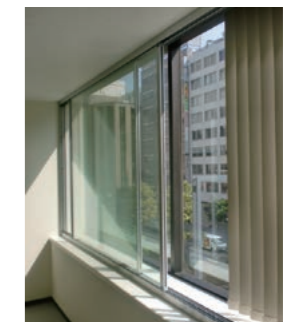
(3) Saving Water by Upgrading Toilets

- NMF Kichijoji Honcho Building
- Recipe SHIMOKITA

Water use reduction by work in the 13th FP
-949 KI/year (approx.-63.1%)

Energy Saving via installing double sash

We are installing double sash to improve heat insulation and reduce the air conditioning energy required to keep the room temperature constant to reduce energy consumption.



Sapporo North Plaza

ESG Measures

S ESG Measures (S: Society)

Initiatives to contribute to local communities

Held "Dining Room for Everyone" and "Nagasaki Fair" at GEMS

- (1) Held "Dining Room for Everyone"
 - To support families with small children in Minato-ku and prompt smiles from children, GEMS stores made original *Ehomaki* (Fortune sushi roll) and each store served them out to 100 families free of charge (two rolls per family).
 - By serving their creative *Ehomaki*, each store also helped to promote itself.



(Participating properties: GEMS Shinbashi, GEMS Daimon, GEMS Tamachi)

- (2) Held "Nagasaki Fair"
 - For the aim of revitalizing local regions, reducing food loss and supporting tenants' sales, we purchase specialty products of Nagasaki Prefecture and provide them to tenants at their request.



(Participating properties: GEMS in the Kanto region)

Sponsored the Coming of Age Ceremony held by Osaka City and Universal Studios Japan

- After postponement of the Coming of Age Ceremony in Osaka City in FY2020, scheduled to be held in January 2021, due to the spread of COVID-19, it was held in January 2022 at Universal Studios Japan.
- Nomura Real Estate Master Fund, Inc. sponsored the event as owner of Universal Citywalk Osaka.



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Measures to improve tenant satisfaction

Offered a variety of services for residents at owned residential properties

- Cook Pad Mart
 - Pick up fresh foodstuff from the dedicated refrigerator installed in the common area of the condominium



- Items sharing services
 - Provision of monthly subscription services for high-quality home electrical appliances
 - Proposal for a sustainable living such as "re-leasing, not discarding"

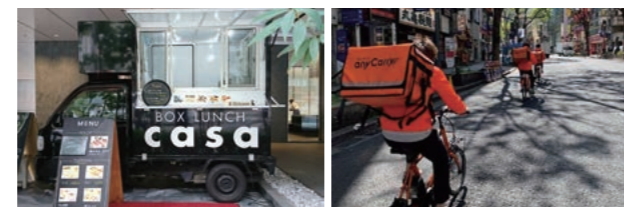


Implemented a variety of measures to increase tenants' sales at owned properties (GEMS)

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



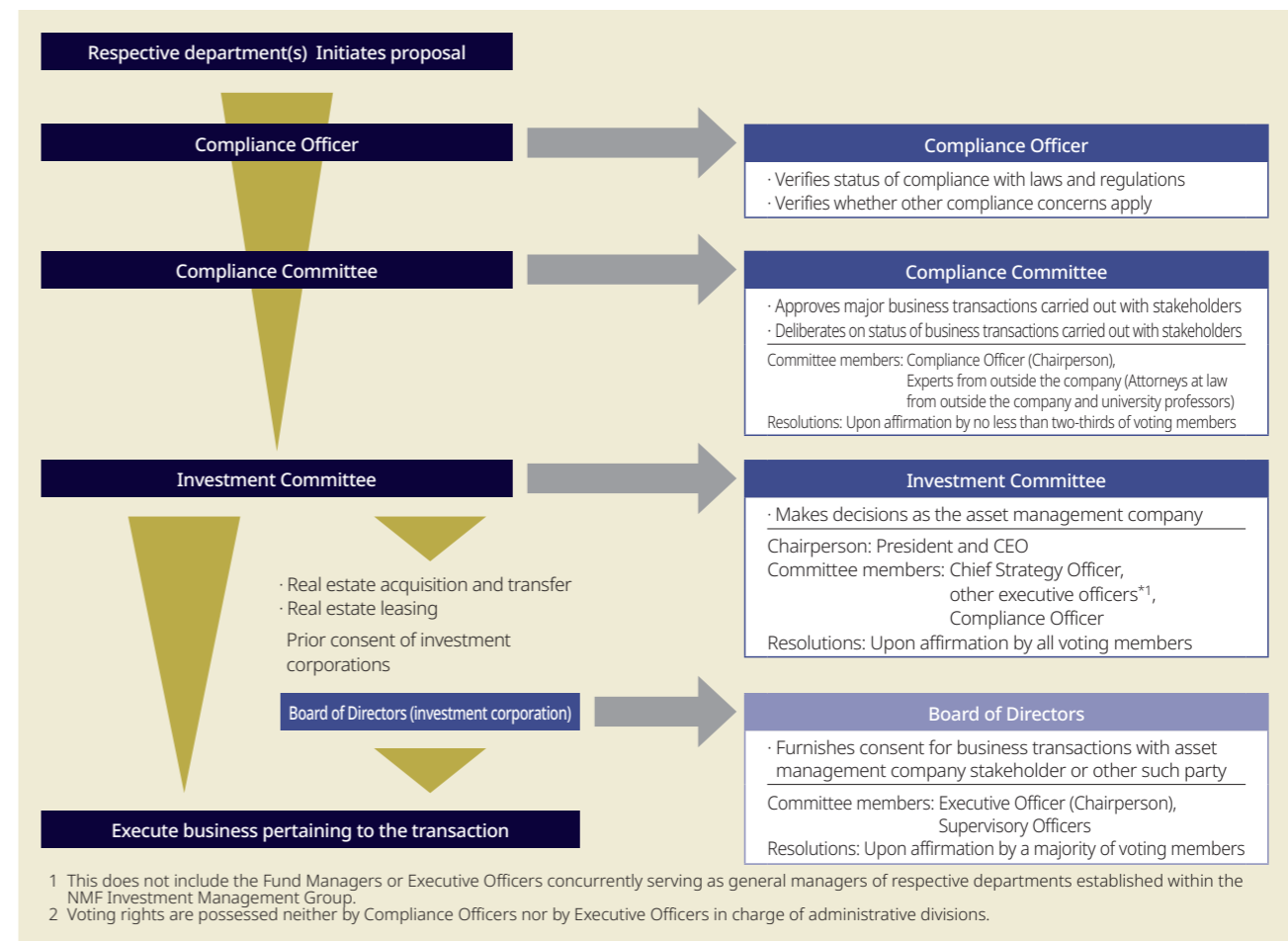
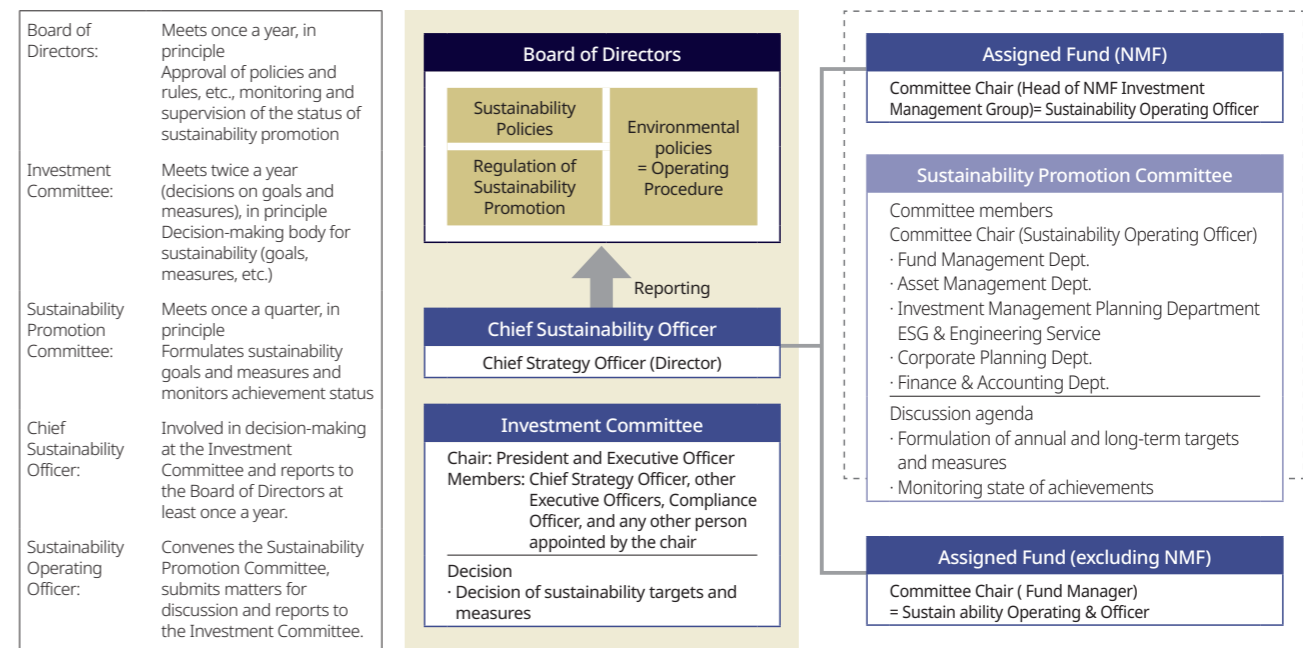
- Food truck
 - Sale of GEMS restaurants foods at condominiums, etc.
- HASHIGO DELIVERY
 - Foods of multiple restaurants in the same GEMS are delivered at the one time



G ESG Measures (G: Governance)

Workable sustainability promotion system

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



1 This does not include the Fund Managers or Executive Officers concurrently serving as general managers of respective departments established within the NMF Investment Management Group.
 2 Voting rights are possessed neither by Compliance Officers nor by Executive Officers in charge of administrative divisions.

