

Nomura Real Estate Master Fund, Inc.

14th Fiscal Period Report on Financial Results
and Operational Status

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 August 31, 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 August 31, 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.

Other Information

The other information comprises the information included in the Report on Financial Results and Operational Status that contains audited financial statements but does not include the financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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

November 29, 2022

森重 俊寛

Toshihiro Morishige
Designated Engagement Partner
Certified Public Accountant

井上 裕人

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant

Nomura Real Estate Master Fund, Inc.

14th Fiscal Period Report on Financial Results and Operational Status

BALANCE SHEET

Thousands of Yen

	As of February 28, 2022	As of August 31, 2022
ASSETS		
Current Assets:		
Cash and bank deposits	50,237,480	44,892,030
Rental receivables	577,103	758,664
Other current assets	1,377,273	1,404,860
Total current assets	52,191,857	47,055,556
Property and Equipment:		
Land	745,177,983	749,345,447
Buildings and structures	368,928,614	373,580,602
Machinery and equipment	2,081,726	2,280,198
Tools, furniture and fixtures	1,770,723	1,930,255
Leased assets	4,752	4,752
Construction in progress	70,431	54,305
Subtotal	1,118,034,231	1,127,195,561
Less accumulated depreciation	(67,941,527)	(73,246,268)
Net property and equipment	1,050,092,704	1,053,949,292
Investments and Other Assets:		
Goodwill	72,475,766	69,853,523
Leasehold rights	8,956,988	13,227,005
Intangible assets	50,162	46,238
Long-term prepaid expenses	2,176,053	2,076,655
Long-term deposits	445,088	354,007
Security deposits	885,773	885,773
Derivative assets	4,632	—
Deferred investment corporation bond issuance costs	141,555	133,571
Total investments and other assets	85,136,020	86,576,775
Total Assets	1,187,420,582	1,187,581,625

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

Thousands of Yen

	As of February 28, 2022	As of August 31, 2022
LIABILITIES		
Current Liabilities:		
Trade accounts payable	1,627,787	2,676,132
Current portion of long-term debt	58,615,600	64,435,600
Lease obligations	871	871
Other accounts payable	2,475,394	2,613,692
Accrued expenses	317,250	363,161
Accrued income taxes	2,683	2,088
Accrued consumption taxes	182,342	1,015,547
Rent received in advance	5,588,079	5,617,495
Unearned revenue	26,694	12,530
Provision for loss on disaster	20,370	37,702
Derivatives liabilities	27,412	33,486
Other current liabilities	17,755	7,824
Total current liabilities	68,902,241	76,816,132

Long-term Liabilities:		
Investment corporation bonds	32,000,000	32,000,000
Long-term debt	427,140,400	421,027,600
Lease obligations	2,032	1,597
Long-term advances received	7,706	2,324
Security deposits from tenants	42,413,496	42,585,899
Derivatives liabilities	76,619	20,040
Total long-term liabilities	501,640,254	495,637,461
Total Liabilities	570,542,496	572,453,594
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	244,893,909	244,996,671
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(18,295,737)	(20,286,524)
Other deductions from capital surplus	(16,214,225)	(17,142,147)
Total deductions from capital surplus	(34,509,963)	(37,428,672)
Net capital surplus	359,502,995	356,584,286
Retained earnings	12,575,751	13,594,898
Total surplus	372,078,747	370,179,185
Total unitholders' equity	616,972,656	615,175,856

Thousands of Yen

	As of February 28, 2022	As of August 31, 2022
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(94,570)	(47,825)
Total valuation and translation adjustments	(94,570)	(47,825)
Total Net Assets	616,878,085	615,128,031
Total Liabilities and Net Assets	1,187,420,582	1,187,581,625

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 September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	37,358,086	38,264,482
Gain on sales of real estate	162,853	757,969
	37,520,940	39,022,452
Operating Expenses:		
Real estate rental expenses	15,972,567	16,652,112
Loss on sale of real estate	300,369	-
Asset management fees	3,385,703	3,460,491
Asset custody fees	57,099	56,990
Administrative service fees	172,567	171,889
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	417,172	474,215
	22,927,722	23,437,941
Operating Income	14,593,218	15,584,510
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	292	256
Reversal of dividends payable	2,845	3,080
Interest on refund	7	133
Other non-operating revenues	6	6
	3,152	3,476
Non-Operating Expenses:		
Interest expense	1,585,499	1,578,165
Interest expenses on investment corporation bonds	170,560	173,239
Amortization of investment corporation bonds issuance costs	7,984	7,984
Loan arrangement fees	449,353	434,013
Other non-operating expenses	2,740	2,286
	2,216,139	2,195,689
Ordinary Income	12,380,230	13,392,297
Extraordinary Gain		
Gain on donation of non-current assets	-	155,651

	-	155,651
Extraordinary Loss		
Loss on disaster	-	46,519
	-	46,519
Income before Income Taxes	12,380,230	13,501,429

Thousands of Yen

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Income Taxes:		
Current	2,727	2,119
	2,727	2,119
Net Income	12,377,502	13,499,309
Retained earnings brought forward	198,249	95,589
Retained Earnings at End of Period	12,575,751	13,594,898

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

STATEMENT OF CHANGES IN NET ASSETS

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

Thousands of Yen

	Unitholders' Equity						
	Units	Unitholders' capital	Surplus				Net capital surplus
			Capital surplus			Total deductions from capital surplus	
			Capital surplus	Allowance for temporary difference adjustment	Other deductions from 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

Thousands of Yen

	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.