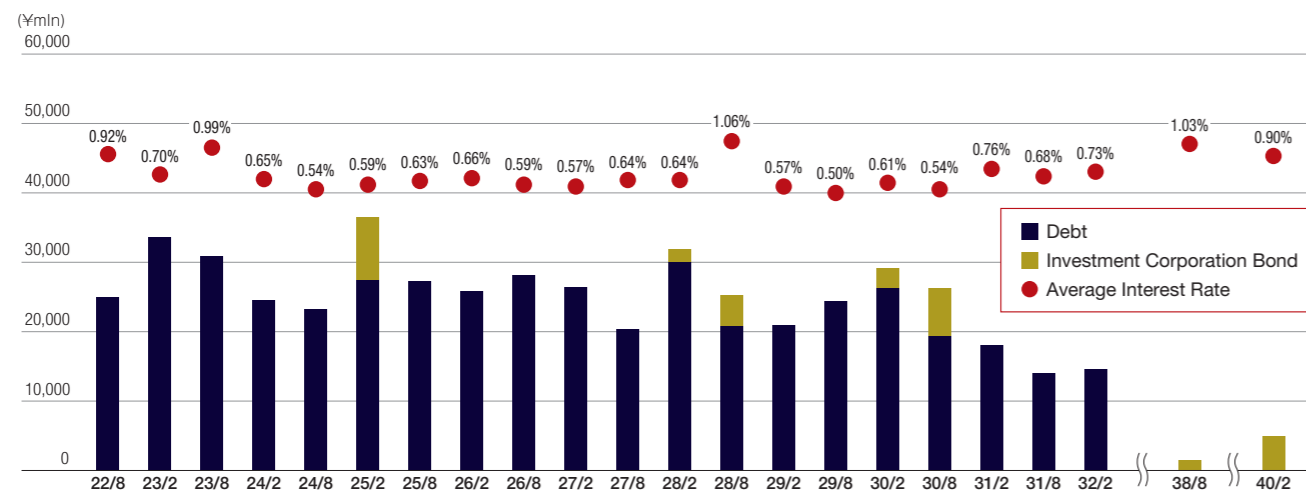
Financing Status

Continued to maintain financial stability by realizing lower interest rates and longer borrowing terms in refinancing

Interest-bearing debt at the end of Feb 2022 FP

	Aug. 2019 (8th FP)	Feb. 2020 (9th FP)	Aug. 2020 (10th FP)	Feb. 2021 (11th FP)	Aug. 2021 (12th FP)	Feb. 2022 (13th FP)
Total interest-bearing debt	¥510,770 million	¥510,727 million	¥517,884 million	¥517,841 million	¥517,798 million	¥517,756 million
Average remaining duration	4.64 years	4.82 years	4.97 years	4.97 years	4.92 years	4.88 years
Average interest rate	0.83%	0.82%	0.76%	0.74%	0.71%	0.68%
Ratio of long-term debt	86.0%	87.1%	88.2%	88.7%	89.4%	88.7%
Ratio of fixed-rate debt	94.1%	95.6%	95.7%	95.7%	95.7%	95.7%
LTV	43.9%	42.8%	43.2%	43.3%	43.4%	43.6%

Diversified maturity of repayment at the end of Feb 2022 FP



Refinancing during Feb 2022 FP

Repayment Overview (Note 1)		Refinancing Overview (Note 2)	
Total amount of repayment	¥30,025 mln	Total amount of refinancing	30,025 mln
Average interest rate	1.02%	Average interest rate	0.59%
Average remaining duration	6.6 years	Average remaining duration	7.9 years

(Note 1) Average remaining duration is weighted average duration 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.

Scheduled repayment during Aug 2022 FP

Scheduled Repayment (Note 3)	
Total amount of repayment	24,980 mln
Average interest rate	0.92%
Average remaining duration	6.7 years

(Note 3) Average remaining duration is weighted average duration at the time of borrowing and average interest rate is weighted average interest rate as of the end of February 2022. Excluding ¥42.8 million in contractual repayment.

Credit 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-

Financial Statement Highlights

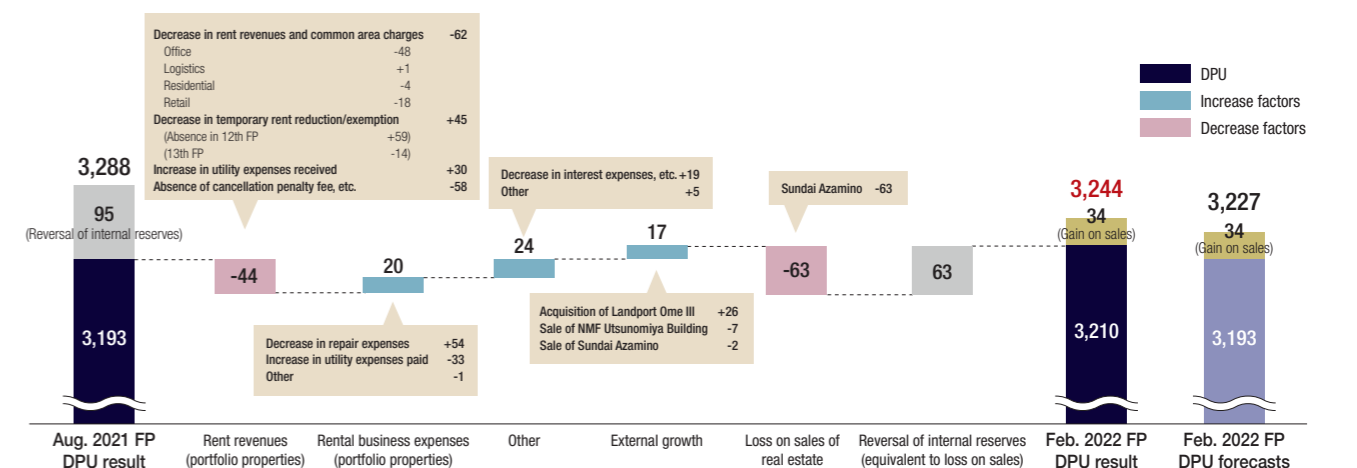
	Ended Aug. 31, 2021 (12th FP)	Ended Feb. 28, 2022 (13th FP)	Differences (B) - (A)
Operating Revenue	37,519	37,520	1
Rental revenues	34,679	34,654	-24
Other rental revenues	2,839	2,703	-136
Gain on sales of real estate	—	162	162
Operating Expense	22,777	22,927	149
Rental business expenses	16,097	15,972	-124
Repair expenses	1,531	1,273	-258
Taxes and public charges	3,263	3,246	-17
Depreciation	5,586	5,609	23
Other rental business expenses	5,715	5,842	127
Loss on sales of real estate	—	300	300
Asset management fees	3,394	3,385	-8
Amortization of goodwill	2,622	2,622	—
Other operating expenses	663	646	-17
Operating profit	14,741	14,593	-148
Non-operating revenues	4	3	-1
Non-operating expenses	2,310	2,216	-94
Interest expenses and other financial costs	2,297	2,205	-92
Other non-operating expenses	12	10	-2
Ordinary income	12,435	12,380	-55
Net income	12,434	12,377	-56
(Net income excluding realized gain)	(12,434)	(12,515)	(80)
Distribution of earnings (a)	12,433	12,377	-56
Distribution in excess of net earnings (b)	3,069	2,918	-150
Total distributions (a)+(b)	15,503	15,296	-207
Internal reserves	-447	-300	146
(Total Internal reserves)	(2,691)	(2,391)	(-300)
DPU	3,288	3,244	-44
Distributions of earnings per unit	2,637	2,625	-12
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	387	444	57
Distributions in excess of retained earnings per unit [other distributions in excess of net earnings]	264	175	-89
Total assets	1,192,507	1,187,420	-5,086
Interest-bearing debt	517,798	517,756	-42
LTV	43.4%	43.6%	0.2%
Market capitalization	800,169	715,767	-84,402
NOI	27,008	26,995	-13
FFO	20,651	20,755	103

Main factors accounting for differences between the 12th results and the 13th results (¥mln)

Operating Revenue	1
Rental revenues	-24
Rent and common area charges- (of which, absence of rent reduction/exemption in 12th FP +280, rent reduction/exemption in 13th FP -65)	-80
Impact of acquisition and disposition	56
Other rental revenues	-136
Increase in utility expenses received	139
Reduction of cancellation penalty fee, etc.	-276
Gain on sales of real estate	162
Operating Expense	149
Rental Business Expenses	-124
Decrease in repair expenses	-258
Increase in utility expenses paid	152
Decrease in other expenses	-18
Loss on sales of real estate	300
Asset management fees/Other operating expenses	-27
Non-operating expenses	-94
Interest expenses and other financial costs	-92
Net income	-56
Absence of 12th FP's reversal of internal reserves	-447
13th FP's reversal of internal reserves (equivalent amount of loss on sales of real estate)	300

Despite decreased DPU due to absence of reversal of internal reserves, final DPU was up 17 yen from the earnings forecast due to external growth and returning gain on sales.

Main factors in change of DPU (¥/unit)



Portfolio Analysis (As of Feb. 28, 2022)

NUMBER OF PROPERTIES

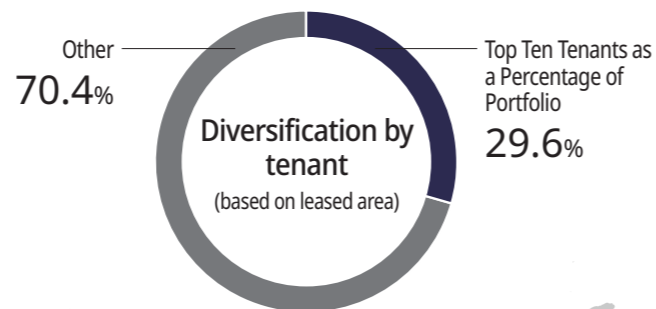
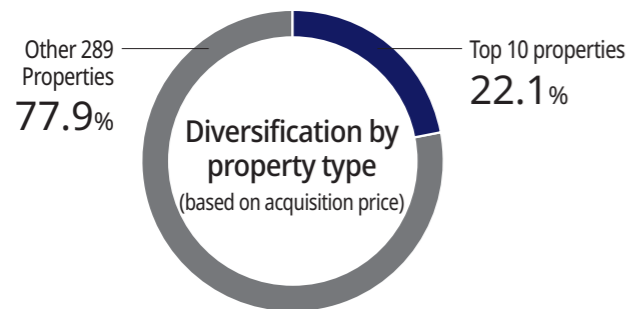
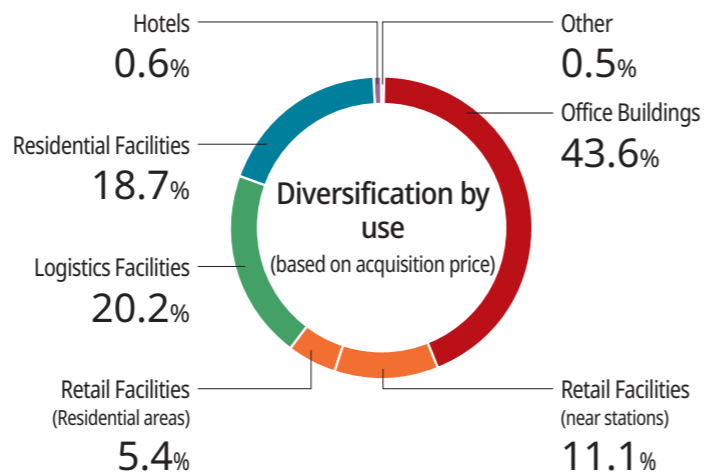
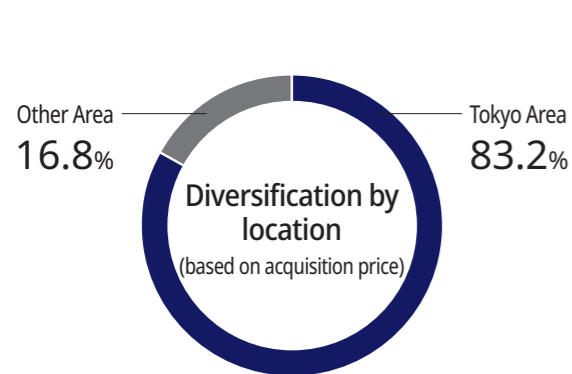
ASSET SIZE

OCCUPANCY RATE

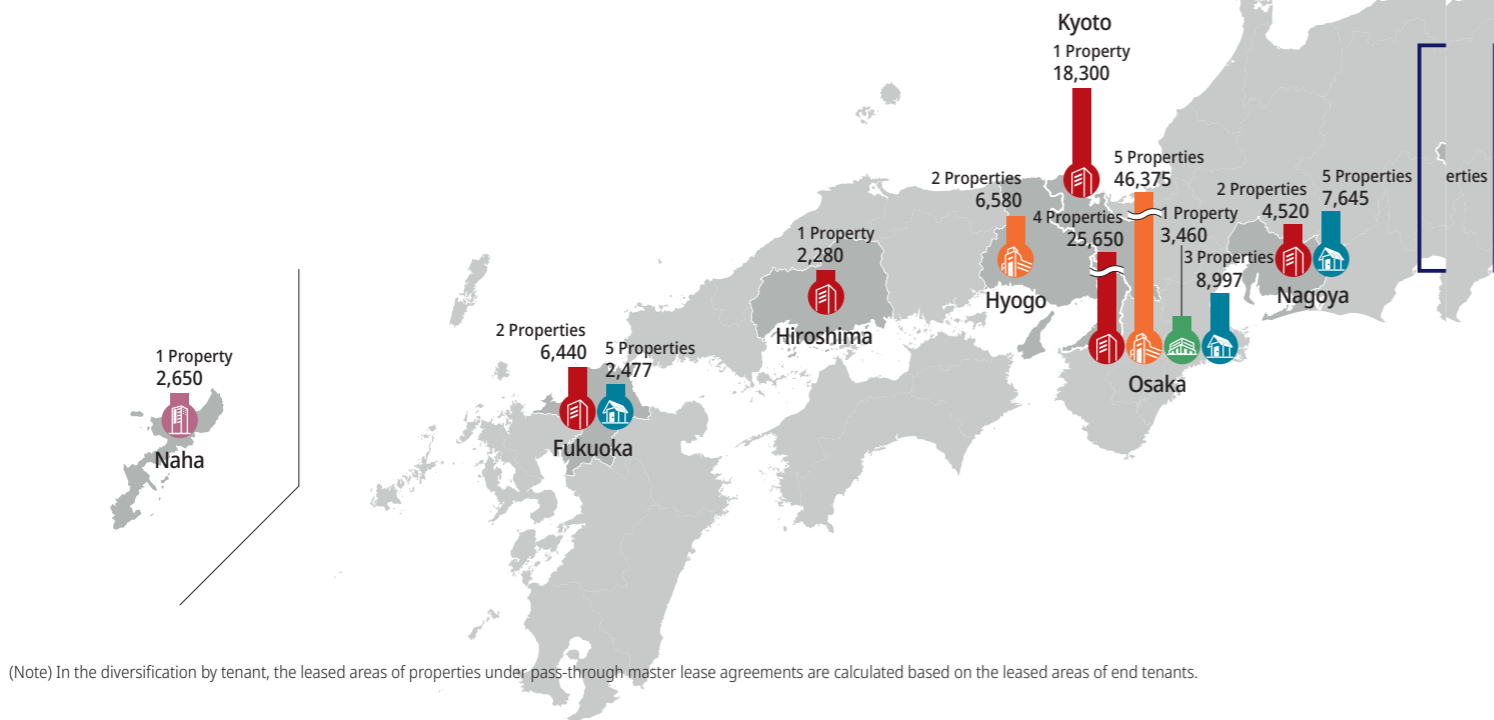
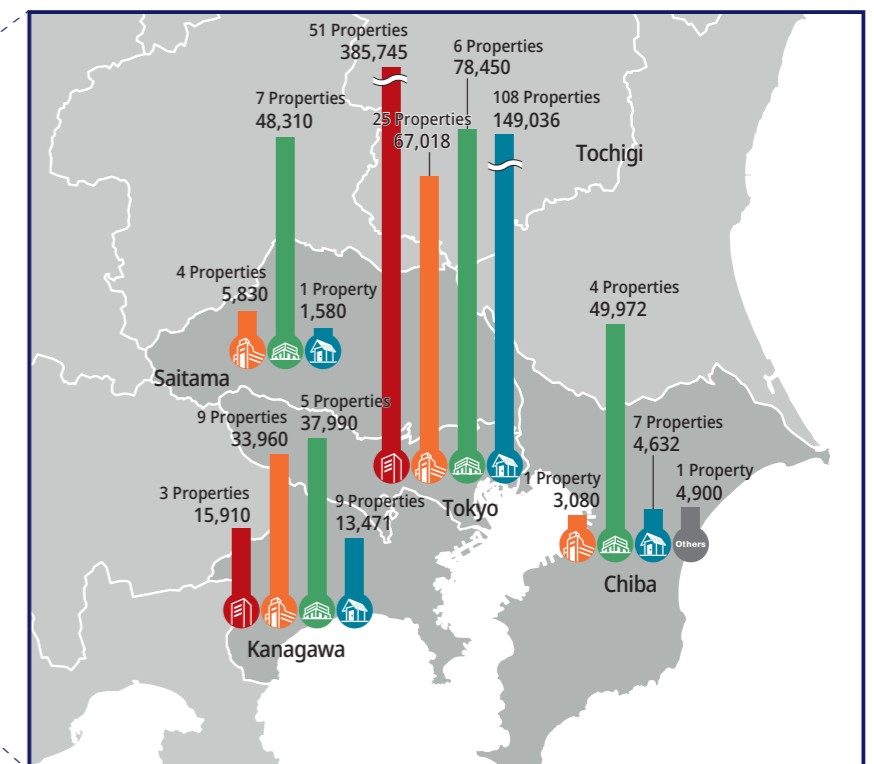
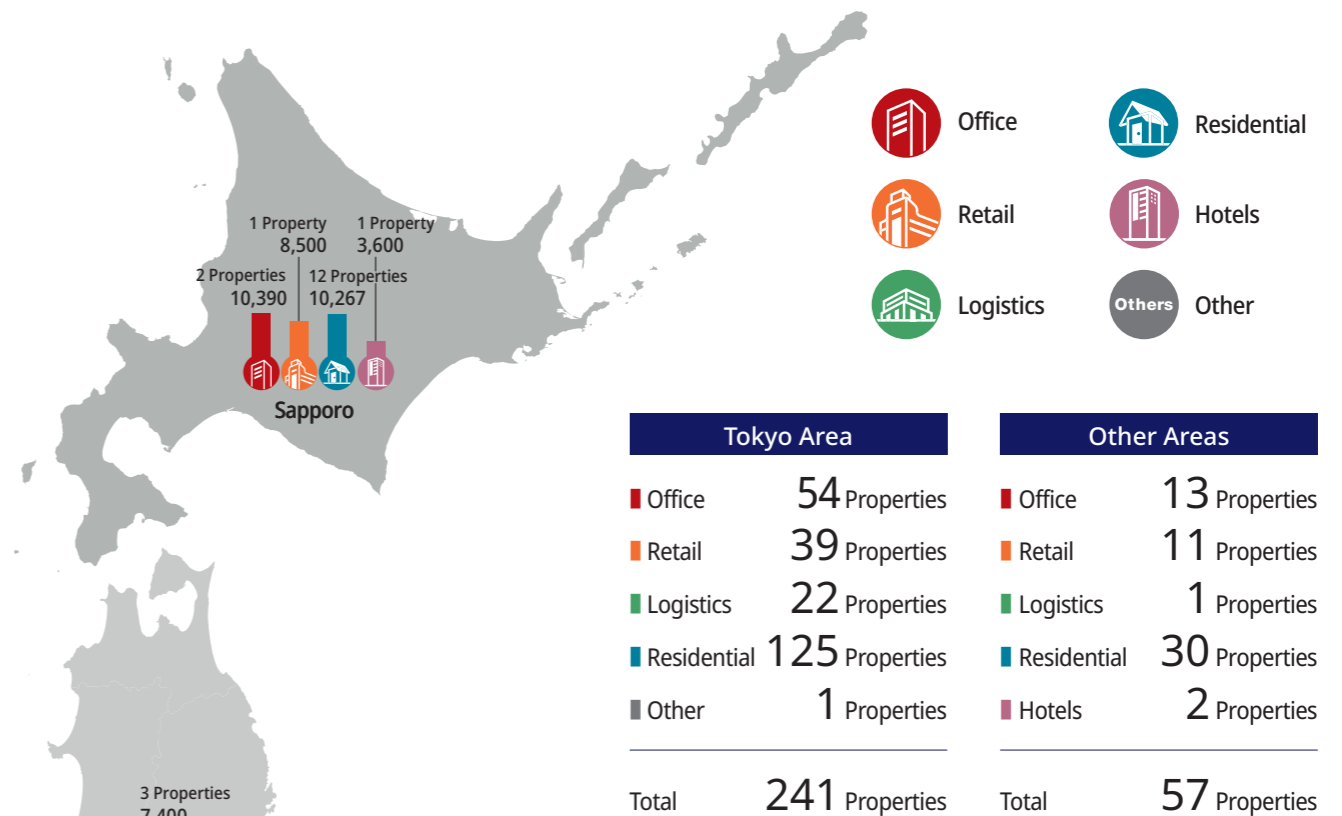
298 properties

¥1,081,389 million

98.7%



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



(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.