For the period from March 1, 2022 to August 31, 2022

Thousands of Yen

	Unitholders' Equity							Net capital surplus
	Units	Unitholders' capital	Surplus				Capital surplus	
			Capital surplus	Deductions from capital surplus				
				Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deductions from capital surplus		
Balance as of March 1, 2022	4,715,200	244,893,909	394,012,959	(18,295,737)	(16,214,225)	(34,509,963)	359,502,995	
Distributions of retained earnings	-	-	-	-	-	-	-	
Reversal of allowance for temporary difference adjustments	-	102,762	-	102,762	(102,762)	-	-	
Distributions in excess of net earnings from allowance for temporary difference adjustments	-	-	-	(2,093,548)	-	(2,093,548)	(2,093,548)	
Other distributions in excess of net earnings	-	-	-	-	(825,160)	(825,160)	(825,160)	
Net income	-	-	-	-	-	-	-	
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-	
Total changes of items during the period	-	102,762	-	(1,990,786)	(927,922)	(2,918,708)	(2,918,708)	
Balance as of August 31, 2022	4,715,200	244,996,671	394,012,959	(20,286,524)	(17,142,147)	(37,428,672)	356,584,286	

Thousands of Yen

	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, 2022	12,575,751	372,078,747	616,972,656	(94,570)	(94,570)	616,878,085
Distributions of retained earnings	(12,377,400)	(12,377,400)	(12,377,400)	-	-	(12,377,400)
Reversal of allowance for temporary difference adjustments	(102,762)	(102,762)	-	-	-	-
Distributions in excess of net earnings from allowance for temporary difference adjustments	-	(2,093,548)	(2,093,548)	-	-	(2,093,548)
Other distributions in excess of net earnings	-	(825,160)	(825,160)	-	-	(825,160)
Net income	13,499,309	13,499,309	13,499,309	-	-	13,499,309
Net changes of items other than unitholders' equity	-	-	-	46,744	46,744	46,744
Total changes of items during the period	1,019,146	(1,899,561)	(1,796,799)	46,744	46,744	(1,750,054)
Balance as of August 31, 2022	13,594,898	370,179,185	615,175,856	(47,825)	(47,825)	615,128,031

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

STATEMENT OF CASH FLOWS

Thousands of Yen

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	12,380,230	13,501,429
Depreciation	5,610,152	5,738,951
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	(10,080)	17,332
Interest income	(292)	(256)
Interest expense	1,756,060	1,751,404
Gain on donation of non-current assets	-	(155,651)
Loss on disposal of property and equipment	5,191	10,937
Decrease (Increase) in rental receivables	134,952	(181,561)
Decrease (Increase) in long-term prepaid expenses	(196,890)	99,397
Decrease (Increase) in long-term deposits	33,577	91,080
Increase (Decrease) in trade accounts payable	(960,230)	1,048,344
Increase (Decrease) in other accounts payable	(15,348)	69,600
Increase (Decrease) in accrued consumption taxes	(774,942)	833,204
Increase (Decrease) in rent received in advance	(67,037)	29,416
Decrease in property and equipment in trust due to sales	3,896,189	4,406,579
Other	(73,306)	(33,983)
Subtotal	24,348,452	29,856,452
Interest received	292	256
Interest paid	(1,836,956)	(1,725,040)
Income taxes paid	(1,170)	(2,714)
Net cash provided by (used in) operating activities	22,510,618	28,128,954
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(20,168,775)	(13,789,799)
Payments for purchases of leasehold rights and intangible assets	(4,339)	(4,272,489)
Reimbursement of security deposits to tenants	(1,666,403)	(2,111,889)
Proceeds from security deposits from tenants	1,962,236	2,284,292
Proceeds from security deposits	40,011	-
Net cash provided by (used in) investing activities	(19,837,271)	(17,889,886)

Thousands of Yen

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Cash Flows from Financing Activities		
Proceeds from long-term debt	30,025,000	24,730,000
Repayments of long-term debt	(30,067,800)	(25,022,800)
Distributions to unitholders	(12,434,078)	(12,373,419)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,825,166)	(2,093,294)
Other distributions in excess of net earnings	(1,245,360)	(825,004)
Net cash provided by (used in) financing activities	(15,547,404)	(15,584,517)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,874,058)	(5,345,450)
Cash and Cash Equivalents at Beginning of Period	63,111,539	50,237,480
Cash and Cash Equivalents at End of Period	50,237,480	44,892,030

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	6- 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.

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 14th fiscal period under review is recorded to cover expenditures for restoration etc. following the 2021 Fukushima Earthquake and 2022 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 ¥114,569 thousand for the fiscal period ended February 28, 2022 and ¥33,773 thousand for the fiscal period ended August 31, 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.