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

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



PMO Tamachi II
 Location: Minato Ward, Tokyo
 Total floor area: 7,088.17 m²



PMO Nihonbashi Honcho
 Location: Chuo Ward, Tokyo
 Total floor area: 3,507.37 m²



PMO Ochanomizu
 Location: Chuo Ward, Tokyo
 Total floor area: 2,670.12 m²



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



nORBESA
 Location: Sapporo City, Hokkaido
 Total floor area: 21,564.42 m²



Kawasaki More's
 Location: Kawasaki City, Kanagawa
 Total floor area: 18,727.37 m²



NMF Aoyama 1-chome Building
 Location: Minato Ward, Tokyo
 Total floor area: 10,063.05 m²



NMF Kawasaki Higashiguchi Building
 Location: Kawasaki City, Kanagawa
 Total floor area: 10,932.69 m²



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



EQUINIA Shinjuku
 Location: Shinjuku Ward, Tokyo
 Total floor area: 5,221.88 m²



NMF Kobe Myodani Building
 Location: Kobe City, Hyogo
 Total floor area: 14,619.46 m²



GEMS Daimon
 Location: Minato Ward, Tokyo
 Total floor area: 1,387.89 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 Ome III** **NEW**
 Location: Ome City, Tokyo
 Acquisition price: ¥17,000 million
 Total floor area: 73,087.15 m²



3 **Landport Itabashi**
 Location: Itabashi Ward, Tokyo
 Acquisition price: ¥15,710 million
 Total floor area: 53,561.44 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 Ome I
 Location: Ome City, Tokyo
 Total floor area: 57,721.34 m²



Landport Ome II
 Location: Ome City, Tokyo
 Total floor area: 63,879.98 m²



Landport Kashiwa Shonan II
 Location: Kashiwa City, Chiba
 Total floor area: 51,485.62 m²



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



PROUD FLAT Togoshi-Koen
 Location: Shinagawa Ward, Tokyo
 Total floor area: 3,354.13 m²



PROUD FLAT Soto kanda
 Location: Chiyoda Ward, Tokyo
 Total floor area: 2,882.48 m²



Landport Hachioji
 Location: Hachioji City, Tokyo
 Total floor area: 35,948.63 m²



Sagamihara Onodai Logistics Center
 Location: Sagamihara City, Kanagawa
 Total floor area: 49,927.89 m²



Atsugi Minami Logistics Center B Tower
 Location: Atsugi City, Kanagawa
 Total floor area: 24,929.27 m²



PRIME URBAN Nihonbashi Yokoyamacho
 Location: Chuo Ward, Tokyo
 Total floor area: 6,898.33 m²



PRIME URBAN Kagurazaka
 Location: Shinjuku Ward, Tokyo
 Total floor area: 4,079.83 m²



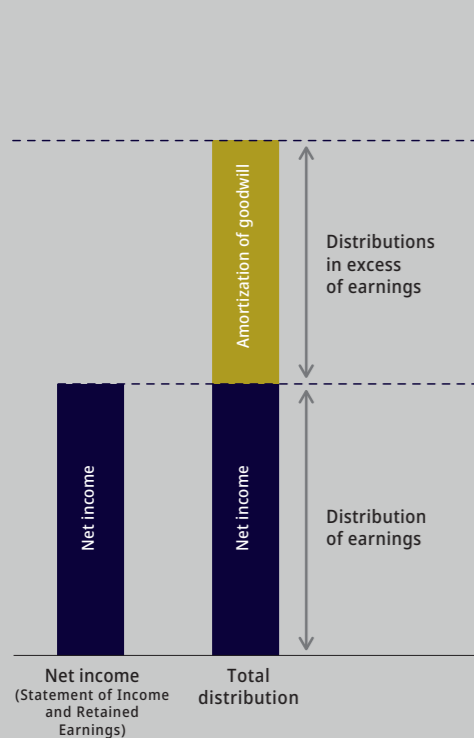
PRIME URBAN Sakaisuji Honmachi
 Location: Osaka City, Osaka
 Total floor area: 4,231.41 m²



Distribution policy

Basic Distribution Policy

Net income + amortization of goodwill



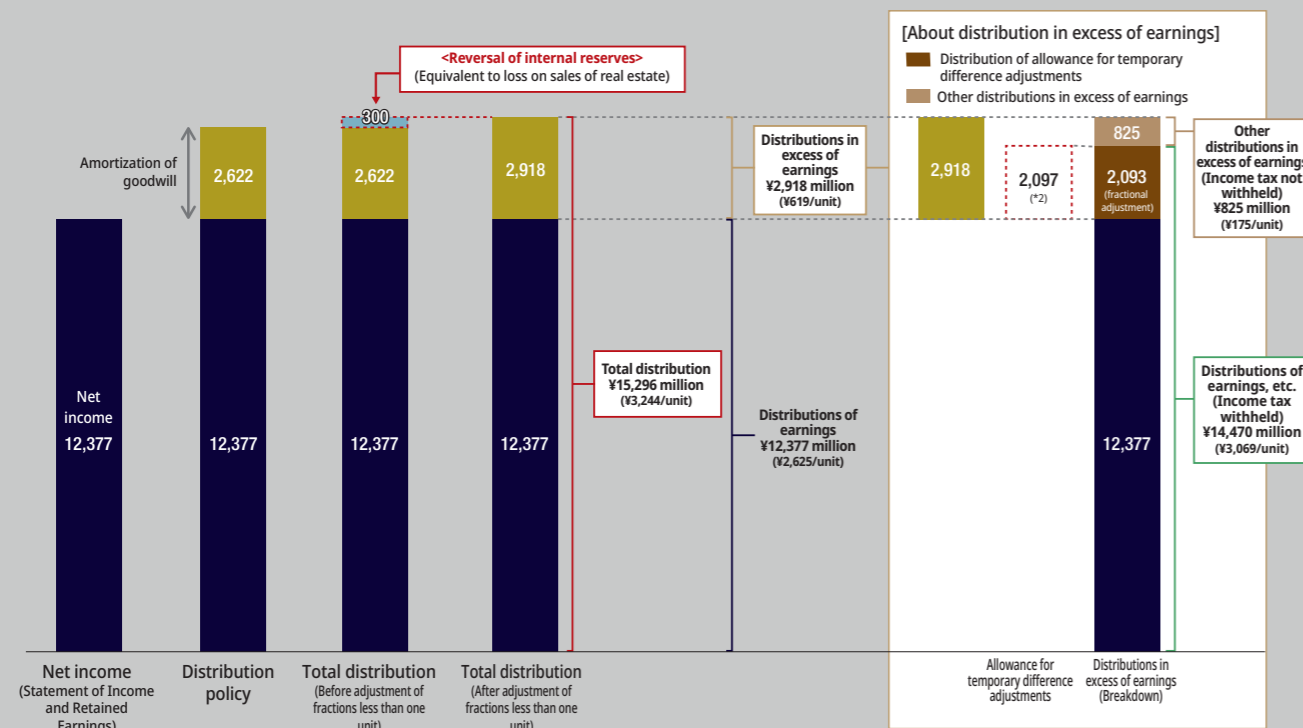
Distribution Policy for Periods with Gain on Sales

Distributions in excess of 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)



* Figures shown above are for illustrative purposes only

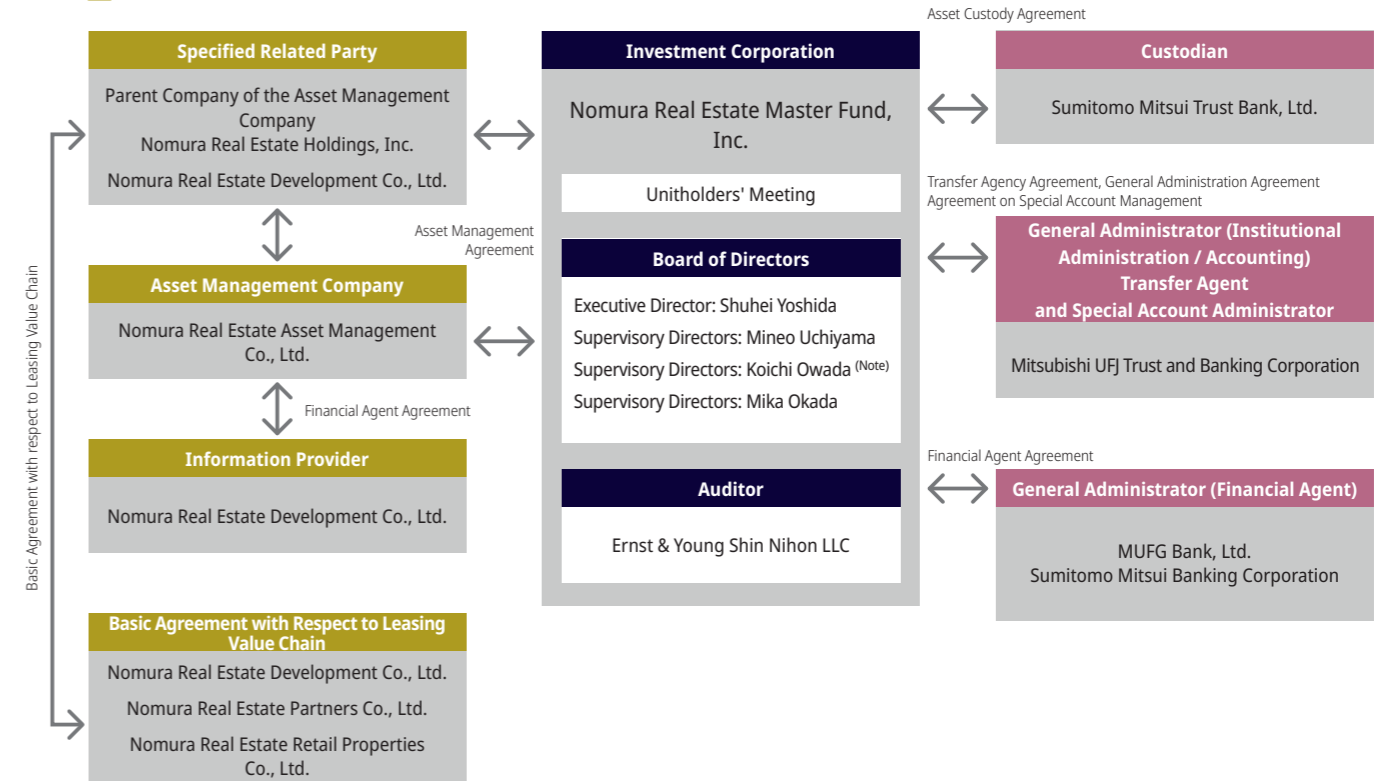
Distributions in Excess of Earnings in the Fiscal Period Ended February 2022



(Note 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.
 (Note 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).