4. CASH AND CASH EQUIVALENTS

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

Thousands of Yen

	As of February 28, 2022	As of August 31, 2022
Cash and bank deposits	50,237,480	44,892,030
Cash and cash equivalents	50,237,480	44,892,030

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 February 28, 2022	As of August 31, 2022
Buildings in trust	3,212,180	3,169,322
Land in trust	6,096,368	6,096,368
Structures in trust	4,696	5,040
Tools, furniture and fixtures in trust	3,324	2,938
Total	9,316,569	9,273,670

The secured liabilities are as follows:

Thousands of Yen

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

Thousands of Yen

	As of February 28, 2022		As of August 31, 2022	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	313,203,327	313,203,327	320,813,765	320,813,765
Buildings and structures	160,622,817		164,995,500	
Accumulated depreciation	(25,863,563)	134,759,253	(28,293,125)	136,702,374
Machinery and equipment	1,113,640		1,124,449	
Accumulated depreciation	(627,866)	485,773	(663,494)	460,954
Tools, furniture and fixtures	620,439		666,985	
Accumulated depreciation	(300,902)	319,536	(347,263)	319,721
Land in trust	431,974,656	431,974,656	428,531,681	428,531,681
Buildings and structures in trust	208,305,796		208,585,101	
Accumulated depreciation	(40,234,095)	168,071,701	(42,893,560)	165,691,540
Machinery and equipment in trust	968,086		1,155,749	
Accumulated depreciation	(297,250)	670,835	(350,362)	805,387
Tools, furniture and fixtures in trust	1,150,284		1,263,269	
Accumulated depreciation	(615,736)	534,547	(695,952)	567,317
Lease assets in trust	4,752		4,752	
Accumulated depreciation	(2,112)	2,640	(2,508)	2,244
Construction in progress	70,431	70,431	54,305	54,305
Total	1,050,092,704	1,050,092,704	1,053,949,292	1,053,949,292

7. LONG-TERM DEBT

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

	As of February 28, 2022		As of August 31, 2022	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans from banks due on May 26, 2022	5,500,000	1.25900%	-	-
Unsecured loans from banks due on May 31, 2022	4,500,000	0.82500%	-	-
Unsecured loans from banks due on June 27, 2022	4,000,000	0.21545%	-	-
Unsecured loans from banks due on August 26, 2022	2,980,000	1.19700%	-	-
Unsecured loans from a bank due on August 26, 2022	3,000,000	1.09133%	-	-
Unsecured loans from banks due on August 26, 2022	4,000,000	1.08034%	-	-
Unsecured loans from a bank due on August 26, 2022	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	0.24545%	3,000,000	0.25000%
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 (Note 2)	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023 (Note 2)	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023 (Note 2)	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023 (Note 2)	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023 (Note 2)	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023 (Note 2)	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 28, 2023 (Note 2)	500,000	0.41435%	500,000	0.41435%
Unsecured loans from banks due on August 31, 2023 (Note 2)	6,700,000	0.55700%	6,700,000	0.55700%
Unsecured loans from banks due on September 26, 2023	3,000,000	0.24545%	3,000,000	0.25000%
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	0.24545%	1,230,000	0.25000%
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	0.24545%	4,670,000	0.25000%
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%

	As of February 28, 2022		As of August 31, 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 May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	2,700,000	0.49533%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%
Unsecured loans from a bank due on August 26, 2024	1,000,000	0.28624%	1,000,000	0.28624%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on November 26, 2024	2,000,000	0.42630%	2,000,000	0.42630%
Unsecured loans from a bank due on November 26, 2024	800,000	0.21380%	800,000	0.21380%
Unsecured loans from banks due on November 26, 2024	6,375,000	0.24545%	6,375,000	0.25000%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%
Unsecured loans from banks due on May 26, 2025	2,000,000	0.46301%	2,000,000	0.46301%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.19750%	1,000,000	0.19750%
Unsecured loans from banks due on May 26, 2025	-	-	4,000,000	0.25000%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%
Unsecured loans from banks due on February 26, 2026	800,000	0.37630%	800,000	0.37630%
Unsecured loans from a bank due on February 26, 2026	500,000	0.39196%	500,000	0.39196%
Unsecured loans from banks due on February 26, 2026	1,500,000	0.17136%	1,500,000	0.17136%

	As of February 28, 2022		As of August 31, 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 February 26, 2026	500,000	0.21500%	500,000	0.21500%
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	3,600,000	0.60880%
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.37000%	1,100,000	0.37000%
Unsecured loans from a bank due on May 26, 2026	1,500,000	0.25873%	1,500,000	0.25873%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	1,000,000	0.64500%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	1,000,000	0.42118%
Unsecured loans from a bank due on August 26, 2026	500,000	0.43627%	500,000	0.43627%
Unsecured loans from banks due on August 26, 2026	1,500,000	0.20880%	1,500,000	0.20880%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.30116%	1,000,000	0.30116%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%
Unsecured loans from banks due on November 26, 2026	2,000,000	0.60750%	2,000,000	0.60750%
Unsecured loans from banks due on November 26, 2026	1,000,000	0.28000%	1,000,000	0.28000%
Unsecured loans from banks due on November 26, 2026	1,200,000	0.30000%	1,200,000	0.30000%
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
Unsecured loans from banks due on February 26, 2027	1,500,000	0.46630%	1,500,000	0.46630%
Unsecured loans from a bank due on February 26, 2027	500,000	0.44859%	500,000	0.44859%
Unsecured loans from banks due on February 26, 2027	1,000,000	0.48144%	1,000,000	0.48144%
Unsecured loans from a bank due on February 26, 2027	1,500,000	0.28500%	1,500,000	0.28500%
Unsecured loans from a bank due on February 26, 2027	1,000,000	0.28500%	1,000,000	0.28500%
Unsecured loans from a bank due on February 26, 2027	300,000	0.16205%	300,000	0.16205%
Unsecured loans from a bank due on February 26, 2027	500,000	0.10094%	500,000	0.10094%
Unsecured loans from a bank due on February 26, 2027	500,000	0.35139%	500,000	0.35139%
Unsecured loans from a bank due on February 26, 2027	500,000	0.24818%	500,000	0.24818%
Unsecured loans from a bank due on February 26, 2027	1,000,000	0.29065%	1,000,000	0.29065%
Unsecured loans from banks due on March 26, 2027	1,500,000	0.69068%	1,500,000	0.69068%
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	1,800,000	0.70250%
Unsecured loans from a bank due on May 26, 2027	1,400,000	0.32000%	1,400,000	0.32000%
Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	1,000,000	0.74500%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.51356%	1,000,000	0.51356%
Unsecured loans from banks due on August 26, 2027	1,500,000	0.29000%	1,500,000	0.29000%
Unsecured loans from a bank due on August 26, 2027	600,000	0.32630%	600,000	0.32630%