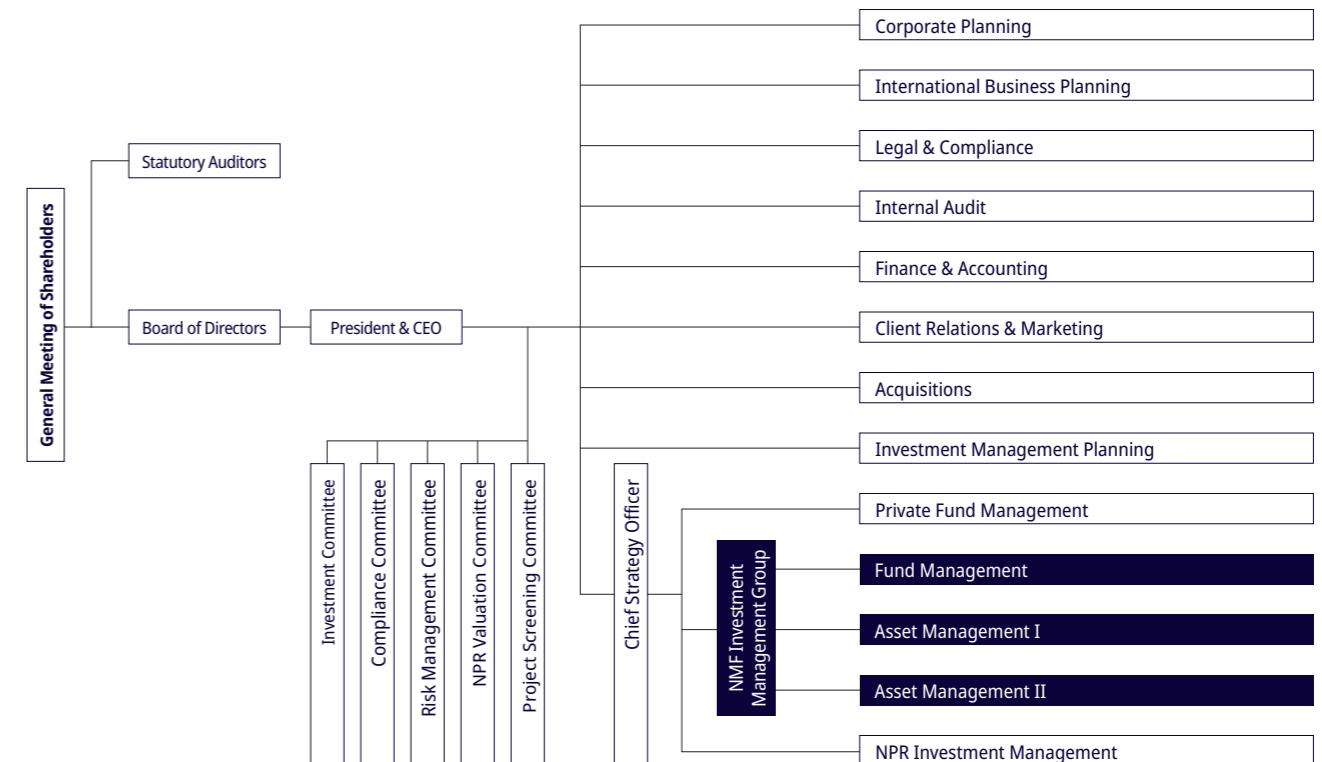
Structure and Organization

Structure of NMF



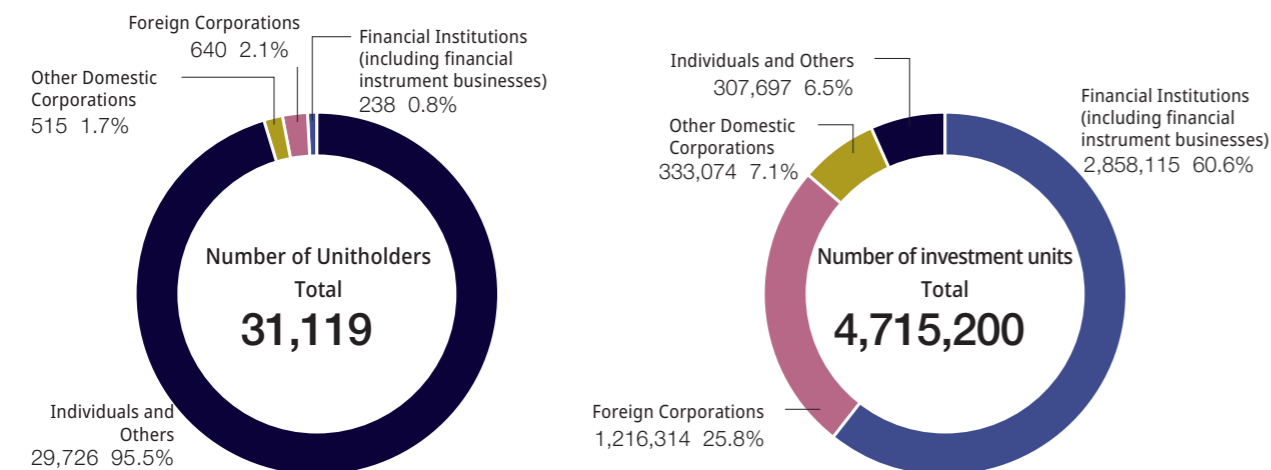
(Note) As of April 30, 2022, Koichi Owada retired as Supervisory Director.

Organization of NREAM

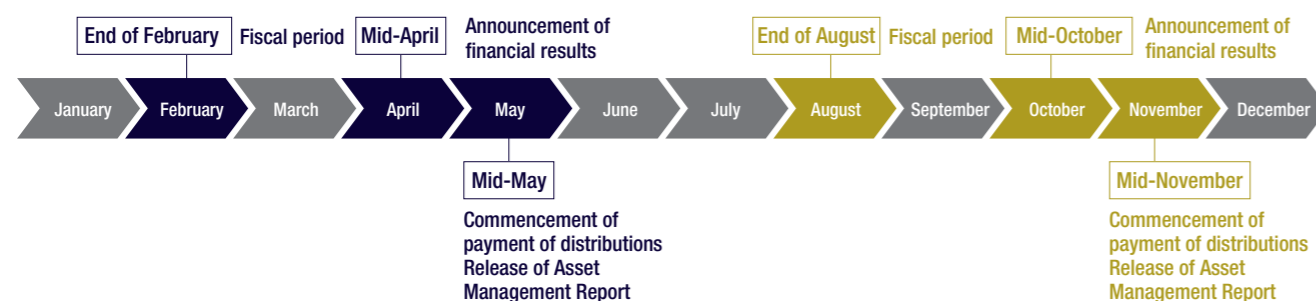


Unitholder Information

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.

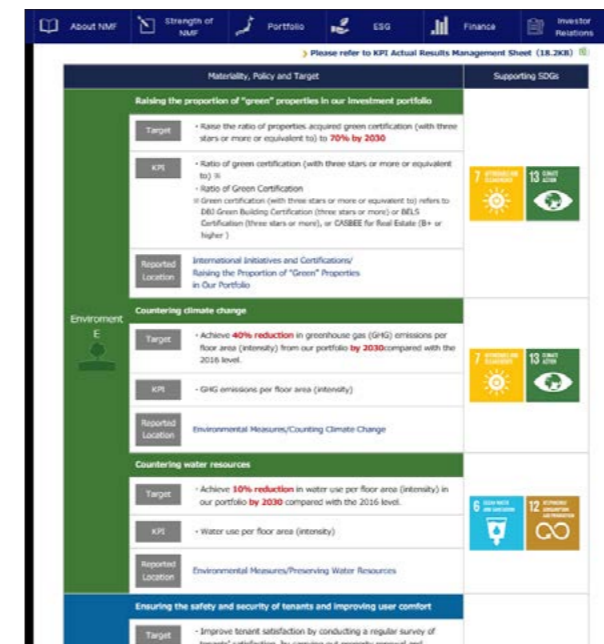
Important Reminders for Unitholders

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 Securities Exchange (securities code: 3462)
Newspaper for announcements	Nihon Keizai Shimbun
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the 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 for the Aug. 2021 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, 2021	As of February 28, 2022
ASSETS		
Current Assets:		
Cash and bank deposits	63,111,539	50,237,480
Rental receivables	722,315	577,103
Other current assets	1,282,492	1,377,273
Total current assets	65,116,347	52,191,857
Property and Equipment:		
Land	736,068,822	745,177,983
Buildings and structures	362,880,018	368,928,614
Machinery and equipment	2,017,603	2,081,726
Tools, furniture and fixtures	1,658,047	1,770,723
Leased assets	4,752	4,752
Construction in progress	124,467	70,431
Subtotal	1,102,753,711	1,118,034,231
Less accumulated depreciation	(63,009,077)	(67,941,527)
Net property and equipment	1,039,744,634	1,050,092,704
Investments and Other Assets:		
Goodwill	75,098,009	72,475,766
Leasehold rights	8,957,374	8,956,988
Intangible assets	51,714	50,162
Long-term prepaid expenses	1,979,162	2,176,053
Long-term deposits	478,665	445,088
Security deposits	925,784	885,773
Derivative assets	6,336	4,632
Deferred investment corporation bond issuance costs	149,540	141,555
Total investments and other assets	87,646,588	85,136,020
Total Assets	1,192,507,570	1,187,420,582

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

	Thousands of Yen	
	As of August 31, 2021	As of February 28, 2022
LIABILITIES		
Current Liabilities:		
Trade accounts payable	2,588,017	1,627,787
Current portion of long-term debt	55,090,600	58,615,600
Lease obligations	871	871
Other accounts payable	2,763,065	2,475,394
Accrued expenses	357,458	317,250
Accrued income taxes	1,125	2,683
Accrued consumption taxes	957,285	182,342
Rent received in advance	5,655,117	5,588,079
Unearned revenue	60,233	26,694
Provision for loss on disaster	30,450	20,370
Derivatives liabilities	61,671	27,412
Other current liabilities	11,188	17,755
Total current liabilities	67,577,084	68,902,241
Long-term Liabilities:		
Investment corporation bonds	32,000,000	32,000,000
Long-term debt	430,708,200	427,140,400
Lease obligations	2,468	2,032
Long-term advances received	14,854	7,706
Security deposits from tenants	42,161,565	42,413,496
Derivatives liabilities	141,998	76,619
Total long-term liabilities	505,029,087	501,640,254
Total Liabilities	572,606,171	570,542,496
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	244,739,887	244,893,909
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(16,624,976)	(18,295,737)
Other deductions from capital surplus	(14,815,391)	(16,214,225)
Total deductions from capital surplus	(31,440,368)	(34,509,963)
Net capital surplus	362,572,590	359,502,995
Retained earnings	12,786,253	12,575,751
Total surplus	375,358,843	372,078,747
Total unitholders' equity	620,098,731	616,972,656
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(197,332)	(94,570)
Total valuation and translation adjustments	(197,332)	(94,570)
Total Net Assets	619,901,398	616,878,085
Total Liabilities and Net Assets	1,192,507,570	1,187,420,582

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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	37,519,267	37,358,086
Gain on sales of real estate	—	162,853
	37,519,267	37,520,940
Operating Expenses:		
Real estate rental expenses	16,097,387	15,972,567
Loss on sale of real estate	—	300,369
Asset management fees	3,394,277	3,385,703
Asset custody fees	57,154	57,099
Administrative service fees	178,250	172,567
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	428,539	417,172
	22,777,851	22,927,722
Operating Income	14,741,415	14,593,218
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	328	292
Reversal of dividends payable	3,024	2,845
Interest on refund	—	7
Other non-operating revenues	1,142	6
	4,494	3,152
Non-Operating Expenses:		
Interest expense	1,677,807	1,585,499
Interest expenses on investment corporation bonds	173,528	170,560
Amortization of investment corporation bonds issuance costs	7,984	7,984
Loan arrangement fees	446,432	449,353
Other non-operating expenses	4,824	2,740
	2,310,577	2,216,139
Ordinary Income	12,435,333	12,380,230
Income before Income Taxes	12,435,333	12,380,230
Income Taxes:		
Current	1,171	2,727
	1,171	2,727
Net Income	12,434,161	12,377,502
Retained earnings brought forward	352,091	198,249
Retained Earnings at End of Period	12,786,253	12,575,751

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, 2021 to August 31, 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 March 1, 2021	4,715,200	244,606,999	394,012,959	(14,994,380)	(13,763,038)	(28,757,419)	365,255,539
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	132,888	—	132,888	(132,888)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,763,484)	—	(1,763,484)	(1,763,484)
Other distributions in excess of net earnings	—	—	—	—	(919,464)	(919,464)	(919,464)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	132,888	—	(1,630,596)	(1,052,352)	(2,682,948)	(2,682,948)
Balance as of August 31, 2021	4,715,200	244,739,887	394,012,959	(16,624,976)	(14,815,391)	(31,440,368)	362,572,590

	Unitholders' Equity		Valuation and Translation Adjustments			Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance as of March 1, 2021	13,503,646	378,759,186	623,366,185	(351,354)	(351,354)	623,014,831
Distributions of retained earnings	(13,018,667)	(13,018,667)	(13,018,667)	—	—	(13,018,667)
Reversal of allowance for temporary difference adjustments	(132,888)	(132,888)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,763,484)	(1,763,484)	—	—	(1,763,484)
Other distributions in excess of net earnings	—	(919,464)	(919,464)	—	—	(919,464)
Net income	12,434,161	12,434,161	12,434,161	—	—	12,434,161
Net changes of items other than unitholders' equity	—	—	—	154,021	154,021	154,021
Total changes of items during the period	(717,393)	(3,400,342)	(3,267,454)	154,021	154,021	(3,113,432)
Balance as of August 31, 2021	12,786,253	375,358,843	620,098,731	(197,332)	(197,332)	619,901,398

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

For the period from September 1, 2021 to February 28, 2022

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, 2021	4,715,200	244,739,887	394,012,959	(16,624,976)	(14,815,391)	(31,440,368)	362,572,590
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	154,021	—	154,021	(154,021)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,824,782)	—	(1,824,782)	(1,824,782)
Other distributions in excess of net earnings	—	—	—	—	(1,244,812)	(1,244,812)	(1,244,812)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	154,021	—	(1,670,760)	(1,398,834)	(3,069,595)	(3,069,595)
Balance as of February 28, 2022	4,715,200	244,893,909	394,012,959	(18,295,737)	(16,214,225)	(34,509,963)	359,502,995

	Unitholders' Equity		Valuation and Translation Adjustments			Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance as of September 1, 2021	12,786,253	375,358,843	620,098,731	(197,332)	(197,332)	619,901,398
Distributions of retained earnings	(12,433,982)	(12,433,982)	(12,433,982)	—	—	(12,433,982)
Reversal of allowance for temporary difference adjustments	(154,021)	(154,021)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,824,782)	(1,824,782)	—	—	(1,824,782)
Other distributions in excess of net earnings	—	(1,244,812)	(1,244,812)	—	—	(1,244,812)
Net income	12,377,502	12,377,502	12,377,502	—	—	12,377,502
Net changes of items other than unitholders' equity	—	—	—	102,762	102,762	102,762
Total changes of items during the period	(210,501)	(3,280,096)	(3,126,075)	102,762	102,762	(3,023,312)
Balance as of February 28, 2022	12,575,751	372,078,747	616,972,656	(94,570)	(94,570)	616,878,085

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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	12,435,333	12,380,230
Depreciation	5,587,125	5,610,152
Amortization of goodwill	2,622,242	2,622,242
Amortization of investment corporation bonds issuance costs	7,984	7,984
Increase (Decrease) in provision for loss on disaster	(550)	(10,080)
Interest income	(328)	(292)
Interest expense	1,851,336	1,756,060
Loss on disposal of property and equipment	15,436	5,191
Decrease (Increase) in rental receivables	97,507	134,952
Decrease (Increase) in long-term prepaid expenses	(3,130)	(196,890)
Decrease (Increase) in long-term deposits	63,569	33,577
Increase (Decrease) in trade accounts payable	105,630	(960,230)
Increase (Decrease) in other accounts payable	(108,257)	(15,348)
Increase (Decrease) in accrued consumption taxes	404,292	(774,942)
Increase (Decrease) in rent received in advance	13,987	(67,037)
Decrease in property and equipment in trust due to sales	—	3,896,189
Other	32,912	(73,306)
Subtotal	23,125,092	24,348,452
Interest received	328	292
Interest paid	(1,862,616)	(1,836,956)
Income taxes paid	(1,074)	(1,170)
Net cash provided by (used in) operating activities	21,261,729	22,510,618
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(5,922,923)	(20,168,775)
Payments for purchases of leasehold rights and intangible assets	(17,636)	(4,339)
Reimbursement of security deposits to tenants	(1,594,948)	(1,666,403)
Proceeds from security deposits from tenants	1,284,481	1,962,236
Proceeds from security deposits	—	40,011
Net cash provided by (used in) investing activities	(6,251,026)	(19,837,271)
Cash Flows from Financing Activities		
Proceeds from long-term debt	28,650,000	30,025,000
Repayments of long-term debt	(28,692,800)	(30,067,800)
Distributions to unitholders	(13,014,277)	(12,434,078)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,763,205)	(1,825,166)
Other distributions in excess of net earnings	(919,559)	(1,245,360)
Net cash provided by (used in) financing activities	(15,739,842)	(15,547,404)
Net Increase (Decrease) in Cash and Cash Equivalents	(729,140)	(12,874,058)
Cash and Cash Equivalents at Beginning of Period	63,840,679	63,111,539
Cash and Cash Equivalents at End of Period	63,111,539	50,237,480

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	3–70 years
Structures	5–45 years
Machinery and equipment	6–17 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 11th 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.

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 not applicable for the fiscal period ended August 31, 2021 and ¥114,569 thousand for the fiscal period ended February 28, 2022.

Revenue recognition

Main performance obligations concerning revenues from contracts with NMF's customers and normal points in time when the obligations are satisfied (normal points in time when revenues are recognized) are as follows:

(1) Disposition of real estate

Gains on sale of real estate are recorded at the points in time when customers or the buyers acquire control over the real estate by NMF satisfying delivery obligations stipulated in the contracts on real estate disposition.

(2) Utility expense revenues

Utility expense revenues are recorded according to the supply of electricity, water, etc. to customers or the tenants based on the lease contracts and attached agreements.

Among utility expense revenues, when NMF is acting as an agent in a transaction, it is NMF's policy to recognize net amounts as revenues after deducting the amounts paid to the suppliers of electricity, gas, etc. from the amounts NMF received as utility charges.

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.

Method of accounting for non-deductible consumption tax, etc.

Non-deductible consumption tax, etc., on such items, as noncurrent assets is included in the acquisition costs of individual items.

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.

Concerning Changes in Accounting Policies

(1) Adoption of accounting standard concerning revenue recognition

NMF decided that it would adopt the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020) from the beginning of the accounting period under review, and that it would recognize revenues in the amounts expected to be received in exchange for promised goods or services at the point in time when control over the goods or services is transferred to customers. There is no impact on the financial statements in the accounting period under review due to this change.