	As of February 28, 2022		As of August 31, 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 August 26, 2027	1,700,000	0.27130%	1,700,000	0.27130%
Unsecured loans from a bank due on August 26, 2027	–	–	1,780,000	0.46190%
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%
Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	1,800,000	0.75050%
Unsecured loans from banks due on November 26, 2027	1,700,000	0.70750%	1,700,000	0.70750%
Unsecured loans from banks due on November 26, 2027	2,500,000	0.52234%	2,500,000	0.52234%
Unsecured loans from banks due on November 26, 2027	1,000,000	0.31630%	1,000,000	0.31630%
Unsecured loans from a bank due on November 26, 2027	750,000	0.29630%	750,000	0.29630%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	2,355,000	0.76241%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	1,500,000	0.78296%
Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	1,800,000	0.79642%
Unsecured loans from a bank due on February 28, 2028	2,650,000	0.54205%	2,650,000	0.54205%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.57365%	1,500,000	0.57365%
Unsecured loans from banks due on February 28, 2028	1,000,000	0.17813%	1,000,000	0.17813%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on February 28, 2028	500,000	0.39000%	500,000	0.39000%
Unsecured loans from a bank due on February 28, 2028	920,000	0.30000%	920,000	0.30000%
Unsecured loans from a bank due on February 28, 2028	–	–	1,000,000	0.47023%
Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	5,000,000	0.79880%
Unsecured loans from a bank due on May 26, 2028	2,000,000	0.75922%	2,000,000	0.75922%
Unsecured loans from a bank due on May 26, 2028	1,550,000	0.55038%	1,550,000	0.55038%
Unsecured loans from a bank due on May 26, 2028	500,000	0.54010%	500,000	0.54010%
Unsecured loans from banks due on May 26, 2028	2,000,000	0.54750%	2,000,000	0.54750%
Unsecured loans from a bank due on May 26, 2028	1,400,000	0.40500%	1,400,000	0.40500%
Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	3,600,000	0.84750%
Unsecured loans from a bank due on August 28, 2028	500,000	0.61005%	500,000	0.61005%
Unsecured loans from banks due on August 28, 2028	1,000,000	0.62163%	1,000,000	0.62163%
Unsecured loans from a bank due on August 28, 2028	500,000	0.62025%	500,000	0.62025%
Unsecured loans from a bank due on August 28, 2028	500,000	0.37500%	500,000	0.37500%
Unsecured loans from a bank due on August 28, 2028	1,000,000	0.40380%	1,000,000	0.40380%
Unsecured loans from a bank due on August 28, 2028	1,260,000	0.45375%	1,260,000	0.45375%
Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	2,000,000	0.81130%
Unsecured loans from banks due on November 27, 2028	3,000,000	0.59375%	3,000,000	0.59375%
Unsecured loans from a bank due on November 27, 2028	1,800,000	0.50880%	1,800,000	0.50880%
Unsecured loans from a bank due on November 27, 2028	500,000	0.39380%	500,000	0.39380%
Unsecured loans from a bank due on November 27, 2028	1,000,000	0.40630%	1,000,000	0.40630%
Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	2,500,000	0.65880%
Unsecured loans from banks due on February 26, 2029	1,400,000	0.67098%	1,400,000	0.67098%
Unsecured loans from a bank due on February 26, 2029	2,300,000	0.63692%	2,300,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	500,000	0.63692%	500,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	3,500,000	0.41815%	3,500,000	0.41815%
Unsecured loans from a bank due on February 26, 2029	500,000	0.37000%	500,000	0.37000%
Unsecured loans from a bank due on February 26, 2029	500,000	0.49750%	500,000	0.49750%
Unsecured loans from a bank due on February 26, 2029	1,500,000	0.55565%	1,500,000	0.55565%

	As of February 28, 2022		As of August 31, 2022	
	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate (Note 1)
Unsecured loans from banks due on May 28, 2029	5,000,000	0.64000%	5,000,000	0.64000%
Unsecured loans from a bank due on May 28, 2029	800,000	0.55190%	800,000	0.55190%
Unsecured loans from a bank due on May 28, 2029	500,000	0.26451%	500,000	0.26451%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.45875%	1,000,000	0.45875%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.44880%	1,000,000	0.44880%
Unsecured loans from banks due on May 28, 2029	1,000,000	0.38500%	1,000,000	0.38500%
Unsecured loans from banks due on August 27, 2029	3,900,000	0.46130%	3,900,000	0.46130%
Unsecured loans from banks due on August 27, 2029	2,000,000	0.46130%	2,000,000	0.46130%
Unsecured loans from banks due on August 27, 2029	2,800,000	0.55845%	2,800,000	0.55845%
Unsecured loans from banks due on August 27, 2029	1,600,000	0.48380%	1,600,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	1,500,000	0.48380%	1,500,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	500,000	0.46380%	500,000	0.46380%
Unsecured loans from banks due on August 27, 2029	1,000,000	0.43880%	1,000,000	0.43880%
Unsecured loans from a bank due on August 27, 2029	1,800,000	0.40500%	1,800,000	0.40500%
Unsecured loans from banks due on August 27, 2029	—	—	1,250,000	0.64565%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	1,200,000	0.59500%	1,200,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	1,000,000	0.59500%	1,000,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	750,000	0.48000%	750,000	0.48000%
Unsecured loans from a bank due on November 26, 2029	500,000	0.59500%	500,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	2,000,000	0.50630%	2,000,000	0.50630%
Unsecured loans from a bank due on November 26, 2029	750,000	0.47380%	750,000	0.47380%
Unsecured loans from banks due on November 26, 2029	4,000,000	0.54904%	4,000,000	0.54904%
Unsecured loans from banks due on February 26, 2030	4,250,000	0.52000%	4,250,000	0.52000%
Unsecured loans from a bank due on February 26, 2030	1,500,000	0.48000%	1,500,000	0.48000%
Unsecured loans from a bank due on February 26, 2030	600,000	0.40915%	600,000	0.40915%
Unsecured loans from a bank due on February 26, 2030	500,000	0.34054%	500,000	0.34054%
Unsecured loans from banks due on February 26, 2030	1,300,000	0.59482%	1,300,000	0.59482%
Unsecured loans from a bank due on February 26, 2030	1,500,000	0.52446%	1,500,000	0.52446%
Unsecured loans from a bank due on February 26, 2030	1,400,000	0.58630%	1,400,000	0.58630%
Unsecured loans from a bank due on February 26, 2030	1,000,000	0.58630%	1,000,000	0.58630%
Unsecured loans from a bank due on February 26, 2030	—	—	1,000,000	0.65249%
Unsecured loans from banks due on May 27, 2030	7,000,000	0.54630%	7,000,000	0.54630%
Unsecured loans from a bank due on May 27, 2030	800,000	0.52630%	800,000	0.52630%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.53250%	1,000,000	0.53250%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.55988%	1,000,000	0.55988%
Unsecured loans from a bank due on May 27, 2030	500,000	0.50485%	500,000	0.50485%
Unsecured loans from a bank due on May 27, 2030	720,000	0.59399%	720,000	0.59399%
Unsecured loans from a bank due on May 27, 2030	1,430,000	0.45862%	1,430,000	0.45862%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.52437%	1,000,000	0.52437%
Unsecured loans from a bank due on May 27, 2030	—	—	1,000,000	0.71487%
Unsecured loans from a bank due on May 27, 2030	—	—	1,000,000	0.71487%
Unsecured loans from banks due on August 26, 2030	2,000,000	0.56500%	2,000,000	0.56500%
Unsecured loans from a bank due on August 26, 2030	1,100,000	0.54500%	1,100,000	0.54500%
Unsecured loans from a bank due on August 26, 2030	300,000	0.54500%	300,000	0.54500%
Unsecured loans from banks due on August 26, 2030	500,000	0.52063%	500,000	0.52063%

	As of February 28, 2022		As of August 31, 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 August 26, 2030	1,000,000	0.46000%	1,000,000	0.46000%
Unsecured loans from a bank due on August 26, 2030	1,000,000	0.56068%	1,000,000	0.56068%
Unsecured loans from banks due on August 26, 2030	-	-	2,000,000	0.75160%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on November 26, 2030	350,000	0.42630%	350,000	0.42630%
Unsecured loans from a bank due on November 26, 2030	500,000	0.53630%	500,000	0.53630%
Unsecured loans from a bank due on November 26, 2030	2,000,000	0.59763%	2,000,000	0.59763%
Unsecured loans from a bank due on November 26, 2030	1,000,000	0.59819%	1,000,000	0.59819%
Unsecured loans from a bank due on February 26, 2031	700,000	0.67750%	700,000	0.67750%
Unsecured loans from a bank due on February 26, 2031	2,000,000	0.67750%	2,000,000	0.67750%
Unsecured loans from banks due on February 26, 2031	4,000,000	0.67750%	4,000,000	0.67750%
Unsecured loans from a bank due on February 26, 2031	400,000	0.50000%	400,000	0.50000%
Unsecured loans from a bank due on February 26, 2031	420,000	0.65750%	420,000	0.65750%
Unsecured loans from a bank due on February 26, 2031	2,750,000	0.50226%	2,750,000	0.50226%
Unsecured loans from a bank due on February 26, 2031	1,800,000	0.52198%	1,800,000	0.52198%
Unsecured loans from a bank due on February 26, 2031	-	-	2,500,000	0.78474%
Unsecured loans from banks due on May 26, 2031	6,000,000	0.64130%	6,000,000	0.64130%
Unsecured loans from a bank due on May 26, 2031	3,500,000	0.64242%	3,500,000	0.64242%
Unsecured loans from a bank due on May 26, 2031	1,000,000	0.60556%	1,000,000	0.60556%
Unsecured loans from a bank due on August 26, 2031	3,500,000	0.78816%	3,500,000	0.78816%
Unsecured loans from banks due on August 26, 2031	-	-	200,000	0.85750%
Unsecured loans from a bank due on November 26, 2031	3,000,000	0.64630%	3,000,000	0.64630%
Unsecured loans from a bank due on November 26, 2031	1,900,000	0.47755%	1,900,000	0.47755%
Unsecured loans from a bank due on November 26, 2031	3,500,000	0.73988%	3,500,000	0.73988%
Unsecured loans from a bank due on November 26, 2031	-	-	1,500,000	0.88168%
Unsecured loans from banks due on February 26, 2032	6,250,000	0.83563%	6,250,000	0.83563%
Unsecured loans from banks due on May 26, 2032	-	-	4,000,000	0.93188%
Unsecured loans from banks due on May 26, 2032	-	-	2,000,000	0.92006%
Unsecured loans from a bank due on May 26, 2032	-	-	500,000	0.92006%
Unsecured loans from a bank due on August 26, 2032	-	-	1,000,000	0.91688%
Unsecured loans from a bank due on May 26, 2025 (Note 3)	625,500	2.17000%	604,100	2.17000%
Unsecured loans from a bank due on May 26, 2025 (Note 3)	625,500	2.21812%	604,100	2.21812%
Total	485,756,000		485,463,200	

Note 1: The weighted-average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to the nearest fifth decimal place.

As for the borrowings, hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used to calculate the weighted-average interest rate.

Note 2: At the end of the period, these loans are accounted for under current liabilities on the balance sheets as the current portion of long-term borrowings.

Note 3: Installments of ¥10.7 million will be made on the 26th day of every third month starting on August 26, 2013, with the remaining payment of ¥497.1 million to be repaid on May 26, 2025.

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 February 28, 2022	58,615,000	55,435,600	50,810,600	53,194,200	56,685,000
As of August 31, 2022	64,435,600	47,935,600	58,762,000	54,100,000	52,725,000

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

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

(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 August 31, 2022. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2022.

(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 August 31, 2022. The total unused amount of such credit facilities was ¥40,000 million as of August 31, 2022.

8. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of February 28, 2022		As of August 31, 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 February 28, 2022	–	–	9,000,000	–	–
As of August 31, 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 September 1, 2021 to February 28, 2022

1. Reason, related assets and amounts

Thousands of Yen

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	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	-

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 Leasehold rights in trust	Upon sale, etc., the corresponding amount is scheduled to be reversed.

(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 March 1, 2022 to August 31, 2022

1. Reason, related assets and amounts

Thousands of Yen

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	27,844,826	16,792,199	2,106,124	-	18,898,324	-
Land, buildings, etc.	Merger expenses	4,029,135	1,306,205	(12,575)	-	1,293,629	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	197,332	-	(102,762)	94,570	Changes in fair value of derivative transactions
Increase - subtotal		-	18,295,737	2,093,548	(102,762)	20,286,524	-
Total		-	18,295,737	2,093,548	(102,762)	20,286,524	-

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 Leasehold rights in trust	Upon sale, etc., the corresponding amount is scheduled to be reversed.

(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 February 28, 2022 and August 31, 2022 were as follows:

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Net assets per unit	130,827	130,456
Net income per unit	2,625	2,862

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 September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Net income (Thousands of Yen)	12,377,502	13,499,309
Amount not available to ordinary unitholders (Thousands of Yen)	–	–
Net income available to ordinary unitholders (Thousands of Yen)	12,377,502	13,499,309
Average number of units during the period (Units)	4,715,200	4,715,200

12. RELATED PARTY TRANSACTIONS

For the periods from September 1, 2021 to February 28, 2022 and from March 1, 2022 to August 31, 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 August 31, 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 ¥15,560,160 thousand for the fiscal period ended August 31, 2022 such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Deferred tax asset:		
Valuation difference on other assets acquired by merger	19,327,733	19,107,665
Deferred gains or losses on hedges	29,752	15,046
Unearned revenue	10,822	4,673
Write-offs for long-term prepaid expenses	402	297
Depreciation costs of trust leasehold rights	1,945	2,067
Non-deductible accrued enterprise tax	142	91
Provision for loss on disaster	6,408	6,408
Subtotal	19,377,207	19,136,250
Valuation allowance	(19,377,207)	(19,136,250)
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 September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(36.77%)	(35.88%)
Valuation of allowance	(1.33%)	(1.68%)
Amortization of goodwill	6.66%	6.11%
Other	0.00%	0.00%
Effective tax rate	0.02%	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.

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

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

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "23. Derivatives and Hedge Accounting" below do not represent the market risk involved in these derivative transactions.

Fair Value of Financial Instruments

For the period from 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)	—

For the period from March 1, 2022 to August 31, 2022

Carrying amount, fair value and the difference between the two as of August 31, 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	(64,435,600)	(64,628,258)	192,658
(ii) Investment corporation bonds	(32,000,000)	(31,863,945)	(136,055)
(iii) Long-term debt	(421,027,600)	(421,832,949)	805,349
(iv) Derivative transactions	(48,676)	(48,676)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

(i) Cash and bank deposits

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

(ii) Current portion of long-term debt and (iv) Long-term debt

For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "23. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.)

The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.

(iii) Investment corporation bonds

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

(v) Derivative transactions

See "23. Derivatives and Hedge Accounting."

Note 3: 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

Redemption schedule for debt as of August 31, 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	64,435,600	47,935,600	58,762,000	54,100,000	52,725,000	207,505,000
Total	64,435,600	47,935,600	67,762,000	54,100,000	52,725,000	230,505,000

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 September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Carrying value		
Balance at beginning of the period	1,048,702,009	1,059,049,692
Amount of increase (decrease) during the period	10,347,682	8,126,606
Balance at end of the period	1,059,049,692	1,067,176,298
Fair value at end of the period	1,252,960,000	1,286,608,958

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 Landport Ome III (¥17,238,207 thousand). The decrease during the previous 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). The increase during the current period is mainly attributable to the acquisition of PMO Hamamatsucho II (¥5,559,469 thousand), PROUD FLAT Togoshi-Ginza (¥2,644,993 thousand), PRIME URBAN Higashi Nakano Court (¥7,292,801 thousand). The decrease during the current period is mainly attributable to the sale of Ichibancho stear (¥4,406,579 thousand) as well as depreciation (¥5,731,074 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 previous 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. In the current fiscal period, transfer price is used as the fair value for NRE Higashi-nihonbashi Building (September

15,2022), the scheduled transfer price is used as the fair value for NRE Higashi-nihonbashi Building (March 15,2023), PRIME URBAN Takaido, PRIME URBAN Mukojima, PRIME URBAN Nishi Funabashi, PRIME URBAN Chiji Kokan, PRIME URBAN Maruyama, PRIME URBAN Kita Nijyuyo Jo, PRIME URBAN Aoi, PRIME URBAN Tsurumai.

The real estate rental revenues and expenses for the fiscal period ended August 31, 2022 are presented in “18. Breakdown of Real Estate Rental Revenues and Expenses.”

16. REVENUE RECOGNITION

1. Information on disaggregation of revenues from contracts with customers

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

Thousands of Yen

	Revenues from contracts with customers ^(Note 1)	Sales to external customers
Proceeds from sales of real estate	3,920,000	^(Note 2) 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 subject 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.

Current period (from March 1, 2022 to August 31, 2022)

Thousands of Yen

	Revenues from contracts with customers ^(Note 1)	Sales to external customers
Proceeds from sales of real estate	5,382,000	^(Note 2) 757,969
Utility expense revenues	1,531,876	1,531,876
Other	—	36,732,606
Total	6,913,876	39,022,452

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 subject 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.

2. Basic information for understanding revenues from contracts with customers

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

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

Current period (from March 1, 2022 to August 31, 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

	Previous period from September. 1, 2021 to February. 28, 2022	Current period from March. 1, 2022 to August. 31, 2022
Receivables from contracts with customers (balance as of the beginning of the fiscal period)	363,492	372,248
Receivables from contracts with customers	372,248	497,211

(balance as of the end of the fiscal period)		
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

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

Not applicable. Concerning utility expense revenues, NMF recognizes them with 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.

Current period (from March 1, 2022 to August 31, 2022)

As of August 31, 2022, the transaction price allocated to remaining performance obligations relating to the sale of real estate and other assets was ¥4,520,000 thousand for real estate and other assets for which a purchase and sale agreement was concluded on March 8, 2022.

Of the remaining performance obligations, NMF completed the transfer of ¥2,260,000 thousand of the relevant real estate and other assets on September 15, 2022 and expect to recognize a gain in the February 28, 2023 (15th) fiscal period.

In addition, with regard to the remaining ¥2,260,000 thousand, NMF expects to recognize a gain in the August 31, 2023 (16th) fiscal period in conjunction with the transfer of the relevant real estate and other assets, which is planned to take place on March 15, 2023. Concerning utility expense revenues, NMF recognizes them with 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 September 1, 2021 to February 28, 2022 and from March 1, 2022 to August 31, 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 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

For the period from March 1, 2022 to August 31, 2022

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd	5,451,496	Rental real estate business

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

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

Thousands of Yen

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
Real estate rental revenues	37,358,086	38,264,482
Rental revenues	34,654,862	35,249,227
Rental revenues	32,379,033	32,975,247
Common area charges	2,275,828	2,273,980
Other rental revenues	2,703,224	3,015,254
Parking revenues	629,997	647,115
Incidental income	1,925,291	2,249,949
Other miscellaneous revenues	147,934	118,189
Real estate rental expenses	15,972,567	16,652,112
Property management costs	1,829,209	1,855,012
Property management fees	951,283	1,071,906
Property and other taxes	3,246,576	3,313,137
Utility expenses	1,584,054	1,878,814
Casualty insurance	59,873	64,370
Repairs and maintenance	1,273,461	1,326,497
Land rents	177,522	188,976
Depreciation	5,609,620	5,738,419
Other rental expenses	1,240,965	1,214,978
Real estate rental profits	21,385,518	21,612,370

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

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		<u>162,853</u>

		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		<u>300,369</u>

For the period from March 1, 2022 to August 31, 2022

		Thousands of Yen
Ichibancho stear		
Proceeds from sales of real estate	5,382,000	
Cost of sales of real estate	4,406,579	
Other related sales expenses	217,451	
Gain on sales of real estate		<u>757,969</u>

20. BREAKDOWN OF EXTRAORDINARY GAIN

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

Not applicable.

For the period from March 1, 2022 to August 31, 2022

The ¥155,000 thousand related to the donation of building fixtures that belonged to tenants at the time the tenants vacated the premises is recorded as a gain on donation of fixed assets.

21. BREAKDOWN OF EXTRAORDINARY LOSS

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

Not applicable.

For the period from March 1, 2022 to August 31, 2022

Losses related to assets damaged by the 2022 Fukushima Earthquake totaling ¥46,519 thousand are recorded as loss on disaster.

22. LEASES

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

	Thousands of Yen	
	As of February 28, 2022	As of August 31, 2022
Due within one year	38,246,189	39,597,949
Due after one year	100,363,195	98,376,846
Total	138,609,384	137,974,796

23. DERIVATIVES AND HEDGE ACCOUNTING

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.

Derivative transactions as of August 31, 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	34,350,000	2,000,000	(48,676) (Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	29,304,100	22,361,300	(213,426) (Note 4)
Total			63,654,100	24,361,300	(262,103)

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, (¥850 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥213,426 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

24. CASH DISTRIBUTIONS

	For the period from September 1, 2021 to February 28, 2022	For the period from March 1, 2022 to August 31, 2022
1. Retained earnings at end of period	12,575,751,402	13,594,898,383
2. Distributions in excess of retained earnings	2,918,708,800	2,060,542,400
Of which, allowance for temporary difference adjustment	2,093,548,800	1,900,225,600
Of which, other distributions in excess of net income	825,160,000	160,316,800
3. Incorporation into unitholders' capital	102,762,213	46,744,842
Of which, reversal of allowance for temporary difference adjustments	102,762,213	46,744,842
4. Distributions	15,296,108,800	15,560,160,000
[Distributions (per unit)]	(3,244)	(3,300)
Of which, distributions of earnings	12,377,400,000	13,499,617,600
[Of which, distributions of earnings (per unit)]	(2,625)	(2,863)
Of which, allowance for temporary difference adjustments	2,093,548,800	1,900,225,600
[Of which, allowance for temporary difference adjustments (per unit)]	(444)	(403)
Of which, other distributions in excess of net income	825,160,000	160,316,800
[Of which, other distributions in excess of net income (per unit)]	(175)	(34)
5. Retained earnings carried forward	95,589,189	48,535,941

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 ¥15,560,160,000 in distributions (¥3,300 per investment unit). This figure was arrived at by ¥13,499,309,194 in net income after taxes and ¥2,622,242,820 in amortization of goodwill and subtracting ¥561,392,014, the total of a portion of gains on sale of real estate and gain on donation of fixed assets.

Total distributions comprise distribution of earnings and distribution in excess of net income. Distribution of earnings as stipulated in Article 136, paragraph 1 of the Investment Trusts Act came to ¥13,499,617,600 (¥2,863 per investment unit). Distribution in excess of net income comprises a distribution of ¥1,900,225,600 (¥403 per investment unit) as allowance for temporary difference adjustment and ¥160,316,800 (¥34 per investment unit) in other distribution in excess of net income.

25. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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.	Upon sale, the corresponding amount is scheduled to be reversed
Leasehold	
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 March 1, 2022 to August 31, 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
Increase-subtotal		2,622,242
Buildings, facilities, etc.	Depreciation deficiency equivalent	(686,268)
Unearned revenue	Write-down of loss on interest-rate swap due to merger	(19,546)
Land	Cost of sales of land	(11,410)
Other	-	(4,792)
Decrease-subtotal		(722,017)
Total		1,900,225

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	(46,744)
Total		(46,744)

Note 1: The amount of reversal during the current fiscal period (¥14,226 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.	Upon sale, the corresponding amount is scheduled to be reversed
Leasehold	
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.

26. SIGNIFICANT SUBSEQUENT EVENTS

Asset Sales

(1)NMF sold the following asset after the conclusion of the 14th fiscal period (August 31, 2022).

NRE Higashi-nihonbashi Building

Type of asset : Trust beneficial interest in trust of real estate (Note)

Use : Office

Contract date : March 8, 2022

Transfer date : September 15, 2022 (Quasi co-ownership of 50%)

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

Buyer : A domestic corporation

Impact on 15th fiscal period earnings(Scheduled) : ¥350 million

(2) NMF decided to sell the following asset after the conclusion of the 14th fiscal period (August 31, 2022).

NRE Higashi-nihonbashi Building

Type of asset : Trust beneficial interest in trust of real estate (Note)

Use : Office

Contract date : March 8, 2022

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

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

Buyer : A domestic corporation

Impact on 16th fiscal period earnings(Scheduled) : ¥347 million

(Note) At the end of the 14th fiscal period, the asset to be transferred was real estate, but on September 15, 2022, a trust agreement was concluded and it has become a trust beneficial interest in trust of real estate.

(3)NMF sold the following asset after the conclusion of the October 18, 2022.

PRIME URBAN Takaido

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥1,310 million

Buyer : A domestic special purpose corporation (tokutei mokuteki kaisha)

Impact on 15th fiscal period earnings(Scheduled) : ¥222 million

PRIME URBAN Mukojima

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥636 million

Buyer : A domestic special purpose corporation(tokutei mokuteki kaisha)

Impact on 15th fiscal period earnings(Scheduled) : ¥94 million

PRIME URBAN Nishi Funabashi

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥967 million

Buyer : A domestic special purpose corporation(tokutei mokuteki kaisha)

Impact on 15th fiscal period earnings(Scheduled) : ¥281 million

PRIME URBAN Aoi

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥763 million

Buyer : A domestic special purpose corporation(tokutei mokuteki kaisha)

Impact on 15th fiscal period earnings(Scheduled) : ¥92 million

PRIME URBAN Tsurumai

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥1,281 million

Buyer : A domestic special purpose corporation(tokutei mokuteki kaisha)

Impact on 15th fiscal period earnings(Scheduled) : ¥382 million

PRIME URBAN Chiji Kokan

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥300 million

Buyer : A domestic corporation

Impact on 15th fiscal period earnings(Scheduled) : ¥82 million

PRIME URBAN Maruyama

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥257 million

Buyer : A domestic corporation

Impact on 15th fiscal period earnings(Scheduled) : ¥51 million

PRIME URBAN Kita Nijyujo Jo

Type of asset : Real estate

Use : Residential

Contract date : October 18, 2022

Transfer date : October 31, 2022

Transfer price : ¥459 million

Buyer : A domestic corporation

Impact on 15th fiscal period earnings(Scheduled) : ¥78 million

The impact of (1), (2), and (3) above, on earnings for 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.