In accordance with the transitional treatment stipulated in item 89-3 of the Accounting Standard for Revenue Recognition, the note "Revenue Recognition" pertaining to the previous accounting period is not presented.

(2) Adoption of the accounting standard concerning fair value measurement

NMF decided that it would adopt the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019) from the beginning of the accounting period under review, and that it would adopt the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement in the future according to the transitional treatment stipulated in item 19 of the Accounting Standard for Fair Value Measurement and item 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019). There is no impact on the financial statements in the accounting period under review by this change.

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2021 and February 28, 2022 consist of the following:

	Thousands of Yen	
	As of August 31, 2021	As of February 28, 2022
Cash and bank deposits	63,111,539	50,237,480
Cash and cash equivalents	63,111,539	50,237,480

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, 2021	As of February 28, 2022
Buildings in trust	3,239,960	3,212,180
Land in trust	6,096,368	6,096,368
Structures in trust	4,794	4,696
Tools, furniture and fixtures in trust	3,710	3,324
Total	9,344,833	9,316,569

The secured liabilities are as follows:

	Thousands of Yen	
	As of August 31, 2021	As of February 28, 2022
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, 2021 and February 28, 2022 consist of the following:

	Thousands of Yen			
	As of August 31, 2021		As of February 28, 2022	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	313,197,582	313,197,582	313,203,327	313,203,327
Buildings and structures	160,252,956		160,622,817	
Accumulated depreciation	(23,504,974)	136,747,981	(25,863,563)	134,759,253
Machinery and equipment	1,049,441		1,113,640	
Accumulated depreciation	(594,655)	454,786	(627,866)	485,773
Tools, furniture and fixtures	569,914		620,439	
Accumulated depreciation	(254,552)	315,361	(300,902)	319,536
Land in trust	422,871,240	422,871,240	431,974,656	431,974,656
Buildings and structures in trust	202,627,061		208,305,796	
Accumulated depreciation	(37,847,583)	164,779,478	(40,234,095)	168,071,701
Machinery and equipment in trust	968,161		968,086	
Accumulated depreciation	(263,601)	704,560	(297,250)	670,835
Tools, furniture and fixtures in trust	1,088,132		1,150,284	
Accumulated depreciation	(541,993)	546,139	(615,736)	534,547
Lease assets in trust	4,752		4,752	
Accumulated depreciation	(1,716)	3,036	(2,112)	2,640
Construction in progress	124,467	124,467	70,431	70,431
Total	1,039,744,634	1,039,744,634	1,050,092,704	1,050,092,704

7. LONG-TERM DEBT

Long-term debts as of August 31, 2021 and February 28, 2022 consist of the following:

	As of August 31, 2021		As of February 28, 2022	
	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	0.25545%	—	—
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 (Note 2)	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from banks due on May 31, 2022 (Note 2)	4,500,000	0.82500%	4,500,000	0.82500%
Unsecured loans from banks due on June 27, 2022 (Note 2)	4,000,000	0.22545%	4,000,000	0.21545%
Unsecured loans from banks due on August 26, 2022 (Note 2)	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on August 26, 2022 (Note 2)	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from banks due on August 26, 2022 (Note 2)	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022 (Note 2)	1,000,000	0.32886%	1,000,000	0.32886%
Unsecured loans from banks due on September 30, 2022 (Note 2)	4,000,000	0.76250%	4,000,000	0.76250%
Unsecured loans from banks due on October 26, 2022 (Note 2)	3,000,000	0.25545%	3,000,000	0.24545%
Unsecured loans from banks due on November 28, 2022 (Note 2)	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from banks due on November 28, 2022 (Note 2)	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022 (Note 2)	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022 (Note 2)	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022 (Note 2)	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022 (Note 2)	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023 (Note 2)	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023 (Note 2)	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023 (Note 2)	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	0.25545%	3,000,000	0.24545%
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	0.25545%	1,230,000	0.24545%
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 February 26, 2024	4,670,000	0.25545%	4,670,000	0.24545%
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%

NOTES TO FINANCIAL STATEMENTS

The scheduled repayment amounts of long-term debt 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, 2021	55,090,600	64,435,600	47,935,600	48,387,000	54,100,000
As of February 28, 2022	58,615,000	55,435,600	50,810,600	53,194,200	56,685,000

Note 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, 2021. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2021.

Note 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, 2021. The total unused amount of such credit facilities was ¥40,000 million as of August 31, 2021.

Note 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, 2022. The total unused amount of such credit facilities was ¥10,000 million as of February 28, 2022.

Note 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, 2022. The total unused amount of such credit facilities was ¥40,000 million as of February 28, 2022.

8. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows:

	As of August 31, 2021		As of February 28, 2022	
	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, 2021	—	—	—	9,000,000	—
As of February 28, 2022	—	—	9,000,000	—	—

9. 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.

10. 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, 2021 to August 31, 2021

1. Reason, related assets and amounts

Related assets, etc.	Reason	Initial amount	Thousands of Yen				Reason for reversal
			Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	
Goodwill	Amortization of goodwill	22,600,340	13,192,958	1,769,017	—	14,961,976	—
Land, buildings, etc.	Merger expenses	4,029,135	1,317,179	(5,533)	—	1,311,646	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	484,242	—	(132,888)	351,354	Changes in fair value of derivative transactions
Increase - subtotal		—	14,994,380	1,763,484	(132,888)	16,624,976	—
Total		—	14,994,380	1,763,484	(132,888)	16,624,976	—

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, 2021 to February 28, 2022

1. Reason, related assets and amounts

Related assets, etc.	Reason	Initial amount	Thousands of Yen				Reason for reversal
			Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	
Goodwill	Amortization of goodwill	25,222,583	14,961,976	1,830,223	—	16,792,199	—
Land, buildings, etc.	Merger expenses	4,029,135	1,311,646	(5,440)	—	1,306,205	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	351,354	—	(154,021)	197,332	Changes in fair value of derivative transactions
Increase - subtotal		—	16,624,976	1,824,782	(154,021)	18,295,737	—
Total		—	16,624,976	1,824,782	(154,021)	18,295,737	—

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.

11. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of August 31, 2021 and February 28, 2022 were as follows:

	For the period from March 1, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Net assets per unit	131,468	130,827
Net income per unit	2,637	2,625

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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Net income (Thousands of Yen)	12,434,161	12,377,502
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	12,434,161	12,377,502
Average number of units during the period (Units)	4,715,200	4,715,200

12. RELATED PARTY TRANSACTIONS

For the periods from March 1, 2021 to August 31, 2021 and from September 1, 2021 to February 28, 2022

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

13. 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, 2022. 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 ¥15,296,108 thousand for the fiscal period ended February 28, 2022 such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	For the period from March 1, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Thousands of Yen		
Deferred tax asset:		
Valuation difference on other assets acquired by merger	19,486,187	19,327,733
Deferred gains or losses on hedges	62,081	29,752
Unearned revenue	23,623	10,822
Write-offs for long-term prepaid expenses	991	402
Depreciation costs of trust leasehold rights	1,824	1,945
Non-deductible accrued enterprise tax	27	142
Provision for loss on disaster	—	6,408
Subtotal	19,574,735	19,377,207
Valuation allowance	(19,574,735)	(19,377,207)
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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(36.07%)	(36.77%)
Valuation of allowance	(2.02%)	(1.33%)
Amortization of goodwill	6.63%	6.66%
Other	0.00%	0.00%
Effective tax rate	0.01%	0.02%

14. 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 "22. 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, 2021 to August 31, 2021

Carrying amount, fair value and the difference between the two as of August 31, 2021 are as follows.

"Cash and bank deposits," "Cash and bank deposits in trust," and "Short-term debt" approximate their carrying amounts due to cash and short-term settlements, therefore, notes are omitted.

	Thousands of Yen		
	Carrying value (Note 1)	Fair value (Note 1)	Difference
(i) Current portion of long-term debt	(55,090,600)	(55,268,046)	177,446
(ii) Investment corporation bonds	(32,000,000)	(32,632,833)	632,833
(iii) Long-term debt	(430,708,200)	(437,372,030)	6,663,830
(iv) Derivative transactions	(199,516)	(199,516)	—

For the period from September 1, 2021 to February 28, 2022

Carrying amount, fair value and the difference between the two as of February 28, 2022 are as follows.

"Cash and bank deposits," "Cash and bank deposits in trust," and "Short-term debt" approximate their carrying amounts due to cash and short-term settlements, therefore, notes are omitted.

	Thousands of Yen		
	Carrying value (Note 1)	Fair value (Note 1)	Difference
(i) Current portion of long-term debt	(58,615,600)	(58,751,400)	135,800
(ii) Investment corporation bonds	(32,000,000)	(32,261,876)	261,876
(iii) Long-term debt	(427,140,400)	(430,380,637)	3,240,237
(iv) Derivative transactions	(94,619)	(94,619)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

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

Note 3: Redemption schedule for debt as of August 31, 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	55,090,600	64,435,600	47,935,600	48,387,000	54,100,000	215,850,000
Total	55,090,600	64,435,600	47,935,600	57,387,000	54,100,000	238,850,000

Note 4: Redemption schedule for debt as of February 28, 2022

	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	58,615,600	55,435,600	50,810,600	53,194,200	56,685,000	211,015,000
Total	58,615,600	55,435,600	59,810,600	53,194,200	56,685,000	234,015,000

15. 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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Carrying value		
Balance at beginning of the period	1,048,917,843	1,048,702,009
Amount of increase (decrease) during the period	(215,834)	10,347,682
Balance at end of the period	1,048,702,009	1,059,049,692
Fair value at end of the period	1,218,347,000	1,252,960,000

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 Universal Citywalk Osaka (Land) (¥2,178,530 thousand). The decrease during the previous period is mainly attributable to depreciation expenses (¥5,578,207 thousand). The increase during the current period is mainly attributable to the acquisition of Landport Ome III (¥17,238,207 thousand). The decrease during the current period is mainly attributable to the sale of NMF Utsunomiya Building (¥2,445,354 thousand) and Sundai Azamino (¥1,450,835 thousand) as well as depreciation (¥5,602,175 thousand).

Note 3: Fair value at the end of the period is the appraisal value or investigation value determined by investigation, found by an outside real estate appraiser. However, in the current fiscal period, transfer price is used as the fair value for Ichibancho stear, and the scheduled transfer price is used as the fair value for NRE Higashi-nihonbashi Building.

The real estate rental revenues and expenses for the fiscal period ended February 28, 2022 are presented in "18. Breakdown of Real Estate Rental Revenues and Expenses."

16. REVENUE RECOGNITION

1. Information on classifying revenues from contracts with customers

Current period (from September 1, 2021 to February 28, 2022)

	Thousands of Yen	
	Revenues from contracts with customers (Note 1)	Sales to external customers (Note 2)
Proceeds from sales of real estate	3,920,000	162,853
Utility expense revenues	1,331,843	1,331,843
Other	—	36,026,243
Total	5,251,843	37,520,940

Note 1: Leasing business revenues, which are subject to ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," and real estate transfers, which are subject to the "Practical Guidelines Concerning Accounting for the Transferors in Securitization of Real Estate Using SPCs" of the JICPA Accounting System Committee Report No. 15, are not applicable to the Accounting Standard for Revenue Recognition, and are thus not included in the above amount. Note that the main revenues from contracts with customers are gains on sale of real estate and utilities expense revenues.

Note 2: Gains on sale of real estate are recorded as profits/losses on sale of real estate (the amount after deducting real estate disposition costs and other disposition costs from gains on sale of real estate) in the statement of income and retained earnings. Since NMF records gains on sale of real estate as operating revenues and losses on sale of real estate as operating expenses, only the amounts of gains on sale of real estate are described in the above table.

NOTES TO FINANCIAL STATEMENTS

2. Basic information for understanding revenues from contracts with customers

Current period (from September 1, 2021 to February 28, 2022)

Refer to the description in the notes concerning matters pertaining to significant accounting policies.

3. Information on the satisfaction of performance obligations based on contracts with customers, relationships with cash flows arising from the contracts, and the amounts of revenues which arise from outstanding contracts with customers as of the end of the accounting period under review and will be recognized in the next accounting period onwards, as well as the timing to recognize the revenues.

(1) Balances of contract assets and liabilities

	Thousands of Yen
	Current period from Sep. 1, 2021 to Feb. 28, 2022
Receivables from contracts with customers (balance as of the beginning of the fiscal period)	363,492
Receivables from contracts with customers (balance as of the end of the fiscal period)	372,248
Contract assets (balance as of the beginning of the fiscal period)	—
Contract assets (balance as of the end of the fiscal period)	—
Contract liabilities (balance as of the beginning of the fiscal period)	—
Contract liabilities (balance as of the end of the fiscal period)	—

(2) Transaction prices allocated to remaining performance obligations

Not applicable.

Concerning utility expense revenues, NMF recognizes them based on the amounts for which it has the right to claim according to item 19 of the Implementation Guidance on the Accounting Standard for Revenue Recognition. This is because NMF has the right to receive the amounts of consideration, which directly correspond to the value for customers or tenants, from customers for the portions where the obligations are satisfied before the end of a fiscal period. Accordingly, adopting the stipulation of item 80.22 (2) of the Accounting Standard for Revenue Recognition, utility expense revenues are not included in the note on transaction prices allocated to remaining performance obligations.

17. SEGMENT INFORMATION

For the periods from March 1, 2021 to August 31, 2021 and from September 1, 2021 to February 28, 2022

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, 2021 to August 31, 2021

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,373,430	Rental real estate business

For the period from September 1, 2021 to February 28, 2022

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,305,535	Rental real estate business

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal periods ended August 31, 2021 and February 28, 2022 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
Real estate rental revenues	37,519,267	37,358,086
Rental revenues	34,679,385	34,654,862
Rental revenues	32,344,406	32,379,033
Common area charges	2,334,978	2,275,828
Other rental revenues	2,839,881	2,703,224
Parking revenues	622,960	629,997
Incidental income	1,806,838	1,925,291
Other miscellaneous revenues	410,082	147,934
Real estate rental expenses	16,097,387	15,972,567
Property management costs	1,832,875	1,829,209
Property management fees	975,826	951,283
Property and other taxes	3,263,841	3,246,576
Utility expenses	1,431,766	1,584,054
Casualty insurance	54,110	59,873
Repairs and maintenance	1,531,578	1,273,461
Land rents	201,748	177,522
Depreciation	5,586,593	5,609,620
Other rental expenses	1,219,046	1,240,965
Real estate rental profits	21,421,880	21,385,518

NOTES TO FINANCIAL STATEMENTS

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

For the period from March 1, 2021 to August 31, 2021

Not applicable.

For the period from September 1, 2021 to February 28, 2022

		Thousands of Yen
NMF Utsunomiya Building		
Proceeds from sales of real estate	2,720,000	
Cost of sales of real estate	2,445,354	
Other related sales expenses	111,792	
Gain on sales of real estate		162,853
Thousands of Yen		
Sundai Azamino		
Proceeds from sales of real estate	1,200,000	
Cost of sales of real estate	1,450,835	
Other related sales expenses	49,534	
Loss on sales of real estate		300,369

20. BREAKDOWN OF EXTRAORDINARY LOSS

For the period from March 1, 2021 to August 31, 2021

Not applicable.

For the period from September 1, 2021 to February 28, 2022

Not applicable.

21. LEASES

The future minimum rental revenues from tenants under non-cancelable operating leases of properties as of August 31, 2021 and February 28, 2022 are summarized as follows:

	As of August 31, 2021	As of February 28, 2022
Due within one year	34,049,489	38,246,189
Due after one year	74,520,472	100,363,195
Total	108,569,961	138,609,384

22. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of August 31, 2021

(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	58,730,000	34,350,000	(199,516) ^(Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	34,846,900	29,304,100	(531,285) ^(Note 4)
Total			93,576,900	63,654,100	(730,802)

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, (¥2,184 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥531,285 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

Derivative transactions as of February 28, 2022

(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	41,830,000	15,800,000	(94,619) ^(Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	34,825,500	24,382,700	(339,722) ^(Note 4)
Total			76,655,500	40,182,700	(434,342)

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, (¥48 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥339,722 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, 2021 to August 31, 2021	For the period from September 1, 2021 to February 28, 2022
1. Retained earnings at end of period	12,786,253,162	12,575,751,402
2. Distributions in excess of retained earnings	3,069,595,200	2,918,708,800
Of which, allowance for temporary difference adjustment	1,824,782,400	2,093,548,800
Of which, other distributions in excess of net income	1,244,812,800	825,160,000
3. Incorporation into unitholders' capital	154,021,761	102,762,213
Of which, reversal of allowance for temporary difference adjustments	154,021,761	102,762,213
4. Distributions	15,503,577,600	15,296,108,800
[Distributions (per unit)]	(3,288)	(3,244)
Of which, distributions of earnings	12,433,982,400	12,377,400,000
[Of which, distributions of earnings (per unit)]	(2,637)	(2,625)
Of which, allowance for temporary difference adjustments	1,824,782,400	2,093,548,800
[Of which, allowance for temporary difference adjustments (per unit)]	(387)	(444)
Of which, other distributions in excess of net income	1,244,812,800	825,160,000
[Of which, other distributions in excess of net income (per unit)]	(264)	(175)
5. Retained earnings carried forward	198,249,001	95,589,189

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 ¥15,296,108,800 in distributions (¥3,244 per investment unit). This figure was arrived at by excluding the portion for which per-unit distribution comprising the types of dividends laid out below would be less than ¥1 from ¥15,300,114,556, the amount calculated by adding to ¥12,377,502,401 in net income after taxes ¥2,622,242,820 in amortization of goodwill, and adding ¥300,369,335 in loss on sales of real estate.

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 ¥12,377,400,000 (¥2,625 per investment unit). Distribution in excess of net income comprises a distribution of ¥2,093,548,800 (¥444 per investment unit) as allowance for temporary difference adjustment and ¥825,160,000 (¥175 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, 2021 to August 31, 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	7,161
Increase-subtotal		2,629,404
Buildings, facilities, etc.	Depreciation deficiency equivalent	(741,188)
Unearned revenue	Write-down of loss on interest-rate swap due to merger	(54,234)
Others	—	(9,199)
Decrease-subtotal		(804,622)
Total		1,824,782

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	(154,021)
Total		(154,021)

Note 1: The amount of reversal during the current fiscal period (¥5,440 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.

For the period from September 1, 2021 to February 28, 2022

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	51,458
Others	—	13,678
Increase-subtotal		2,687,379
Buildings, facilities, etc.	Depreciation deficiency equivalent	(306,277)
Unearned revenue	Write-down of loss on interest-rate swap due to merger	(40,687)
Land	Cost of sales of land	(246,865)
Decrease-subtotal		(593,831)
Total		2,093,548

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	(102,762)
Total		(102,762)

Note 1: The amount of reversal during the current fiscal period (¥12,575 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

Asset Sales

(1) NMF sold the following asset after the conclusion of the 13th fiscal period (February 28, 2022).

Ichibancho stear

Type of asset: Trust beneficiary interest in mainly real estate

Use: Commercial facility

Contract date: January 27, 2022

Transfer date: March 18, 2022

Transfer price: ¥5,382 million

Buyer: A domestic LLC.

Impact on 14th fiscal period earnings (Scheduled): ¥757 million

(2) NMF decided to transfer the following asset subsequent to the 13th fiscal period (February 28, 2022).

NRE Higashi-nihonbashi Building

Type of asset: Real estate

Use: Office

Scheduled contract date: May 8, 2022

Scheduled transfer date: September 15, 2022 (Quasi co-ownership of 50%)
March 15, 2023 (Quasi co-ownership of 50%)

Scheduled transfer price: ¥2,260 million (Quasi co-ownership of 50%)
¥2,260 million (Quasi co-ownership of 50%)

Buyer: A domestic corporation

Impact on 15th fiscal period earnings (Scheduled): ¥370 million

Impact on 16th fiscal period earnings (Scheduled): ¥386 million

The impact of (1), (2), above, on earnings for the 14th fiscal period (March 1, 2022 to August 31, 2022), the 15th fiscal period (September 1, 2022 to February 28, 2023) and the 16th fiscal period (March 1, 2023 to August 31, 2023) will be recorded as gain on sales of real estate under operating revenues.

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
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, 2022, 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, 2022, 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.



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 27, 2022

Toshihiro Morishige
Designated Engagement Partner
Certified Public Accountant

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant