

(Reference) SUMMARY OF FINANCIAL RESULTS (REIT)
For the 5th Fiscal Period Ended February 28, 2018

April 13, 2018

REIT securities issuer: Nomura Real Estate Master Fund, Inc. ("NMF") Stock exchange listing: Tokyo Stock Exchange
 Securities code: 3462
 Representative: Shuhei Yoshida, Executive Director URL: <http://www.nre-mf.co.jp/en/>
 Asset management company: Nomura Real Estate Asset Management Co., Ltd.
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Scheduled date of filing of securities report: May 29, 2018
 Scheduled date of commencement of distribution payout: May 18, 2018
 Preparation of supplementary materials on financial results: Yes
 Holding of briefing session on financial results: Yes (for institutional investors and analyst)

[Amounts less than one million yen are truncated]

1. Financial Results for the 5th Fiscal Period (from September 1, 2017 to February 28, 2018)

(1) Operating Results [% figures are the rate of increase (decrease) compared with the previous period]

	Operating revenues		Operating profit		Ordinary income		Net income	
Period ended	million yen	%	million yen	%	million yen	%	million yen	%
February 28, 2018	34,218	(10.3)	13,212	(16.0)	10,715	(18.8)	10,714	(18.8)
August 31, 2017	38,139	9.9	15,735	39.9	13,190	52.1	13,190	52.1

	Net income per unit	Return on unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
Period ended	yen	%	%	%
February 28, 2018	2,561	1.9	1.0	31.3
August 31, 2017	3,153	2.4	1.2	34.6

(2) Distributions

	Distribution per unit (excluding distribution in excess of net income)	Total distributions (excluding distribution in excess of net income)	Distribution in excess of net income per unit	Total distributions in excess of net income	Distribution per unit (including distribution in excess of net income)	Total distributions (including distribution in excess of net income)	Distribution payout ratio	Ratio of distributions to net assets
Period ended	yen	million yen	yen	million yen	yen	million yen	%	%
February 28, 2018	2,624	10,976	423	1,769	3,047	12,745	102.4	1.9
August 31, 2017	3,037	12,704	—	—	3,037	12,704	96.3	2.2

(Note 1) There was no distribution in excess of net income for the period ended August 31, 2017. Of the ¥423 distribution in excess of net income per unit in the fiscal period ended February 28, 2018, ¥284 is a distribution of the allowance for temporary difference adjustments and ¥139 is other distributions in excess of net earnings. (see 2. Management Policy and Management Status (2) Management Status ⑤ Business Performance and Distributions, below). Furthermore, the ratio of decreasing surplus is 0.002.

(Note 2) Distribution Payout Ratio is calculated using the below formula and truncated at the first decimal place.

$$\text{Distribution Payout Ratio} = \text{Total Distributions (excluding distribution in excess of Net Income)} / \text{Net Income} \times 100$$

(Note 3) Ratio of Distributions to Net Assets is calculated using the below formula and truncated at the first decimal place.

$$\text{Ratio of Distributions to Net Assets} = \text{Distribution Per Unit (excluding distribution in excess of Net Income)} / \{(\text{Net Assets per Unit at the beginning of the fiscal period} + \text{Net Assets per Unit at the end of the fiscal period}) / 2\} \times 100$$

(3) Financial Position

	Total assets	Net assets	Net assets to total assets	Net assets per unit
Period ended	million yen	million yen	%	yen
February 28, 2018	1,089,820	555,090	50.9	132,697
August 31, 2017	1,095,828	556,649	50.8	133,069

(4) Status of Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Period ended	million yen	million yen	million yen	million yen
February 28, 2018	39,573	(18,983)	(15,280)	76,536
August 31, 2017	65,298	(44,666)	(22,735)	71,227

2. Earnings Forecasts for the 6th Fiscal Period (from March 1, 2018 to August 31, 2018)

[% figures are the ratio of increase (decrease) compared with the previous period]

	Operating revenues		Operating profit		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of net income)	Distribution in excess of net income per unit	Distribution per unit (including distribution in excess of net income)
Period ending	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
August 31, 2018	34,605	1.1	13,253	0.3	10,698	(0.2)	10,697	(0.2)	2,474	607	3,081

(Reference) Forecast net income per unit for the fiscal period ending August 31, 2018 is ¥2,475

*Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatements

- | | |
|-----------------------------------------------------------------------------------------|------|
| ① Changes in accounting policies accompanying amendments to accounting standards, etc.: | None |
| ② Changes in accounting policies other than those in ①: | None |
| ③ Changes in accounting estimates: | None |
| ④ Retrospective restatements: | None |

(2) Number of Investment Units Issued and Treasury Investment Units

① Number of investment units issued (including treasury investment units)

As of February 28, 2018: 4,183,130 units

As of August 31, 2017: 4,183,130 units

② Number of treasury investment units

As of February 28, 2018: – units

As of August 31, 2017: – units

(Note) For the number of investment units used as the basis for calculation of net income per unit, please refer to “Notes on Per Unit Information” on page 46.

* Status of audit procedure implementation

At the time of the disclosure of this document, audit procedures for financial statements pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments) have not been completed.

* Forward-looking statements

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by NMF. Accordingly, actual earnings performance and other results may differ materially due to a variety of factors. Furthermore, such forward-looking statements do not constitute a guarantee of future distributions. For more information about the assumptions underlying forward-looking statements and the use of such statements, please refer to “Assumptions Underlying Earnings Forecasts for the Fiscal Period Ending August 31, 2018 (6th fiscal period: March 1, 2018 to August 31, 2018) and the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019)” on page 14.

This is an English language translation of the original Japanese announcement of the financial statements (“Kessan Tanshin”). This translation is provided for information purpose only. Should there be any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Attachment

1. Related Corporations of the Investment Corporation

Disclosure is omitted because there are no significant changes from the information presented under “Structure of the Investment Corporation” in the most recently published securities report (filed on November 29, 2017).

2. Management Policy and Management Status

(1) Management Policy

On December 19, 2017, the Investment Corporation revised its Asset Management Guidelines, which lay out operational policy and other matters. Changes in investment policy from the content presented under “Section 1. Fund Information 2. Investment Policy (1) Investment Policy” in the most recent securities report (filed on November 29, 2017) are as follows. Updated portions are underlined.

Other than the changes indicated below, disclosure is omitted, since there are no significant changes from the “Investment Policy,” “Investment Targets” and “Distribution Policy” presented in the most recent securities report (filed on November 29, 2017).

Section 1. Fund Information

No. 1 Status of the Fund

2. Investment Policy

(1) Investment Policy

② Investment Policy

[...]

B. Investment Standards

1. Property Selection Standards by Sector

(i) Logistics Facilities

a) Definition of Sector

At the point of acquisition, the leasable floor space and other factors attributable to each use of the real estate targeted for acquisition shall be assessed to determine its main use; properties whose main use is thus found to be logistics shall be considered logistics facilities (Note).

When investing only in a building's site or in superficies or leasehold rights of such a site (real estate that constitutes the main body of a building's site and superficies or leasehold rights of such sites are hereinafter referred to as “sites, etc.”), the sector of the site, etc. shall be the sector whose definition matches or is expected to match the building on the site, etc. (the same is true for all sectors).

(Note) Investments can also target consumer warehouses (trunk rooms, rental storage space, etc.) and in such a case the property size standards in b) below shall not apply.

[...]

(ii) Retail Facilities

a) Definition of Sector

At the point of acquisition, the leasable floor space and other factors attributable to each use of the real estate targeted for acquisition shall be assessed to determine its main use; properties whose main use is thus found to be retail shall be considered retail facilities (Note).

(Note) NMF classifies retail facilities into the following two types.

Classification	Station area	Residential area
Overview	Facilities that rely on the ability of a (terminal) station to gather customers	Facilities backed by a population of nearby residents
Main evaluation items	<ul style="list-style-type: none"> • Number of arriving and departing passengers at the station • Distance to the station (accessibility) • Commercial concentration (vibrancy) • Visibility • Synergy with other retail facilities • Specifications of building facilities 	<ul style="list-style-type: none"> • Trade area population • Transportation access • Trends of competing stores • Substitutability of tenants and sector • Length of lease contract period • Tenant credit
Main types of tenants	<ul style="list-style-type: none"> • Service sector tenants • Merchandise stores • Restaurants, etc. 	<ul style="list-style-type: none"> • Food supermarkets • General supermarkets • Furniture retailers • Sports clubs, etc.

[...]

(iii) Offices

a) Definition of Sector

At the point of acquisition, the leasable floor space and other factors attributable to each use of the real estate targeted for acquisition shall be assessed to determine its main use; properties whose main use is thus found to be as offices shall be considered offices (Note).

(Note) The sections occupied by tenants for restaurants and shops are not included.

[...]

(iv) Residential Facilities

a) Definition of Sector

At the point of acquisition, the leasable floor space and other factors attributable to each use of the real estate targeted for acquisition shall be assessed to determine its main use; properties whose main use is thus found to be residential shall be considered residential facilities (Note).

(Note) Residential facilities refer to the following facilities, etc. Regarding residential facilities other than rental apartments, in addition to normal lease schemes, management entrustment schemes for dedicated operators that will manage the facility will be considered based on the property's management form.

Rental apartments (Including company housing that is whole leased to companies and student condominiums whose occupants are solely students)	Residential facilities used for the purpose of general residency and whose leasing is in principle for more than a year.
Short-stay condominiums	Residential facilities with furniture that are used for the purpose of short-term stay on a weekly or monthly basis (less than a year).
Serviced apartments	Residential facilities with furniture and that provide services such as linen (bedding replacements), front desk services and concierge services.
Dormitories	Residential facilities that are used as so-called dormitories, having, for example, public spaces, facilities for the provision of food, etc.
Housing for the elderly	Residential facilities with nursing care services.

(v) Hotels

a) Definition of Sector

At the point of acquisition, the leasable floor space and other factors attributable to each use of the real estate targeted for acquisition shall be assessed to determine its main use; properties whose main use is thus found to be hotels shall be considered hotels. Hotels include any attached restaurants, meeting rooms, banquet halls, spas or similar facilities.

b) Standards for Determining the Contract Type

In principle, hotels to be acquired shall be managed as leased facilities (including variable-rent leases), and Nomura Real Estate Master Fund, Inc. shall not directly commission their operation.

c) Property Selection Policy

When investing in hotels, in addition to the provisions of “2. Property Selection Standards Applied Regardless of Sector,” below, the Asset Management Company’s property selection policy shall be to invest with balanced consideration of profitability and stability.

In particular, hotels shall be selected with regard to their location in light of such factors as the strength of the local economy, trends in visitors from overseas and the potential impact on the surrounding area of natural disasters. Furthermore, as the profitability of hotels is greatly impacted by such factors as the ability of the operator and brand strength, particular weight shall be given to the conditions of the property’s lease contract and the operator’s creditworthiness and substitutability. Consideration shall also be given to the division between the Asset Management Company and the operator of assets, including furniture, fixtures and equipment, as well as the division of the burden for repairs and renovations.

(vi) Other Sectors

Other real estate targeted for investment falls into a wide range of sectors. As such, specific limits on size and such will not be established in light of the diversity of investment standards according to sector. Investment in other sectors will be made upon comprehensive considerations of the locality based on location characteristics, ease of securing substitute tenants, general versatility of facilities, etc. of each individual real estate targeted for investment.

2. Property Selection Standards Applied Regardless of Sector

[...]

(viii) Tenant composition

Investment will be made in properties where the tenants’ creditworthiness and purpose of use are appropriate.

In principle, with the exception of hotels, investment will be made in properties targeting multiple tenants. Regarding properties leased to a single tenant or to a small number of tenants, investment decisions will be made upon comprehensive consideration of the content of lease agreements, the creditworthiness of the companies, etc. according to the commercial register of said companies or to surveys by corporate analysis firms, expected ability to attract tenants after departures, characteristics of the sector, etc.

[...]

③ Management Policy

[...]

A. Basic Strategy

1. Leasing Activities

[...]

(a) Understanding the State of the Relevant Market

The Asset Management Company shall analyze the forecast tenant demand, rent levels, occupancy rates and trends at competing properties in the markets to which its real estate under management belongs based on such information as its own research, third-party

market reports and information provided by real estate brokers, consultants or other market actors. In cases where the surrounding market is undergoing structural change (such as a trend toward the new development of rental real estate, the opening of new transportation systems or new stations, etc.), the Asset Management Company shall analyze the impact of such changes. For hotels, in addition to the abovementioned structural changes, the Asset Management Company shall analyze such factors as trends at nearby tourist facilities and trends related to tourists, including those from overseas.

[...]

(f) Operator Selection Standards

The profitability of a hotel depends in great part on the ability of the operator. Accordingly, the Asset Management Company shall consider such factors as the operator's financial condition and past record of operating hotels.

(2) Management Status

① Outline of Fiscal Period under Review

NMF's basic policy is to manage its assets mainly as investments in real estate, etc. (meaning the assets specified in the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Prime Minister's Office Ordinance No. 129 of 2000, including subsequent amendments)), specifically real estate, leaseholds of real estate, surface rights, and the beneficial interests of trusts formed by entrustment of only these assets, to secure stable income over the medium to long term and steady growth of assets under management (Note). 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 offers strong tenant demand, while also considering regional diversification through investment in all of Japan's three major metropolitan areas and other major cities. By combining the "diversified type strategy," in which investments are made in a variety of facilities, such as offices, retail facilities, logistics facilities and residential facilities, with the "large-scale REIT strategy," which increases portfolio stability through property and tenant diversification, as well as the "leasing value chain" with the sponsor, the Nomura Real Estate Group, NMF aims to increase unitholder value by securing stable income over the medium to long term and the steady growth of assets under management.

During the two years from NMF's establishment on October 1, 2015, NMF sold 28 properties for a total of ¥99.5 billion, greatly surpassing its target for its management strategy's initial quality phase of 20 to 25 properties for ¥50 billion. NMF also acquired 42 properties, mainly from the sponsor, Nomura Real Estate Development Co., Ltd., for a total of ¥232.3 billion (including assets acquired through M&A, namely an absorption type merger). These asset replacements improved the quality of NMF's portfolio. In light of these achievements, NMF decided to transition to the medium- to long-term management strategy's second phase, the growth phase, in October 2017. In the growth phase, NMF will target external growth through the property acquisition pipeline leveraging the Nomura Real Estate Group's property development capabilities and internal growth by making maximum use of the property management pipeline with a focus on strengthening its property brands. By doing so, NMF aims to grow distributions and further increase unitholder value.

Furthermore, as of September 1, 2017, NMF changed its asset management fee scheme, adopting a scheme that links asset management fees to net income for each fiscal period. This change will promote increased consideration of unitholder interests in management by enhancing the link between said interests and asset management fees.

(Note) Throughout this document, "assets under management" refers to assets that belong to NMF.

Furthermore, "Real estate, etc." refers to assets defined in Article 29, Paragraph 1 (1) or (2) of NMF's Articles of Incorporation, and "real estate backed securities" refers to assets defined in Article 29, Paragraph 1 (3) of NMF's Articles of Incorporation ("Real estate, etc." and "real estate-backed securities" are hereinafter collectively referred to as "real estate-related assets").

Real estate and the underlying real estate of real estate-related assets are together referred to as the "real estate under management" or "properties."

② Investment Environment

The Japanese economy has continued to gradually improve, backed by increased exports, capital investment

and production due to improvement in the global economy. Going forward, moderate growth is expected to continue on the back of firm corporate performance. However, interest rate hikes as central banks around the world move toward normalizing monetary policy and deterioration in market sentiment due to excessive volatility in stock prices globally could potentially lead to deceleration in the global economy and thus remain causes for concern.

In the J-REIT market, conditions were somewhat lackluster, reflecting net selling mainly by investment trusts. However, net buying by overseas investors has led to recovery, and overall conditions are firm.

With regard to the office leasing market, the vacancy rate continued to gradually decline. Rents continued to rise, albeit slowly, as the market tightened, reflecting firm demand for increased floor space and expansion in existing buildings. While central Tokyo will see the start of a large supply of new office properties in 2018, improvement in corporate performance is expected to generate demand for increased floor space. Accordingly, NMF believes that a rapid rise in the vacancy rate is unlikely. In major regional cities, the new supply of office properties will be limited relative to demand, and vacancy rates are expected to remain low, with rents generally increasing.

In the leased retail facility market, despite improvement in consumer confidence, retail remains stagnant due in part to the growth of e-commerce. In major urban retail areas, increases in asset prices and consumption by inbound tourists are driving increases in department store sales of cosmetics and luxury items. However, while rents had been increasing, the completion of large-scale retail facilities has absorbed demand for new luxury brand stores. As a result of this and other factors, rent increases seem to have paused for the moment.

In the leased logistics facility market, overall demand has been firm, due in part to brisk sales reported by third-party logistics providers (Note), NMF's main logistics facility tenants, and online shopping outlets. An increase in logistics facility development projects in the greater Tokyo area and Kinki area has caused some local demand imbalances, but overall rents remained steady.

(Note) Third-party logistics (3PL) refers to logistics services outsourced by shippers for part or all of their logistics functions.

Concerning the environment surrounding the rental apartment market, the Greater Tokyo Area and other major urban areas continue to see net population inflow, keeping demand firm, while new supply of high-quality rental condominiums in prime locations is low. Reflecting these conditions, the overall occupancy rate of J-REIT-owned rental condominiums remains high. Rents are forecast to follow a gentle upward trajectory for the time being, backed by tight supply and improving incomes.

In the real estate transaction market, overall investor appetite remains strong, but prices have remained high, competition to acquire properties is growing more intense, and it remains extremely difficult to acquire properties at justifiable prices. The current market balance is expected to stay largely unchanged for some time under the accommodative financial environment, but shifts in domestic and foreign financial markets could lead to signs of change.

③ Management Performance

Under the circumstances described above, during the 5th fiscal period, NMF acquired five properties (PMO Shin-Nihonbashi, PMO Hirakawacho, GEMS Daimon, EMS Kanda and Summit Store Mukodaicho; total acquisition price: ¥16,510 million). Also during the 5th fiscal period, NMF sold two properties (Morisia Tsudanuma and Funabashi Logistics Center; total sale price: ¥23,480 million). As a result, at the end of the fiscal period under review, NMF held 271 properties (total acquisition price: ¥922,568 million), the ratio of investment in the Greater Tokyo area was 81.9%, the gross leasable area of the portfolio was 1,791,262.45 m², and the portfolio remained highly diversified.

Since the close of the 5th fiscal period (February 28, 2018), NMF has carried out its first public offering since its founding. Furthermore, on March 1, 2018, NMF acquired two properties (Landport Hachioji II and Landport Iwatsuki; total acquisition price: ¥15,320 million). On March 5, 2018, NMF acquired one property (Watermark Hotel Sapporo; acquisition price: ¥3,600 million). On April 2, 2018, NMF acquired seven properties (PMO Nihonbashi Mitsukoshimae, PMO Shibadaimon, PROUD FLAT Sangenjaya II, PROUD FLAT Sotokanda, PROUD FLAT Noborito, PROUD FLAT Yoyogi Hachiman and PROUD FLAT Nakaochiai; total acquisition price: ¥14,496 million).

In terms of property and facility management, as described above in “② Investment Environment,” rental demand is expanding, backed by the gradual recovery of the Japanese economy. Accordingly, the occupancy rate of the entire portfolio as of the end of the fiscal period under review was stable and high, at 98.6%. In the office sector, a key upside sector (Note), the rental market has seen particularly notable

recovery, with rises in newly advertised rents and successful rent increases upon contract renewal driving the internal growth of the portfolio as a whole.

(Note) Upside sectors refer to sectors for which an increase of rental revenue can be expected, particularly offices as well as retail facilities in station areas.

④ Status of Fund Procurement

During the fiscal period under review, in order to extend the maturities of its borrowings and diversify its means of funding, on November 16, 2017 NMF issued the first investment corporation bonds since its founding (ten-year bonds; total of ¥2,000 million). Furthermore, NMF refinanced ¥28,820 million (including ¥4,000 million in investment corporation bonds) in interest-bearing liabilities with approaching maturities (including repayments using cash on hand).

As a result, the balance of interest-bearing liabilities at the end of the fiscal period under review was ¥486,198 million, and the ratio of interest-bearing liabilities to total assets (LTV) was 44.6%.

NMF's ratings at the end of the fiscal period under review are shown below. These ratings do not represent judgments on NMF investment units. Concerning NMF investment units, there are no credit ratings that credit rating agencies have provided or made available for inspection, nor are there credit ratings that credit rating agencies are scheduled to provide or make available for inspection at the request of NMF.

Credit rating agency	Rating description		Note	
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating:	AA	Rating outlook:	Stable
Rating and Investment Information, Inc. (R&I)	Issuer rating:	A+	Rating outlook:	Stable
S&P Global Ratings Japan Inc. (S&P)	Long-term corporate credit rating:	A	Rating outlook:	Stable
	Short-term corporate credit rating:	A-1		

⑤ Business Performance and Distributions

In the 5th fiscal period, operating revenues totaled ¥34,218 million, operating profit reached ¥13,212 million, ordinary income totaled ¥10,715 million, and net income came to ¥10,714 million. NMF calculates cash distributions in accordance with the cash distribution policies 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 ¥12,745 million in distributions (¥3,047 per investment unit). This figure was calculated as ¥10,714 million in net income after taxes plus ¥2,622 million in amortization of goodwill minus ¥587 million in gains on sale of real estate minus the portion for which per-unit distributions comprising the types of dividends laid out below would be less than ¥1.

Total distributions comprise distributions of earnings and distributions in excess of net income. Distributions of earnings came to ¥10,976 million (¥2,624 per investment unit), calculated as income as stipulated in Article 136 Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, hereinafter the Investment Trust Act), less reversal of allowance for temporary difference adjustments (as stipulated in Article 2 Paragraph 2 (30) of the Regulations Concerning Accounting of Investment Corporations; hereinafter ATA). Distributions in excess of net income comprise a ¥1,188 million (¥284 per investment unit) distribution of ATA and ¥581 million (¥139 per investment unit) in other distributions in excess of net earnings.

Note that all of the ¥587 million gain on sales of real estate recorded in the 5th fiscal period will be designated as retained earnings to facilitate stable operations over the medium and long terms. Said retained earnings do not violate the relevant conduit requirements, and the depreciation deficiency equivalent arising from the merger will not be taxed.

⑥ Outlook for Next Fiscal Period

Under the conditions described above in ② Investment Environment, NMF will continue to implement growth phase initiatives. As part of said initiatives, NMF will target external growth by leveraging the Nomura Real Estate Group's property development capabilities and internal growth by making maximum use of the property management pipeline with a focus on strengthening its property brands. By doing so, with both the external growth and the internal growth, NMF aims to secure the growth of income and increase further unitholder value.

⑦ Significant Subsequent Events

A. Issuance of New Investment Units

At the Board of Directors meetings held on February 1, 2018 and February 13, 2018, NMF resolved to issue new investment units, as shown below. Payments for new investment units issued via a public offering concluded on March 1, 2018, and payments for new investment units issued via third-party allocation concluded on March 20, 2018. As a result, unitholders' capital stands at ¥181,251,569 thousand, and the total number of investment units issued and outstanding is 4,321,800.

Issuance of New Investment Units through Public Offering (Primary Offering)

Number of units offered	132,000 units
Issue price (offer price)	¥137,474 per unit
Total issue price (total offer price)	¥18,146,568,000
Amount to be paid (issue value)	¥133,125 per unit
Total amount to be paid (total issue value)	¥17,572,500,000
Payment date	March 1, 2018

Issuance of New Investment Units through Third-Party Allotment (Third-Party Allotment)

Number of investment units offered	6,670 units
Amount to be paid (issue value)	¥133,125 per unit
Total amount to be paid (total issue value)	¥887,943,750
Payment date	March 20, 2018
Allottee	Nomura Securities Co., Ltd.

Use of proceeds

The proceeds obtained from the Primary Offering and the Third-party Allotment were used for a part of the acquisition of the nine assets acquired on March 1, 2018 and April 2, 2018.

(Reference)

A. Property acquisition

NMF decided to acquire the assets stated below on December 19, 2017, concluding the acquisition on March 5, 2018.

Property name	Watermark Hotel Sapporo
Type of asset	Real estate
Location (Note 1)	(Registry) 5-16 Minamisanjonishi , Chuou Ward, Sapporo City, and other 2 lots (Street) 5-16 Minamisanjonishi , Chuou Ward, Sapporo City
Structure (Note 1)	RC 13F
Land area (Note 1)	553.20m ²
Floor area (Note 1)	4,348.23m ²
Type of ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	March 25, 2008
Acquisition price (Note 2)	¥3,600 million
Date of agreement	December 20, 2017 (Date of agreement on purchase and sale of real estate)
Date of acquisition	March 5, 2018 (Date of delivery of real estate)
Seller	Watermark Hotel Japan Co., Ltd.

(Note 1) Location (registry), Structure, Completion Date, and Land Area ,Floor area are based on the information in the real estate registry.

(Note 2) The acquisition price stated is that given on the real estate sale contract and does not include acquisition-related costs (property and other taxes, etc.).

NMF decided to acquire the assets stated below on February 1, 2018, concluding the acquisition on March 1, 2018 regarding to Landport Hachioji II and Landport Iwatsuki, and concluding the acquisition on April 2, 2018 regarding to PMO Nihonbashi Mitsukoshi-mae, PMO Shibadaimon, PROUD FLAT Sangenjaya II, PROUD FLAT Soto Kanda, PROUD FLAT Noborito, PROUD FLAT Yoyogi Hachiman and PROUD FLAT Nakaochiai.

Property name	Landport Hachioji II	Landport Iwatsuki
Type of asset	Real estate	Real estate
Location (Note 1)	(Registry) 2970-3 Ishikawacho, Hachioji City, Tokyo (Street) 2970-3 Ishikawacho, Hachioji City, Tokyo (Note 3)	(Registry) 5-2-9 Ueno, Iwatsuki Ward, Saitama City, Saitama (Street) 5-2-9 Ueno, Iwatsuki Ward, Saitama City, Saitama (Note 3)
Structure (Note 1)	S4F	S4F

Land area (Note 1)	16,466.84 m ²	11,926.85 m ²
Floor area (Note 1)	33,028.63 m ² (Note 4)	24,177.15 m ² (Note 5)
Type of ownership	(Land) Ownership (Building) Ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	September 16, 2016	May 13, 2016
Acquisition price (Note 2)	¥9,230 million	¥6,090 million
Date of agreement	February 1, 2018 (Date of agreement on purchase and sale of real estate)	February 1, 2018 (Date of agreement on purchase and sale of real estate)
Date of acquisition	March 1, 2018 (Date of delivery of real estate)	March 1, 2018 (Date of delivery of real estate)
Seller	Nomura Real Estate Development, Co., Ltd.	Nomura Real Estate Development, Co., Ltd.

Property name	PMO Nihonbashi Mitsukoshi-mae	PMO Shibadaimon
Type of asset	Real estate	Real estate
Location (Note 1)	(Registry) 3-3-12 Nihonbashi-Honcho, Chuo Ward, Tokyo and 7 other lots (Street) 3-4-5 Nihonbashi-Honcho, Chuo Ward, Tokyo	(Registry) 1-703-2 Shibadaimon, Minato Ward, Tokyo (Street) 1-10-18 Shibadaimon, Minato Ward, Tokyo
Structure (Note 1)	S11F	S9F
Land area (Note 1)	(1) 365.95 m ² (2) 70.52 m ² (Note 6)	289.59 m ²
Floor area (Note 1)	2,968.75 m ²	1,755.21 m ²
Type of ownership	(Land) Ownership (partly co-ownership) (Building) Ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	May 31, 2016	September 24, 2014
Acquisition price (Note 2)	¥4,310 million	¥2,130 million
Date of agreement	February 1, 2018 (Date of agreement on purchase and sale of real estate)	February 1, 2018 (Date of agreement on purchase and sale of real estate)
Date of acquisition	April 2, 2018 (Date of delivery of real estate)	April 2, 2018 (Date of delivery of real estate)
Seller	Nomura Real Estate Development, Co., Ltd.	Nomura Real Estate Development, Co., Ltd.

Property name	PROUD FLAT Sangenjaya II	PROUD FLAT Soto Kanda
Type of asset	Real estate	Real estate
Location (Note 1)	(Registry) 1-1-88 Taishido, Setagaya Ward, Tokyo and 1 other lot (Street) 1-15-31 Taishido, Setagaya Ward, Tokyo	(Registry) 2-57-23 Sotokanda, Chiyoda Ward, Tokyo (Street) 2-5-9 Sotokanda, Chiyoda Ward, Tokyo
Structure (Note 1)	RC 6F	RC 11F

Land area (Note 1)	1,534.91 m ²	407.54 m ²
Floor area (Note 1)	3,522.92 m ²	2,882.48 m ²
Type of ownership	(Land) Ownership (Building) Ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	January 14, 2014	April 22, 2016
Acquisition price (Note 2)	¥2,750 million	¥2,280 million
Date of agreement	February 1, 2018 (Date of agreement on purchase and sale of real estate)	February 1, 2018 (Date of agreement on purchase and sale of real estate)
Date of acquisition	April 2, 2018 (Date of delivery of real estate)	April 2, 2018 (Date of delivery of real estate)
Seller	Nomura Real Estate Development, Co., Ltd.	Nomura Real Estate Development, Co., Ltd.

Property name	PROUD FLAT Noborito	PROUD FLAT Yoyogi Hachiman
Type of asset	Real estate	Real estate
Location (Note 1)	(Registry) 3470-1 Aza Shinkochi, Noborito, Tama Ward, Kanagawa, other 3 lots (Note 7) (Street) 3333-1 Aza Shinkochi, Noborito, Tama Ward, Kanagawa, other 2 lots (Note 3)	(Registry) 2-1462-21 Tomigaya, Shibuya Ward, Tokyo (Street) 2-16-11 Tomigaya, Shibuya Ward, Tokyo
Structure (Note 1)	RC11F	RC7F
Land area (Note 1)	518.80 m ² (Note 7)	335.87 m ²
Floor area (Note 1)	2,000.91 m ²	1,081.03 m ²
Type of ownership	(Land) Right to use and profit from land (ownership) (Note 8) (Building) Ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	April 19, 2016	January 8, 2016
Acquisition price (Note 2)	¥1,216 million	¥966 million
Date of agreement	February 1, 2018 (Date of agreement on purchase and sale of real estate)	February 1, 2018 (Date of agreement on purchase and sale of real estate)
Date of acquisition	April 2, 2018 (Date of delivery of real estate)	April 2, 2018 (Date of delivery of real estate)
Seller	Nomura Real Estate Development, Co., Ltd.	Nomura Real Estate Development, Co., Ltd.

Property name	PROUD FLAT Nakaochiai
Type of asset	Real estate
Location (Note 1)	(Registry) 1-1820-2 Nakaochiai, Shinjuku Ward, Tokyo (Street) 1-6-16 Nakaochiai, Shinjuku Ward, Tokyo

Structure (Note 1)	RC7F
Land area (Note 1)	423.28 m ²
Floor area (Note 1)	1,333.42 m ²
Type of ownership	(Land) Ownership (Building) Ownership
Completion date (Note 1)	December 6, 2016
Acquisition price (Note 2)	¥844 million
Date of agreement	February 1, 2018 (Date of agreement on purchase and sale of real estate)
Date of acquisition	April 2, 2018 (Date of delivery of real estate)
Seller	Nomura Real Estate Development, Co., Ltd.

(Note 1) Location (registry), Structure, Completion Date, and Land Area, Floor area are based on the information in the real estate registry.

(Note 2) The acquisition price stated is that given on the real estate sale contract and does not include acquisition-related costs (property and other taxes, etc.).

(Note 3) As the Street Address is not indicated officially, the building location in the real estate registry is noted.

(Note 4) Floor area of storage, etc. (28.91 m²) adjacent to the building is also included.

(Note 5) Floor area of a garbage disposal area (19.44 m²) adjacent to the building is also included.

(Note 6) The area in figure (1) is the land owned by the Fund, and the area in figure (2) is the land jointly owned (NMF holds a 50% interest). The area in figure (1) includes 16.47 m² that is to be deemed part of a road under Article 42, Paragraph 2 of the Building Standards Act (setback area). The area in figure (2) is to be deemed a road under Article 42, Paragraph 2 of the Building Standards Act (private road).

(Note 7) The lot number and area of the original land prior to the pre-allotment is given. The area of the land of the Property (total area of the pre-allotted land) given on the Certificate of Pre-allotment Designation, etc. is 460 m².

(Note 8) The right held by NMF as of the date of this financial results are a right to use and profit from land (and the ownership of the original land) of pre-allotted land based on the pre-allotment designation. The ownership of the pre-allotted land is scheduled to be acquired by NMF on the day following the public notice of the replotting.

B. Forecast of the Financial Results for the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019)

Forecast of the Financial Results for the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019) is stated below. Assumptions for Forecast of the Financial Results for the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019) is referred to the following Assumptions Underlying Earnings Forecasts for the Fiscal Period Ending August 31st, 2018 (6th fiscal period: March 1, 2018 to August 31, 2018) and the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019).

Operating Revenues	¥ 34,429 million
Operating Profit	¥ 13,285 million
Ordinary Income	¥ 10,789 million
Net Income	¥ 10,788 million
Net Income Per Unit	¥ 2,496
Distribution Per Unit	¥ 2,494
(Excluding Distribution in Excess of Net Income)	
Distribution in Excess of Net Income Per Unit	¥ 608
Total Distributions Per Unit	¥ 3,102
(Including Distribution in Excess of Net Income)	

Assumptions Underlying Earnings Forecasts
for the Fiscal Period Ending August 31, 2018 (6th fiscal period: March 1, 2018 to August 31, 2018) and
the Fiscal Period Ending February 28, 2019 (7th fiscal period: September 1, 2018 to February 28, 2019)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> Fiscal period ending August 31, 2018 (6th fiscal period): March 1, 2018 to August 31, 2018 Fiscal period ending February 28, 2019 (7th fiscal period): September 1, 2018 to February 28, 2019
Assets Under Management	<ul style="list-style-type: none"> With respect to the 281 properties held by NMF as of this document's publication, it is assumed that there will be no changes in assets under management (new property acquisitions or sales of portfolio properties) through the end of the February 2019 (7th) fiscal period. The forecasts may be revised due to actual changes in the portfolio.
Operating revenues	<ul style="list-style-type: none"> Rental revenues are estimated based tenant trends, the presence of competing properties nearby, real estate market conditions and other factors, with the assumption that there will be no delays in payment or failure to pay on the part of tenants.
Operating expenses (excluding amortization expenses for goodwill)	<ul style="list-style-type: none"> Real estate rental expenses are expected to be ¥15,032 million in the August 2018 (6th) fiscal period and ¥14,814 million in the February 2019 (7th) fiscal period. It is estimated that property and other taxes of ¥2,809 million in the August 2018 (6th) fiscal period and ¥2,799 million in the February 2019 (7th) fiscal period will be recorded as real estate rental expenses. In general, previous owners are reimbursed for the property taxes and city planning taxes for the portion of the fiscal year in which the acquisition occurs from the time NMF acquires the assets onward. However, because the amount equivalent to such reimbursement is included in the cost of acquisition and is capitalized, NMF will not record it as property taxes and city planning taxes in the August 2018 (6th) fiscal period and the February 2019 (7th) fiscal period concerning the properties acquired on both March 1, 2018 and April 12, 2018. Estimated property management costs (including building management fees and property management fees) of ¥3,026 million in the August 2018 (6th) fiscal period and ¥3,015 million in the February 2019 (7th) fiscal period are expected to be recorded as real estate rental expenses. Expenses for building repairs and maintenance required for the fiscal period are recorded as real estate rental expenses calculated based on the mid-to-long term repair plans that NMF's Asset Management Company has established. However, the actual expenses for repairs and maintenance for the fiscal period may differ significantly from estimates due to expenses for urgent repairs of damage to buildings caused by difficult to foresee factors, significant year-on-year fluctuations in costs or non-periodic repair expenses. Furthermore, expenses for repairs and maintenance are estimated at ¥1,535 million in the August 2018 (6th) fiscal period and ¥1,489 million in the February 2019 (7th) fiscal period. Depreciation of ¥4,892 million in the August 2018 (6th) fiscal period and ¥4,879 million in the February 2019 (7th) fiscal period is expected to be recorded as real estate rental expenses. Other operating expenses (including asset management fees, asset custody fees and general administration fees) are estimated at ¥3,698 million in the August 2018 (6th) fiscal period and ¥3,707 million in the February 2019 (7th) fiscal period.

Item	Assumptions
Amortization expenses for goodwill	<ul style="list-style-type: none"> Goodwill is scheduled to be amortized using the straight-line method over 20 years pursuant to the Business Combination Accounting Standards. Goodwill amortization expenses are expected to be ¥2,622 million in each the August 2018 (6th) and the February 2019 (7th) fiscal periods. Amortization of goodwill causes a difference between accounting and tax treatment and may result in the imposition of corporation tax or other tax. NMF intends to make distributions in excess of net income for the purpose of securing tax relief during the goodwill amortization period, and it is expected that NMF will be able to avoid such taxation.
Non-operating expenses	<ul style="list-style-type: none"> NMF expects one-time expenses in the August 2018 (6th) fiscal period of ¥19 million in costs related to the issuance of new investment units resolved at the February 1, 2018 meeting of the Board of Directors (“the issue of new investment units”). Furthermore, interest expenses and other borrowing-related expenses are estimated to be ¥2,527 million in the August 2018 (6th) fiscal period and ¥2,485 million in the February 2019 (7th) fiscal period.
Interest-bearing liabilities	<ul style="list-style-type: none"> As of this document’s publication, the outstanding interest-bearing liabilities of NMF are ¥497,198 million, consisting of ¥476,698 million in outstanding borrowings and ¥20,500 million in investment corporation bonds. Regarding the ¥22,872 million in borrowings that will come due by the end of the August 2018 (6th) fiscal period and ¥28,417 million in borrowings that will come due by the end of the February 2019 (7th) fiscal period, it is assumed that NMF will make scheduled, partial repayments of ¥42 million in each the August 2018 (6th) and February 2019 (7th) fiscal periods using cash on hand, while refinancing the remainder with new borrowings. It is assumed that there will be no changes in the amount of the outstanding interest-bearing liabilities other than those stated above by the February 2019(7th) fiscal period.
Investment units	<ul style="list-style-type: none"> Forecasts are based on the number of investment units issued and outstanding as of this document’s publication, 4,321,800 units. NMF assumes that there will be no additional issuance of new investment units through February 28, 2019 (the end of the 7th fiscal period).
Distribution per unit	<ul style="list-style-type: none"> The distribution per unit is calculated according to the distribution policy outlined in NMF’s Articles of Incorporation. NMF assumes that, of the allowance for temporary difference adjustments (“ATA”) accrued up to the present, the amount eliminated in the August 2018 (6th) fiscal period (¥5 million) and the February 2019 (7th) fiscal period (¥5 million) will be reversed from retained earnings at the respective period ends. NMF assumes that there will be no change in the August 2018 (6th) and the February 2019 (7th) fiscal periods to the ¥1,093 million in deferred losses on hedges of interest rate swaps recorded under valuation and translation adjustments continuing from the February 2018 (5th) fiscal period. The per-unit distribution (excluding the distribution in excess of net income per unit) is calculated by subtracting this amount from the distributable amount. The per-unit distribution may vary due to various factors, including changes in the investment portfolio, changes in rent income caused by tenant replacements, and unforeseen repairs.
Distribution per unit in excess of earnings per unit	<ul style="list-style-type: none"> The amount of distribution in excess of net income is estimated on the assumption NMF will distribute the amount of valuation and translation adjustments deducted from the total difference between accounting and tax treatment and the distributable amount as ATA for the purpose of tax relief. The estimate is based on the assumption that, in order to alleviate the impact on distributions of the

Item	Assumptions
	<p>amortization of goodwill and other merger-related expenses (the “Merger Expenses”) and the reversal of ATA, if the total difference between accounting and tax treatment for the relevant fiscal period is less than the sum of the Merger Expenses and the reversal of ATA, NMF will make other distributions in excess of net income in an amount not exceeding this difference and within the limit prescribed by the regulations of the Investment Trusts Association, Japan (the “Investment Trusts Association Japan Regulations”), which restricts the amount to 60/100 of the total amount of accumulated depreciation recorded as of the end of the relevant fiscal period less the total amount of accumulated depreciation recorded as of the end of the immediately preceding fiscal period.</p> <ul style="list-style-type: none"> • The distribution in excess of net earnings per unit for the August 2018 (6th) fiscal period is expected to be ¥607, comprising ¥312 in distributions of ATA and ¥295 in other distributions in excess of net earnings. The distribution in excess of net earnings per unit for the February 2019 (7th) fiscal period is expected to be ¥608, comprising ¥347 in distributions of ATA and ¥261 in other distributions in excess of net earnings.
Other	<ul style="list-style-type: none"> • It is assumed that there will be no amendments in legislation, taxation, accounting principles, listing requirements, the regulations of the Investment Trusts Association, Japan, or other laws or regulations that would affect the above forecasts. • It is assumed that there will be no unexpected material changes in general economic conditions and real estate markets.

3. Financial Statements

(1) Balance Sheet

Thousands of Yen

	As of August 31, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and bank deposits	58,143,774	64,532,866
Cash and bank deposits in trust	13,083,900	12,004,072
Rental receivables	787,203	556,648
Prepaid expenses	778,510	696,790
Income taxes receivable	55	54
Other	511,026	276,924
Total current assets	73,304,471	78,067,357
Noncurrent assets		
Property and equipment		
Buildings	118,103,608	121,437,497
Less accumulated depreciation	(6,534,321)	(8,322,612)
Buildings, net	111,569,286	113,114,885
Structures	402,117	423,996
Less accumulated depreciation	(135,600)	(171,650)
Structures, net	266,517	252,345
Machinery	597,359	620,042
Less accumulated depreciation	(235,885)	(298,650)
Machinery, net	361,473	321,391
Tools, furniture and fixtures	143,822	190,500
Less accumulated depreciation	(23,985)	(37,880)
Tools, furniture and fixtures, net	119,836	152,619
Land	214,805,613	223,024,636
Buildings in trust	187,039,446	178,717,511
Less accumulated depreciation	(15,656,794)	(17,195,122)
Buildings in trust, net	*3 171,382,651	*3 161,522,389
Structures in trust	950,998	969,309
Less accumulated depreciation	(626,012)	(697,276)
Structures in trust, net	324,986	272,032
Machinery in trust	231,240	284,564
Less accumulated depreciation	(24,552)	(36,334)
Machinery in trust, net	206,688	248,230
Tools, furniture and fixtures in trust	466,104	379,389
Less accumulated depreciation	(105,141)	(104,417)
Tools, furniture and fixtures in trust, net	360,962	*3 274,972
Land in trust	*3 415,162,899	*3 406,677,823
Leased assets in trust	23,900	23,900
Less accumulated depreciation	(14,950)	(18,850)
Leased assets, net	8,950	5,050
Construction in progress	5,229	98,999
Total property and equipment	914,575,096	905,965,376
Intangible assets		

Thousands of Yen

	As of August 31, 2017	As of February 28, 2018
Goodwill	96,075,951	93,453,708
Leasehold rights	951,943	1,331,702
Leasehold rights in trust	7,628,763	7,628,377
Other	33,060	49,156
Total intangible assets	104,689,719	102,462,945
Investments and other assets		
Long-term prepaid expenses	1,692,616	1,725,575
Long-term deposits	566,019	537,247
Security deposits	945,753	945,963
Derivatives Assets	35,372	74,639
Total investments and other assets	3,239,761	3,283,426
Total noncurrent assets	1,022,504,578	1,011,711,748
Deferred assets		
Investment corporation bond issuance costs	19,666	40,964
Total deferred assets	19,666	40,964
Total assets	1,095,828,716	1,089,820,070

	Thousands of Yen			
	As of August 31, 2017		As of February 28, 2018	
Liabilities				
Current liabilities				
Trade accounts payable		3,078,364		2,223,178
Current portion of investment corporation bonds		4,000,000		—
Current portion of long-term debt		54,760,600		58,315,600
Lease obligations in trust		6,630		3,797
Other accounts payable		1,536,890		2,437,546
Accrued expenses		333,666		291,069
Accrued income taxes		605		605
Accrued consumption taxes		1,227,566		223,118
Rent received in advance		4,942,249		4,896,718
Unearned revenue		300,134		263,512
Derivatives liabilities		50,648		49,325
Other current liabilities		299,281		46,668
Total current liabilities		70,536,637		68,751,140
Long-term liabilities				
Investment corporation bonds		18,500,000		20,500,000
Long-term debt		411,480,600		407,382,800
Lease obligations in trust		2,956		1,591
Long-term advances received		574,827		449,677
Security deposits from tenants	*3	9,107,525	*3	9,737,166
Security deposits from tenants in trust		27,467,719		26,788,158
Derivatives liabilities		1,509,405		1,118,774
Total long-term liabilities		468,643,035		465,978,169
Total liabilities		539,179,673		534,729,310
Net assets				
Unitholders' equity				
Unitholders' capital		162,592,573		162,791,125
Surplus				
Capital surplus		394,012,959		394,012,959
Deductions from capital surplus				
Allowance for temporary difference adjustments	*4	(7,367,727)	*4	(7,169,175)
Other deductions from capital surplus		(5,801,916)		(6,000,467)
Total deduction from capital surplus		(13,169,643)		(13,169,643)
Capital surplus, net		380,843,315		380,843,315
Retained earnings		14,737,836		12,549,780
Total surplus		395,581,151		393,393,095
Total unitholders' equity		558,173,725		556,184,220
Valuation and translation adjustments				
Deferred gains or losses on hedges		(1,524,682)		(1,093,460)
Valuation and translation adjustments		(1,524,682)		(1,093,460)
Total net assets	*2	556,649,043	*2	555,090,759
Total liabilities and net assets		1,095,828,716		1,089,820,070

(2) Statement of Income and Retained Earnings

	Thousands of Yen			
	Previous period from Mar. 1, 2017 to Aug. 31, 2017		Current period from Sep. 1, 2017 to Feb. 28, 2018	
Operating revenues				
Rental revenues	*1	31,656,774	*1	30,724,009
Other rental revenues	*1	3,375,225	*1	2,907,617
Gain on sales of real estate	*2	3,107,662	*2	587,249
Total operating revenues		38,139,662		34,218,876
Operating expenses				
Real estate rental expenses	*1	15,962,925	*1	14,785,472
Asset management fees		3,063,128		3,007,249
Asset custody fees		56,591		56,139
Administrative service fees		174,470		154,619
Directors' compensation		7,200		6,000
Amortization of goodwill		2,622,242		2,622,242
Other operating expenses		517,291		374,816
Total operating expenses		22,403,849		21,006,539
Operating profit		15,735,812		13,212,336
Non-operating revenues				
Interest income		365		635
Reversal of dividends payable		23,673		11,437
Interest on refund		852		—
Other non-operating revenues		48		19
Total non-operating revenues		24,939		12,092
Non-operating expenses				
Interest expenses		1,950,878		1,873,772
Interest expenses on investment corporation bonds		206,638		187,113
Amortization of investment corporation bond issuance costs		1,372		2,147
Loan arrangement fees		405,749		396,804
Investment units issuance costs		—		42,462
Other non-operating expenses		5,310		6,862
Total non-operating expenses		2,569,949		2,509,162
Ordinary income		13,190,803		10,715,266
Income before income taxes		13,190,803		10,715,266
Income taxes—current		605		605
Total income taxes		605		605
Net income		13,190,198		10,714,661
Retained earnings brought forward		1,547,638		1,835,119
Retained earnings at end of period		14,737,836		12,549,780

(3) Statement of Changes in Net Assets

Previous period (from March 1, 2017 to August 31, 2017)

Thousands of Yen

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Total deduction from capital surplus			Net capital surplus
			Allowance for temporary difference adjustment	Deduction from other capital surplus	Total deduction from capital surplus	
Balance at the beginning of the period	161,883,752	394,012,959	(5,374,246)	(3,800,508)	(9,174,754)	384,838,204
Changes of items during the period						
Distributions of retained earnings	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	708,820	—	708,820	(708,820)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	(2,702,301)	—	(2,702,301)	(2,702,301)
Other distributions in excess of net earnings	—	—	—	(1,292,587)	(1,292,587)	(1,292,587)
Net income	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—
Total changes of items during the period	708,820	—	(1,993,481)	(2,001,407)	(3,994,889)	(3,994,889)
Balance at the end of the period	(*1)162,592,573	394,012,959	(7,367,727)	(5,801,916)	(13,169,643)	380,843,315

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the beginning of the period	10,928,087	395,766,292	557,650,045	(1,545,633)	(1,545,633)	556,104,411
Changes of items during the period						
Distributions of retained earnings	(8,671,628)	(8,671,628)	(8,671,628)	—	—	(8,671,628)
Reversal of allowance for temporary difference adjustments	(708,820)	(708,820)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary diccerence adjustments	—	(2,702,301)	(2,702,301)	—	—	(2,702,301)
Other distributions in excess of net earnings	—	(1,292,587)	(1,292,587)	—	—	(1,292,587)
Net income	13,190,198	13,190,198	13,190,198	—	—	13,190,198
Net changes of items other than unitholders' equity	—	—	—	20,951	20,951	20,951
Total changes of items during the period	3,809,748	(185,140)	523,680	20,951	20,951	544,631
Balance at the end of the period	14,737,836	395,581,151	558,173,725	(1,524,682)	(1,524,682)	556,649,043

Current period (from September 1, 2017 to February 28, 2018)

Thousands of Yen

	Unitholders' equity					
	Unitholders' capital	Surplus				
		Capital surplus				
		Capital surplus	Total deduction from capital surplus			Net capital surplus
			Allowance for temporary difference adjustment	Deduction from other capital surplus	Total deduction from capital surplus	
Balance at the beginning of the period	162,592,573	394,012,959	(7,367,727)	(5,801,916)	(13,169,643)	380,843,315
Changes of items during the period						
Distributions of retained earnings	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	198,551	—	198,551	(198,551)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	—	—	—
Other distributions in excess of net earnings	—	—	—	—	—	—
Net income	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—
Total changes of items during the period	198,551	—	198,551	(198,551)	—	—
Balance at the end of the period	(*1)162,791,125	394,012,959	(7,169,175)	(6,000,467)	(13,169,643)	380,843,315

	Unitholders' equity			Valuation and translation adjustments		Total net assets
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Valuation and translation adjustments	
	Retained earnings	Total surplus				
Balance at the beginning of the period	14,737,836	395,581,151	558,173,725	(1,524,682)	(1,524,682)	556,649,043
Changes of items during the period						
Distributions of retained earnings	(12,704,165)	(12,704,165)	(12,704,165)	—	—	(12,704,165)
Reversal of allowance for temporary difference adjustments	(198,551)	(198,551)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary diccerence adjustments	—	—	—	—	—	—
Other distributions in excess of net earnings	—	—	—	—	—	—
Net income	10,714,661	10,714,661	10,714,661	—	—	10,714,661
Net changes of items other than unitholders' equity	—	—	—	431,221	431,221	431,221
Total changes of items during the period	(2,188,056)	(2,188,056)	(1,989,504)	431,221	431,221	(1,558,283)
Balance at the end of the period	12,549,780	393,393,095	556,184,220	(1,093,460)	(1,093,460)	555,090,759

(4) Statement of Cash Distributions

Yen

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period from Sep. 1, 2017 to Feb. 28, 2018
I. Retained earnings at end of period	14,737,836,769	12,549,780,041
II. Distributions in excess of retained earnings	—	1,769,463,990
Of which, allowance for temporary difference adjustments	—	1,188,008,920
Of which, other distributions in excess of net earnings	—	581,455,070
III. Incorporation into unitholders' capital	198,551,954	478,516,800
Of which, reversal of allowance for temporary difference adjustments	198,551,954	478,516,800
IV. Distributions	12,704,165,810	12,745,997,110
[Distributions per unit]	(3,037)	(3,047)
Of which, distributions of earnings	12,704,165,810	10,976,533,120
[Of which, distributions of earnings per unit]	(3,037)	(2,624)
Of which, allowance temporary difference adjustments	—	1,188,008,920
[Of which, distributions in excess of retained earnings per unit [of allowance for temporary difference adjustments]]	—	(284)
Of which, other distributions in excess of net earnings	—	581,455,070
[Of which, distributions in excess of retained earnings per unit [of other distributions in excess of net earnings]]	—	(139)
V. Retained earnings carried forward	1,835,119,005	1,094,730,121

Calculation method for distributions	<p>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.</p> <p>For the fiscal period under review, NMF decided to implement ¥12,704,165,810 in distributions, for a distribution per unit of ¥3,037. This figure was calculated as ¥13,190,198,124 in net income plus ¥2,622,242,820 in amortization of goodwill minus ¥3,107,662,242 in gains on sale of real estate, for a subtotal of ¥12,704,778,702, from which the portion for which per-unit distributions would be less than ¥1 was excluded.</p> <p>Note that, for the fiscal period under review, the distribution consists entirely of the distribution of earnings, and there is no distribution in excess of earnings as defined in Article 36, Paragraph 2 of NMF's Articles of Incorporation.</p>	<p>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.</p> <p>For the fiscal period under review, NMF decided to implement ¥12,745,977,110 in distributions, for a distribution per unit of ¥3,047. This figure was calculated as ¥10,714,661,036 in net income plus ¥2,622,242,820 in amortization of goodwill minus ¥587,249,509 in gains on sale of real estate, for a subtotal of ¥12,745,997,110, from which the portion for which per-unit distributions comprising the types of dividends laid out below would be less than ¥1 was excluded.</p> <p>Total distributions comprise distributions of earnings and distributions in excess of net income. Distributions of earnings came to ¥10,976,533,120 (¥2,624 per unit), calculated as income as stipulated in Article 136 Paragraph 1 of the Act on Investment Trusts and Investment Corporations, less reversal of allowance for temporary difference adjustments (hereinafter ATA). Distributions in excess</p>
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		of net income comprise a ¥1,188,008,920 (¥284 per unit) distribution of ATA and ¥581,455,070 (¥139 per unit) in other distributions in excess of net earnings.
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(5) Statement of Cash Flows

Thousands of Yen

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period from Sep. 1, 2017 to Feb. 28, 2018
Cash flows from operating activities		
Income before income taxes	13,190,803	10,715,266
Depreciation	4,862,890	4,738,059
Amortization of goodwill	2,622,242	2,622,242
Investment units issuance costs	—	42,462
Amortization of investment corporation bond issuance	1,372	2,147
Interest income	(365)	(635)
Interest expenses	2,157,516	2,060,886
Loss on disposal of property and equipment	4,997	6,256
Decrease (increase) in rental receivables	(324,496)	226,256
Decrease (increase) in prepaid expenses	(56,437)	81,225
Decrease (increase) in consumption taxes receivable	147,670	—
Decrease (increase) in long-term prepaid expenses	(92,370)	(32,959)
Decrease (increase) in long-term deposits	(32,777)	28,771
Increase (decrease) in trade accounts payable	667,990	(855,186)
Increase (decrease) in other accounts payable	(59,415)	318
Increase (decrease) in accrued consumption taxes	1,227,566	(1,004,447)
Increase (decrease) in accrued expenses	9,343	839,836
Increase (decrease) in rent received in advance	(141,431)	(45,530)
Decrease in property and equipment in trust due to sales	43,502,593	22,433,392
Decrease in intangible assets in trust due to sales	—	1,828
Other	2,274	(21,837)
Subtotal	67,689,965	41,838,353
Interest received	365	635
Interest paid	(2,389,746)	(2,264,760)
Income taxes paid	(1,605)	(603)
Net cash provided by (used in) operating activities	65,298,979	39,573,624
Cash flows from investing activities		
Payments for purchase of property and equipment	(26,570,750)	(11,649,878)
Payments for purchase of property and equipment in trust	(16,789,989)	(6,890,362)
Payments for purchase of intangible assets	—	(393,847)
Payments for purchase of intangible assets in trust	(469)	(3,464)
Reimbursement of security deposits to tenants	(221,253)	(272,297)
Proceeds from security deposits from tenants	552,436	905,217
Reimbursement of security deposits to tenants in trust	(2,660,618)	(1,327,230)
Proceeds from security deposits from tenants in trust	1,013,247	648,688
Payments for security deposits	—	(210)
Proceeds from security deposits	11,000	—
Net cash provided by (used in) investing activities	(44,666,399)	(18,983,384)
Cash flows from financing activities		
Proceeds from short-term debt	31,700,000	—
Repayment of short-term debt	(36,700,000)	—
Proceeds from long-term debt	45,070,000	24,320,000
Repayment of long-term debt	(45,112,800)	(24,862,800)
Proceeds from issuance of investment corporation bonds	—	2,000,000
Repayment of investment corporation bonds	(5,000,000)	(4,000,000)
Payments for issuance of investment corporation bonds	—	23,444
Distributions of earnings to unitholders	(8,699,523)	(12,712,708)

Distributions in excess of net earnings from allowance for temporary difference adjustments	(2,701,640)	(1,108)
Other distributions in excess of net earnings	(1,291,979)	(915)
Net cash provided by (used in) financing activities	(22,735,943)	(15,280,976)
Net increase (decrease) in cash and cash equivalents	(2,103,362)	(5,309,263)
Cash and cash equivalents at beginning of period	73,331,038	71,227,675
Cash and cash equivalents at end of period	(*1)71,227,675	(*1)76,536,938

(6) Notes Concerning the Going Concern Assumption
Not applicable.

(7) Notes Concerning Significant Accounting Policies

1. Depreciation of noncurrent assets	<p>① Property and equipment (including trust assets) The straight-line method is adopted. The useful lives of major property and equipment are as follows: Buildings 3–70 years Structures 2–45 years Machinery 2–15 years Tools, furniture and fixtures 2–20 years</p> <p>② Intangible assets The straight-line method is adopted. Goodwill is amortized using straight-line method over 20 years.</p> <p>③ Long-term prepaid expenses The straight-line method is adopted.</p>
2. Accounting method for deferred assets	<p>① Deferred investment corporation bond issuance costs The straight-line method over the respective terms of the bonds.</p> <p>② Investment units issuance costs The entire amount is expensed as incurred.</p>
3. Allowance for doubtful accounts	To be ready for possible losses arising from defaults on receivables, the uncollectable amount is estimated and recorded by investigating collectability based on historical loan loss ratios for general receivables and on case-by-case examinations for doubtful receivables.
4. Revenue and expenses recognition	<p>Accounting for fixed asset tax, etc. Of the tax amount assessed and determined for fixed asset tax, city planning tax, depreciable asset tax, etc. on real estate, etc. held by NMF, the method of charging the amount corresponding to the concerned fiscal period to expenses as real estate rental expenses is adopted. The amount equivalent to fixed asset tax, etc. for the fiscal year in which the acquisition date falls paid to the seller as reimbursement upon acquisition of real estate or trust beneficiary interests in real estate is included in the cost of acquisition of the concerned real estate and not recorded as expenses. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. was ¥135,274 thousand in the previous fiscal period, and ¥12,466 thousand in the current fiscal period.</p>
5. Hedge accounting	<p>① Method of hedge accounting Deferred hedge accounting is adopted. For interest-rate swap transactions that meet the requirements for special treatment, special treatment is adopted.</p> <p>② Hedging instruments and hedged items Hedging instruments Interest-rate swap transactions Hedged items Interest on loans</p> <p>③ Hedging policy NMF conducts derivative transactions for the purpose of hedging risks prescribed in the Articles of Incorporation in accordance with the Basic Policy on Risk Management.</p> <p>④ Method for assessing effectiveness of hedging The effectiveness of hedging is assessed by the correlation between changes in the fair value of hedging instruments and hedged items.</p>
6. Other important bases for preparing financial statements	<p>① Method of accounting for trust beneficiary interests in real estate, etc. Concerning trust beneficiary interests in real estate, etc., held by NMF, all assets and liabilities within the trust assets as well as all revenues and expenses generated by the trust assets are recorded under the corresponding items of the Balance Sheet and Statement of Income and Retained Earnings. Of the trust assets thus recorded, the following major items are listed as separate items on the balance sheet. (1) Cash and bank deposits in trust</p>

	<p>(2) Buildings in trust; Structures in trust; Machinery in trust; Tools, furniture and fixtures in trust; Land in trust; Leased assets in trust</p> <p>(3) Leasehold rights in trust</p> <p>(4) Lease obligations in trust</p> <p>(5) Security deposits from tenants in trust</p> <p>② Method of accounting for consumption tax, etc. Consumption tax and local consumption tax is accounted for using the tax-excluded method. However, non-deductible consumption tax, etc., on such items as noncurrent assets is included in the acquisition costs of individual items.</p>
7. Cash and cash equivalents as stated in the Statement of Cash Flows	Cash and cash equivalents in the statement of cash flows consist of cash on hand and cash in trust; deposits and deposits in trust that can be withdrawn at any time; and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and bear only an insignificant risk of price fluctuation.

(Additional Information)

(Notes Concerning Increases in and the Reversal of Allowance for Temporary Difference Adjustments)

Notes concerning increases in and the reversal of Allowance for Temporary Difference Adjustments

Previous period from Mar. 1, 2017 to Aug.31, 2017			Current period from Sep. 1, 2017 to Feb. 28, 2018		
1. Reasons, related assets and amounts of reversals Thousands of Yen			1. Reasons, related assets and amounts of allowance Thousands of Yen		
Related assets, etc.	Reason	Allowance for temporary difference adjustment	Related assets, etc.	Reason	Allowance for temporary difference adjustment
Land, buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	(91,221)	Goodwill	Amortization of goodwill	2,622,242
			Long-term deposits	Shortfall of reserve for repair	7,570
Land, buildings, etc.	Sale of property on which impairment was recognized	(86,378)	Subtotal		2,629,813
Deferred gains or losses on hedges	Changes in fair value of derivatives	(20,951)	Buildings, facilities, etc.	Depreciation deficiency equivalent	(1,234,822)
Total		(198,551)	Unearned revenue	Write-down of loss on interest rate swap due to merger	(161,277)
2. Method of reversal			other	—	(45,704)
(1) Amortization of goodwill			Subtotal		(1,441,804)
In principle, amortization of goodwill is not reversed.			Total		1,188,008
(2) Merger expenses			2. Reasons, related assets and amounts of reversals Thousands of Yen		
Item	Method of reversal		Related assets, etc.	Reason	Allowance for temporary difference adjustment
Buildings, etc.	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.		Land, buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	(47,295)
Land	Upon sale, etc., the corresponding amount is scheduled to be reversed.		Deferred gains or losses on hedges	Changes in fair value of derivatives	(431,221)
Buildings, etc., in trust	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.		Total		(478,516)
Land in trust	Upon sale, etc., the corresponding amount is scheduled to be reversed.				
Leasehold rights					
Leasehold rights in trust					
(3)Impairment loss					
Upon the sale of the relevant properties, the					

<p>corresponding amount is scheduled to be reversed.</p> <p>(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.</p>	<p>3. Method of reversal</p> <p>(1) Amortization of goodwill</p> <p>In principle, amortization of goodwill is not reversed.</p> <p>(2) Merger expenses</p> <table border="1" data-bbox="831 300 1469 763"> <thead> <tr> <th>Item</th><th>Method of reversal</th></tr> </thead> <tbody> <tr> <td>Buildings, etc.</td><td>Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.</td></tr> <tr> <td>Land</td><td>Upon sale, etc., the corresponding amount is scheduled to be reversed.</td></tr> <tr> <td>Buildings, etc., in trust</td><td>Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.</td></tr> <tr> <td>Land in trust</td><td rowspan="3">Upon sale, etc., the corresponding amount is scheduled to be reversed.</td></tr> <tr> <td>Leasehold rights</td></tr> <tr> <td>Leasehold rights in trust</td></tr> </tbody> </table> <p>(3) Long-term deposits In principle, long-term deposits are not reversed.</p> <p>(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.</p>	Item	Method of reversal	Buildings, etc.	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.	Land	Upon sale, etc., the corresponding amount is scheduled to be reversed.	Buildings, etc., in trust	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.	Land in trust	Upon sale, etc., the corresponding amount is scheduled to be reversed.	Leasehold rights	Leasehold rights in trust
Item	Method of reversal												
Buildings, etc.	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.												
Land	Upon sale, etc., the corresponding amount is scheduled to be reversed.												
Buildings, etc., in trust	Upon depreciation and sale, the corresponding amounts are scheduled to be reversed.												
Land in trust	Upon sale, etc., the corresponding amount is scheduled to be reversed.												
Leasehold rights													
Leasehold rights in trust													

(8) Notes to Financial Statements

(Notes to Balance Sheet)

*1. Commitment line agreement

① NMF has concluded a commitment line agreement with two lending financial institutions as follows.

	Thousands of Yen	
	Previous period (Aug. 31, 2017)	Current period (Feb. 28, 2018)
Committed line of credit	10,000,000	10,000,000
Balance of used line	-	-
Balance of unused line	10,000,000	10,000,000

② NMF has concluded a commitment line agreement with five lending financial institutions as follows.

	Thousands of Yen	
	Previous period (Aug. 31, 2017)	Current period (Feb. 28, 2018)
Committed line of credit	40,000,000	40,000,000
Balance of used line	—	—
Balance of unused line	40,000,000	40,000,000

*2. Minimum net assets as provided in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations

	Thousands of Yen	
	Previous period (Aug. 31, 2017)	Current period (Feb. 28, 2018)
	50,000	50,000

*3. Asset offered as collateral and liabilities secured with collateral

		Thousands of Yen
Previous period (Aug. 31, 2017)		Current period (Feb. 28, 2018)
Assets offered as collateral are as follows.		Assets offered as collateral are as follows.
Buildings in trust	3,319,061	Buildings in trust 3,327,532
<u>Land in trust</u>	<u>6,096,368</u>	Land in trust 6,096,368
Total	9,415,429	Tools, furniture and <u>fixtures in trust</u> 206
Liabilities secured by collateral are as follows.		Total 9,424,106
Security deposits from <u>tenants in trust</u>	<u>726,648</u>	Liabilities secured by collateral are as follows.
Total	726,648	Security deposits from <u>tenants in trust</u> 726,648
		Total 726,648

*4. Allowance for temporary difference adjustments

Previous period (from March 1, 2017 to August 31, 2017)

1. Reasons, 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	4,244,640	1,622,397	2,622,242	—	4,244,640	—
Land, buildings, etc.	Merger expenses	4,029,135	1,497,394	(6,319)	—	1,491,074	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	2,254,454	—	(708,820)	1,545,633	Changes in fair value of derivative transactions
Land, buildings, etc.	Impairment loss	269,797	—	86,378	—	86,378	—
Long-term deposits	Shortfall of reserve for repair	15,185	—	—	—	—	—
Increase – subtotal		—	5,374,246	2,702,301	(708,820)	7,367,727	—
Buildings, building improvements, etc.	Depreciation deficiency equivalent	(1,302,166)	—	—	—	—	—
Unearned revenue, etc.	Write-down of loss on interest rate swap due to merger	(216,261)	—	—	—	—	—
Other	—	(76,768)	—	—	—	—	—
Decrease – subtotal		—	—	—	—	—	—
Total		—	5,374,246	2,702,301	(708,820)	7,367,727	—

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

(3) Impairment loss

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

(4) 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.

Current period (from September 1, 2017 to February 28, 2018)

1. Reasons, 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	4,244,640	4,244,640	—	—	4,244,640	—
Land, buildings, etc.	Merger expenses	4,029,135	1,491,074	—	(91,221)	1,399,852	Sale and depreciation of properties for which merger expenses were recorded
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	1,545,633	—	(20,951)	1,524,682	Changes in fair value of derivative transactions
Land, buildings, etc	Impairment loss	269,797	86,378	—	(86,378)	—	Sale of properties for which impairment loss were recorded
Increase – subtotal		—	7,367,727	—	(198,551)	7,169,175	—
Total		—	7,367,727	—	(198,551)	7,169,175	—

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

(3) Impairment loss

Upon the sale of the relevant properties, the corresponding amount is scheduled to be reversed.

(4) 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.

(Notes to Statement of Income and Retained Earnings)

*1. Breakdown of real estate rental revenues and expenses

	Thousands of Yen			
	Previous period from Mar. 1, 2017 to Aug. 31, 2017		Current period from Sep. 1, 2017 to Feb. 28, 2018	
A. Property related revenues				
Rental revenues				
Rent revenues	29,096,278		28,294,468	
Common area charges	2,560,496	31,656,774	2,429,540	30,724,009
Other rental revenues				
Parking revenues	661,983		584,742	
Incidental income	2,507,619		2,198,012	
Other miscellaneous revenues	205,621	3,375,225	124,862	2,907,617
Property related revenues		35,032,000		33,631,626
B. Property related expenses				
Real estate rental expenses				
Property management costs	1,697,880		1,592,435	
Property management fees	955,304		888,375	
Property and other taxes	2,883,602		2,699,055	
Utility expenses	2,013,031		1,784,615	
Casualty insurance	46,032		43,247	
Repairs and maintenance	2,083,225		1,758,408	
Land rents	208,035		210,439	
Depreciation	4,862,343		4,737,224	
Other rental expenses	1,213,470	15,962,925	1,071,669	14,785,472
Property related expenses		15,962,925		14,785,472
C. Real estate rental profits [A－B]		19,069,074		18,846,154

*2. Breakdown of gain on sale of real estate

Previous period (from March 1, 2017 to August 31, 2017)

		Thousands of Yen
NOF Nihonbashi Honcho Building		
Proceeds from sales of real estate	11,730,000	
Cost of sales of real estate	10,889,175	
Other related sales expenses	60,292	
Gain on sales of real estate		780,532
NOF Technoport Kamata Center Building		
Proceeds from sales of real estate	5,020,000	
Cost of sales of real estate	4,725,469	
Other related sales expenses	294,531	
Gain on sales of real estate		—
Tennozu Park Side Building		
Proceeds from sales of real estate	12,700,000	
Cost of sales of real estate	12,467,899	
Other related sales expenses	232,101	
Gain on sales of real estate		—
Mitsubishi Motors Shibuya (Land)		
Proceeds from sales of real estate	1,720,000	
Cost of sales of real estate	1,586,458	
Other related sales expenses	10,786	
Gain on sales of real estate		122,755
Mitsubishi Motors Suginami (Land)		
Proceeds from sales of real estate	896,000	
Cost of sales of real estate	748,922	
Other related sales expenses	6,581	
Gain on sales of real estate		140,496
Ito-Yokado Higashi-Narashino Store		
Proceeds from sales of real estate	664,000	
Cost of sales of real estate	641,752	
Other related sales expenses	6,771	
Gain on sales of real estate		15,476
Merad Owada		
Proceeds from sales of real estate	7,380,000	
Cost of sales of real estate	6,510,260	
Other related sales expenses	84,372	
Gain on sales of real estate		785,367
Ota Nitta Logistics Center, Ota Higashishinmachi Logistics Center, Ota Kiyohara Logistics Center and Chiyodamachi Logistics Center(*)		
Proceeds from sales of real estate	7,304,250	
Cost of sales of real estate	5,932,656	
Other related sales expenses	108,560	
Gain on sales of real estate		1,263,033

(*) This assignment is an assignment to a single assignee under a single purchase agreement.
The purchase price of each property is not disclosed as the assignee's consent to the disclosure thereof has not been obtained.

Current period (from September 1, 2017 to February 28, 2018)

		Thousands of Yen
Morisia Tsudanuma		
Proceeds from sales of real estate	18,000,000	
Cost of sales of real estate	17,897,287	
Other related sales expenses	94,503	
Gain on sales of real estate		8,208
Funabashi Logistics Center		

Proceeds from sales of real estate	5,480,000	
Cost of sales of real estate	4,537,933	
Other related sales expenses	363,026	
Gain on sales of real estate		579,040

(Notes to Statement of Changes in Net Assets)

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period from Sep. 1, 2017 to Feb. 28, 2018
*1. Total number of investment units authorized and total number of investment units issued and outstanding		
Total number of investment units authorized	20,000,000 units	20,000,000 units
Total number of investment units issued and outstanding	4,183,130 units	4,183,130 units

(Notes to Statement of Cash Flows)

*1. Reconciliation of cash and cash equivalents at end of period to balance sheet items

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Thousands of Yen Current period from Sep. 1, 2017 to Feb. 28, 2018
Cash and bank deposits	58,143,774	64,532,866
Cash and bank deposits in trust	13,083,900	12,004,072
Cash and cash equivalents	71,227,675	76,536,938

(Notes on Financial Instruments)

1. Matters concerning status of financial instruments

(1) Policy for handling financial instruments

NMF procures funds through such means as debt financing, the issuance of investment corporation bonds and the issuance of investment units for the acquisition of real estate related assets. In procuring funds through interest-bearing liabilities, NMF adopts the basic financial policy of procuring funds with due consideration for extending the loan period, converting the interest rate to a fixed rate and laddering the repayment dates, etc. for interest-bearing liabilities.

NMF enters into derivative transactions for the purpose of hedging risks of future interest rates rising and adopts the policy of not engaging in speculative transactions.

(2) Description of financial instruments and associated risks, and risk management structure

Funds from debt and investment corporation bonds are primarily used to fund the acquisition of real estate-related assets and to fund the repayment of debts and redemption of investment corporation bonds. These are exposed to liquidity risks of failure to procure alternative funds at the time of repayment or redemption. NMF controls and limits these risks by diversifying the lending financial institutions it uses, while considering and implementing various procurement of funds, including the effective use of surplus funds, procuring funds from the capital market through issuance of investment units. In addition, floating interest rates debt is exposed to risks of the interest rate payable rising. NMF limits the impact that the interest rate payable rising has on NMF's operations by keeping LTV (ratio of interest-bearing liabilities to total assets) at a low level and keeping the ratio of borrowings that are long-term and fixed-rate borrowings at a high level. Furthermore, derivative transactions (interest-rate swap transactions, etc.) are available as a hedging instrument for hedging risks of floating interest rates rising and effectively fixing interest rates.

Deposits are made for investing NMF's surplus funds and are exposed to risks of failure of the financial institutions that are holding the deposits and other credit risks, but NMF limits the risks by diversifying the financial institutions that are holding the deposits.

(3) Supplementary explanation on matters concerning fair value, etc. of financial instruments

The fair value of financial instruments, aside from values based on market price, includes values based on reasonable calculation when there is no market price. Certain assumptions are adopted in the calculation of the concerned values. Accordingly, there may be cases where the concerned values will vary when different assumptions are adopted. In addition, concerning the contract amount, etc. of derivative transactions presented in "Notes on Derivative Transactions" later in this document, the amount itself does not represent the market risk involved in these derivative transactions.

2. Matters concerning fair value, etc. of financial instruments

The following are the carrying amounts and fair values as of August 31, 2017, and the differences between these amounts.

Thousands of Yen			
	Carrying amount (Note 1)	Fair value (Note 1)	Amount of difference
(1) Cash and bank deposits	58,143,774	58,143,774	—
(2) Cash and bank deposits in trust	13,083,900	13,083,900	—
(3) Current portion of investment corporation bonds	(4,000,000)	(4,011,828)	11,828
(4) Current portion of long-term debt	(54,760,600)	(54,912,627)	152,027
(5) Investment corporation bonds	(18,500,000)	(19,932,756)	1,432,756
(6) Long-term debt	(411,480,600)	(417,122,162)	5,641,562
(7) Derivative transactions	(1,539,851)	(1,539,851)	—

The following are the carrying amounts and fair values as of February 28, 2018, and the differences between these amounts.

Thousands of Yen			
	Carrying amount (Note 1)	Fair value (Note 1)	Amount of difference
(1) Cash and bank deposits	64,532,866	64,532,866	—
(2) Cash and bank deposits in trust	12,004,072	12,004,072	—
(3) Current portion of investment corporation bonds	—	—	—
(4) Current portion of long-term debt	(58,315,600)	(58,423,277)	107,677
(5) Investment corporation bonds	(20,500,000)	(21,791,171)	1,291,171
(6) Long-term debt	(407,382,800)	(412,310,168)	4,927,368
(7) Derivative transactions	(1,097,928)	(1,097,928)	—

(Note 1) Liabilities are shown in parentheses.

(Note 2) Matters concerning method for calculating fair value of financial instruments and derivative transactions.

(1) Cash and bank deposits; (2) Cash and bank deposits in trust

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Current portion of investment corporation bonds; (5) Investment corporation bonds

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

(4) Current portion of long-term debt; (6) Long-term debt

As long-term debt with floating interest rates reflect market interest rates within a short period of time, the fair value is thought to be approximately the same as the book value and is thus stated at that book value (However, the fair value of long-term debt with floating interest rates that is subject to special treatment for interest-rate swaps (please refer to “Notes on Derivative Transactions” later in this document) is based on the method of calculating by discounting the sum total amount of principal and interest accounted for as one transaction together with the concerned interest-rate swap by the interest rate that is reasonably estimated as being applicable in the event of drawdown of a similar debt financing). In addition, the fair value of long-term debt with fixed interest rates is calculated based on the method of calculating by discounting the sum total amount of principal and interest by the interest rate that is reasonably estimated as being applicable in the event of drawdown of a similar debt financing.

(7) Derivative transactions

Please refer to “Notes on Derivative Transactions” later in this document.

(Note 3) Redemption of monetary claims scheduled to be due after the date of settlement of accounts (August 31, 2017)

Thousands of Yen

	Due within 1 year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Cash and bank deposits	58,143,774	—	—	—	—	—
Cash and bank deposits in trust	13,083,900	—	—	—	—	—
Total	71,227,675	—	—	—	—	—

Amount of redemption of monetary claims scheduled to be due after the date of settlement of accounts (February 28, 2018)

Thousands of Yen

	Due within 1 year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Cash and bank deposits	64,532,866	—	—	—	—	—
Cash and bank deposits in trust	12,004,072	—	—	—	—	—
Total	76,536,938	—	—	—	—	—

(Note 4) Amount of repayment of investment corporation bonds, long-term debt and other interest-bearing liabilities scheduled to be due after the date of settlement of accounts (August 31, 2017)

Thousands of Yen

	Due within 1 year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Short-term debt	—	—	—	—	—	—
Investment corporation bonds	4,000,000	—	5,000,000	—	—	13,500,000
Long-term debt	54,760,600	63,160,600	58,385,600	52,235,600	44,715,600	192,983,200
Total	58,760,600	63,160,600	63,385,600	52,235,600	44,715,600	206,483,200

Amount of repayment of investment corporation bonds, long-term debt and other interest-bearing liabilities scheduled to be due after the date of settlement of accounts (February 28, 2018)

Thousands of Yen

	Due within 1 year	Due after 1 year, within 2 years	Due after 2 years, within 3 years	Due after 3 years, within 4 years	Due after 4 years, within 5 years	Due after 5 years
Short-term debt	—	—	—	—	—	—
Investment corporation bonds	—	—	5,000,000	—	—	15,500,000
Long-term debt	58,315,600	64,685,600	59,655,600	47,715,600	51,615,600	183,710,400
Total	58,315,600	64,685,600	64,655,600	47,715,600	51,615,600	199,210,400

(Notes on Securities)

Previous period (As of August 31, 2017)

Not applicable.

Current period (As of February 28, 2018)

Not applicable.

(Notes on Derivative Transactions)

1. Transactions not subject to hedge accounting

Previous period (As of August 31, 2017)

Not applicable.

Current period (As of February 28, 2018)

Not applicable.

2. Transactions subject to hedge accounting

Previous period (As of August 31, 2017)

The following is the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the date of settlement of accounts for each method of hedge accounting.

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount (Note 1)		Fair value (Note 2)
				Due after 1 year	
Principal treatment method	Interest-rate swap transaction Floating receivable Fixed payable	Long-term debt	154,100,000	129,380,000	(Note 3) (1,539,851)
Special treatment for interest-rate swaps	Interest-rate swap transaction Floating receivable Fixed payable	Long-term debt	101,718,100	89,475,300	(Note 4) (1,402,532)
Total			255,818,100	218,855,300	(2,942,383)

(Note 1) Contract amount is based on notional amount.

(Note 2) Fair value is calculated by the swap counterparty, based on the actual market interest rate, etc.

(Note 3) Out of the fair value, (¥15,169 thousand) is booked as “accrued expenses” on the Balance Sheet.

(Note 4) Out of the fair value, (¥1,402,532 thousand) is not marked to market on the Balance Sheet, due to the adoption of special treatment for interest-rate swaps.

Current period (As of February 28, 2018)

The following is the contract amount or the amount equivalent to the principal provided in the contract, etc. as of the date of settlement of accounts for each method of hedge accounting.

Method of hedge accounting	Type of derivative transaction	Main hedged item	Contract amount (Note 1)		Fair value (Note 2)
				Due after 1 year	
Principal treatment method	Interest-rate swap transaction Floating receivable Fixed payable	Long-term debt	134,780,000	116,080,000	(Note 3) (1,097,928)
Special treatment for interest-rate swaps	Interest-rate swap transaction Floating receivable Fixed payable	Long-term debt	101,696,700	83,753,900	(Note 4) (1,043,451)
Total			236,476,700	199,833,900	(2,141,379)

(Note 1) Contract amount is based on notional amount.

(Note 2) Fair value is calculated by the swap counterparty, based on the actual market interest rate, etc.

(Note 3) Out of the fair value, (¥4,467 thousand) is booked as “accrued expenses” on the Balance Sheet.

(Note 4) Out of the fair value, (¥1,043,451 thousand) is not marked to market on the Balance Sheet, due to the adoption of special treatment for interest-rate swaps.

(Notes on Business Combination)

Previous period (As of August 31, 2017)

Not applicable.

Current period (As of February 28, 2018)

Not applicable.

(Notes on retirement benefit plans)

Previous period (As of August 31, 2017)

Not applicable, as NMF has no retirement benefit system.

Current period (As of February 28, 2018)

Not applicable, as NMF has no retirement benefit system.

(Notes on Tax Effect Accounting)

1. Breakdown of main causes for occurrence of deferred tax assets and deferred tax liabilities

Thousands of Yen

	Previous period (August 31, 2017)	Current period (February 28, 2018)
Deferred tax assets		
Accepted valuation difference at merger	21,965,966	21,567,576
Deferred gains or losses on hedges	481,703	345,465
Interest received in advance	275,397	224,444
Over-depreciated long-term prepaid expenses	25,634	22,193
Denied amortization of leasehold right in trust	855	977
Subtotal deferred tax assets	22,749,557	22,160,656
Valuation allowance	(22,749,557)	(22,160,656)
Total deferred tax assets	—	—
Net deferred tax assets	—	—

2. Breakdown of major components that caused significant differences between statutory tax rate and effective tax rate after application of tax effect accounting

	Previous period (August 31, 2017)	Current period (February 28, 2018)
Statutory tax rate	31.74%	31.74%
(Adjustments)		
Deductible cash distributions	(16.57%)	(35.26%)
Valuation allowance	(21.48%)	(4.24%)
Amortization of goodwill	6.31%	7.77%
Other	0.00%	0.01%
Effective tax rate after application of tax effect accounting	0.00%	0.01%

(Notes on equity method income and retained earnings, etc.)

Previous period (from March 1, 2017 to August 31, 2017)

Not applicable, as NMF has no subsidiaries or affiliates.

Current period (from September 1, 2017 to February 28, 2018)

Not applicable, as NMF has no subsidiaries or affiliates.

(Notes on Transactions with Related Parties)

1. Parent company and major corporate unitholders

Previous period (from March 1, 2017 to August 31, 2017)

Not applicable.

Current period (from September 1, 2017 to February 28, 2018)

Not applicable.

2. Subsidiaries and affiliates

Previous period (from March 1, 2017 to August 31, 2017)

Not applicable.

Current period (from September 1, 2017 to February 28, 2018)

Not applicable.

3. Fellow subsidiaries

Previous period (from March 1, 2017 to August 31, 2017)
Not applicable.

Current period (from September 1, 2017 to February 28, 2018)
Not applicable.

4. Directors and major individual unitholders

Previous period (from March 1, 2017 to August 31, 2017)
Not applicable.

Current period (from September 1, 2017 to February 28, 2018)
Not applicable.

(Notes on asset retirement obligations)

Previous period (from March 1, 2017 to August 31, 2017)
Not applicable.

Current period (from September 1, 2017 to February 28, 2018)
Not applicable.

(Notes on Investment and Rental Properties)

NMF owns leasable offices, leasable retail facilities, leasable logistics facilities and leasable residential, etc(including land) in Greater Tokyo area and other areas for the purpose of earning revenue from leasing.

The following are the carrying amount, amount of increase (decrease) during the fiscal period and fair value of these investment and rental properties at the end of the fiscal period.

Thousands of Yen

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period From Sep. 1, 2017 to Feb. 28, 2018
Carrying amount		
Balance at beginning of period	928,836,719	923,155,804
Amount of increase (decrease) during period	(5,680,915)	(8,321,623)
Balance at end of period	923,155,804	914,834,180
Fair value at end of period	1,002,630,000	1,001,250,000

(Note 1) Carrying amount is the cost of acquisition 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 nORBESA (¥8,638,004 thousand), NRE Kichioji Building (¥5,141,844 thousand), Nakaza Cui-daore Building (¥12,165,807 thousand), Landport Kashiwa Shonan I (¥10,040,496 thousand), PRIME URBAN Gakugei Daigaku Parkfront (¥1,402,842 thousand), PROUD FLAT Omori III (¥1,165,489 thousand), PROUD FLAT Kinshicho (¥831,191 thousand), Summit Store Narita-Higashi(Land) (¥744,810 thousand). The decrease during the previous period is mainly attributable to the sale of NOF Technoport Kamata Center Building (¥4,725,469 thousand), NOF Nihonbashi Honcho Building (¥10,889,175 thousand), Tennozu Park Side Building (¥12,467,899 thousand), Mitsubishi Motors Shibuya (Land)(¥1,586,458 thousand), Mitsubishi Motors Suginami(Land) (¥748,922 thousand), Ito-Yokado Higashi-Narashino Store (¥641,752 thousand), Merad Owada (¥6,510,260 thousand), Ota Nitta Logistics Center (¥3,081,630 thousand), Ota Higashishinnmachi Logistics Center (¥1,958,017 thousand), Ota Kiyohara Logistics Center(¥578,054 thousand) and Chiyodamachi Logistics Center (¥314,953 thousand) as well as depreciation (¥4,858,613 thousand). The increase during the current period is mainly attributable to the acquisition of PMO Shinnihonbashi (¥4,496,617 thousand), PMO Hirakawacho (¥3,460,311 thousand), GEMS Daimon (¥2,087,357 thousand), GEMS Kanda(¥1,520,710 thousand) and Summit Store Mukodaicho (¥5,159,847 thousand). The decrease during the current period is mainly attributable to the sale of Morisia Tsudanuma (¥17,897,287 thousand) and Funabashi Logistics Center (¥4,537,933 thousand) as well as depreciation (¥4,733,427 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, the scheduled transfer price is used as the fair value for Morisia Tsudanuma in the previous period.

The income (loss) in the previous period (from March 1, 2017 to August 31, 2017) and current period (from September 1, 2017 to February 28, 2018) for investment and rental properties is as presented in “Notes to Statement of Income and Retained Earnings” earlier in this report.

(Notes on Segment Information)

(Segment Information)

Since NMF has only one segment, the real estate leasing business, segment information has been omitted.

(Related Information)

Previous period (from March 1, 2017 to August 31, 2017)

1. Information by product and service

Disclosure is omitted, since revenues from external customers of a single product/service category account for more than 90% of the operating revenues presented on the Statement of Income and Retained Earnings.

2. Information by geographical area

(1) Revenues

Disclosure is omitted, since revenues from external customers in Japan account for more than 90% of the operating revenues presented on the Statement of Income and Retained Earnings.

(2) Property and equipment

Disclosure is omitted, since the amount of property and equipment located in Japan accounts for more than 90% of the amount of property and equipment presented on the Balance Sheet.

3. Information by major customer

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	4,708,156	Rental real estate business

Current period (from September 1, 2017 to February 28, 2018)

1. Information by product and service

Disclosure is omitted, since revenues from external customers of a single product/service category account for more than 90% of the operating revenues presented on the Statement of Income and Retained Earnings.

2. Information by geographical area

(1) Revenues

Disclosure is omitted, since revenues from external customers in Japan account for more than 90% of the operating revenues presented on the Statement of Income and Retained Earnings.

(2) Property and equipment

Disclosure is omitted, since the amount of property and equipment located in Japan accounts for more than 90% of the amount of property and equipment presented on the Balance Sheet.

3. Information by major customer

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	4,773,517	Rental real estate business

(Notes on Per Unit Information)

Yen

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period from Sep. 1, 2017 to Feb. 28, 2018
Net assets per unit	133,069	132,697
Net income per unit	3,153	2,561

(Note 1) Net income per unit is calculated by dividing net income by the average number of investment units during the period.
In addition, the diluted net income per unit is not stated, since there are no dilutive investment units.

(Note 2) The following is the basis for calculation of net income per unit.

	Previous period from Mar. 1, 2017 to Aug. 31, 2017	Current period from Sep. 1, 2017 to Feb. 28, 2018
Net income (Thousands of Yen)	13,190,198	10,714,661
Amount not attributable to ordinary unitholders (Thousands of Yen)	—	—
Net income attributable to ordinary investment units (Thousands of Yen)	13,190,198	10,714,661
Average number of investment units during period (Units)	4,183,130	4,183,130

(Notes on Significant Subsequent Events)

1. Issuance of New Investment Units

At the Board of Directors meetings held on February 1, 2018 and February 13, 2018, NMF resolved to issue new investment units, as shown below. Payments for new investment units issued via a public offering concluded on March 1, 2018, and payments for new investment units issued via third-party allocation concluded on March 20, 2018. As a result, unitholders' capital stands at ¥181,251,569 thousand, and the total number of investment units issued and outstanding is 4,321,800.

Issuance of New Investment Units through Public Offering (Primary Offering)

Number of units offered	132,000 units
Issue price (offer price)	¥137,474 per unit
Total issue price (total offer price)	¥18,146,568,000
Amount to be paid (issue value)	¥133,125 per unit
Total amount to be paid (total issue value)	¥17,572,500,000
Payment date	March 1, 2018

Issuance of New Investment Units through Third-Party Allotment (Third-Party Allotment)

Number of investment units offered	6,670 units
Amount to be paid (issue value)	¥133,125 per unit
Total amount to be paid (total issue value)	¥887,943,750
Payment date	March 20, 2018
Allottee	Nomura Securities Co., Ltd.

Use of proceeds

The proceeds obtained from the Primary Offering and the Third-party Allotment were used for a part of the acquisition of the nine assets acquired on March 1, 2018 and April 2, 2018.

[Disclosure Omissions]

A disclosure of notes concerning lease transactions is omitted because such disclosure in this summary of financial results is judged to be unnecessary.

(9) Increase (Decrease) in Total Number of Investment Units Issued and Outstanding

The following is the increase (decrease) in unitholders' capital and total number of investment units issued and outstanding during the period from the date of incorporation of NMF through the end of the current fiscal period (February 28, 2018).

Date	Description	Total number of investment units issued and outstanding (Units)		Unitholders' capital (Millions of Yen) (Note 1)		Note
		Increase (Decrease)	Balance	Increase (Decrease)	Balance	
October 1, 2015	Consolidation type merger	3,722,010	3,722,010	161,120	161,120	(Note 2)
September 1, 2016	Absorption type merger	461,120	4,183,130	—	161,120	(Note 3)
October 14, 2016	Reversal of Allowance for temporary difference adjustments	—	4,183,130	763	161,883	(Note 4)
April 14, 2017	Reversal of Allowance for temporary difference adjustments	—	4,183,130	708	162,592	(Note 4)
October 13, 2017	Reversal of Allowance for temporary difference adjustments	—	4,183,130	1,987	162,791	(Note 4)

(Note 1) Figures have been truncated at the nearest million yen.

(Note 2) NMF was established through the consolidation type merger of the former Nomura Master Fund (hereinafter "former NMF"), Nomura Office Fund (hereinafter "NOF") and Nomura Residential Fund (hereinafter "NRF") on October 1, 2015 (hereinafter "the Merger of the Three REITs"). Upon its establishment, NMF allotted 1 NMF unit per former 1.00 NMF unit, 3.60 NMF units per 1.00 NOF unit and 4.45 NMF units per 1.00 NRF unit.

(Note 3) On September 1, 2016, as part of the absorption type merger, with NMF as the surviving corporation and TOP REIT, Inc. (hereinafter "TOP") as the absorbed corporation (hereinafter "the Absorption Type Merger with TOP"), NMF issued 2.62 NMF units per 1.00 TOP unit, resulting in the issue of 461,120 new units.

(Note 4) At its October 14, 2016, April 14, 2017 and October 13, 2017 NMF Directors' meetings, NMF's Board of Directors resolved to reverse the allowance for temporary difference adjustments and incorporate the amounts of said reversals into unitholders' capital.

4. Changes in Directors

(1) Changes in NMF Directors

Timely disclosure of changes in directors is made when the relevant details are determined.
During the 5th fiscal period, there was no change in directors.

(2) Changes in Asset Management Company Directors

Timely disclosure of changes in directors is made when the relevant details are determined. During the 5th fiscal period, there was no change in directors.

After the end of the 5th fiscal period, there were some changes in directors as shown below. For details, please refer to the press release dated March 2, 2018 titled “Notice Concerning Changes of Director and Important Employees in Asset Management Company”.

Appointments (as of April 1, 2018)

Name	Title (New)	Title (Former)
Daisuke Kimura	Director and Managing Executive Officer In charge of the International Business Planning Section and the Investment Management Department	(New appointment)

Resignations (as of March 31, 2018)

Name	Title (New)	Title (Former)
Shoji Yoshihara	(Resignation)	Director and Executive Officer Head of the NPR Investment Management Department

Other changes (as of April 1, 2018)

Name	Title (New)	Title (Former)
Fumiki Kondo	Representative Director and Senior Managing Executive Officer Supervisor of the International Business Planning Section, Client Relations & Marketing Department and the Investment Management Department In charge of the Corporate Planning Department and the Finance & Accounting Department	Representative Director and Senior Managing Executive Officer Supervisor of the Investment Management Department In charge of the Corporate Planning Department, the International Business Planning Section and the Finance & Accounting Department
Noriaki Ido	Director and Managing Executive Officer In charge of the Client Relations & Marketing Department, the Product Development Department and the NPR Investment Management Department	Director and Managing Executive Officer In charge of the Client Relations & Marketing Department, the Investment Management Department and the Product Development Department

5. Reference Information

(1) Investment Status

Type of asset	Use	Area (Note 1)	4th fiscal period As of August 31, 2017		5th fiscal period As of February 28, 2018	
			Total amount held (Millions of Yen) (Note 2)	As a percentage of total amount of assets (%) (Note 3)	Total amount held (Millions of Yen) (Note 2)	As a percentage of total amount of assets (%) (Note 3)
Real estate	Office properties	Greater Tokyo area	93,197	8.5□	100,845	9.3□
		Other areas	21,630	2.0□	21,521	2.0□
		Subtotal	114,827	10.5□	122,366	11.2□
	Retail properties	Greater Tokyo area	16,854	1.5□	20,390	1.9□
		Other areas	12,157	1.1□	12,159	1.1□
		Subtotal	29,012	2.6□	32,549	3.0□
	Logistics properties	Greater Tokyo area	20,810	1.9□	20,819	1.9□
		Subtotal	20,810	1.9□	20,819	1.9□
	Residential properties	Greater Tokyo area	126,920	11.6□	126,303	11.6□
		Other areas	31,367	2.9□	31,022	2.8□
		Subtotal	158,287	14.4□	157,326	14.4□
	Other properties	Greater Tokyo area	5,136	0.5	5,136	0.5
		Subtotal	5,136	0.5	5,136	0.5
Real estate in trust	Office properties	Greater Tokyo area	257,332	23.5□	257,388	23.6□
		Other areas	50,569	4.6□	50,524	4.6□
		Subtotal	307,901	28.1□	307,912	28.3□
	Retail properties	Greater Tokyo area	93,692	8.5□	80,995	7.4□
		Other areas	47,263	4.3□	47,066	4.3□
		Subtotal	140,955	12.9□	128,062	11.8□
	Logistics properties	Greater Tokyo area	120,488	11.0□	115,032	10.6□
		Other areas	3,453	0.3□	3,430	0.3□
		Subtotal	123,942	11.3□	118,463	10.9□
	Residential properties	Greater Tokyo area	22,281	2.0□	22,199	2.0□
		Subtotal	22,281	2.0□	22,199	2.0□
	Subtotal		923,155	84.2	914,834	83.9
	Deposits and other assets		172,672	15.8	174,985	16.1
	Total amount of assets		1,095,828	100.0	1,089,820	100.0

	4th fiscal period As of August 31, 2017		5th fiscal period As of February 28, 2018	
	Amount (Millions of Yen) (Note 4)	As a percentage of total amount of assets (%) (Note 3)	Amount (Millions of Yen) (Note 4)	As a percentage of total amount of assets (%) (Note 3)
Total amount of liabilities	539,179	49.2	534,729	49.1
Total amount of net assets	556,649	50.8	555,090	50.9

(Note 1) “Greater Tokyo area” refers to Tokyo, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture. “Other areas” refers to cabinet-order-designated cities, prefectural capitals, and cities with a population of 100,000 persons or more as well as surrounding areas of these cities that are not included in the Greater Tokyo area.

(Note 2) Total amount held is the carrying amount (in the case of real estate and real estate in trust, the sum total amount of book value, after depreciation).

(Note 3) The figures are rounded off to first decimal place. Accordingly, the sum may not be exactly 100.0%.

(Note 4) Total amount of liabilities and total amount of net assets are the amounts as stated in the balance sheet as total liabilities and total net assets.

(2) Investment Assets

① Major Investment Securities

Not applicable.

② Investment Real Estate Properties

Real estate is listed together with beneficial interests in real estate trusts in ③ Other Major Investment Assets, below.

③ Other Major Investment Assets

The following summarizes the real estate, etc. (271 properties) held as of February 28, 2018 (end of the 5th fiscal period) by NMF (this real estate and the beneficiary interests of trusts in which real estate properties are the principal trust properties or the real estate that constitutes the underlying assets thereof are hereinafter referred to as the “assets held at the end of the 5th fiscal period”). Unless otherwise stated, the figures in the tables below are the figures as of February 28, 2018.

A. Overview of Portfolio and Leasing Status and Changes in Occupancy Rate

(a) Overview of Portfolio and Leasing Status

The following is an overview of the portfolio and leasing status for the assets held at the end of the 5th fiscal period.

Number of properties	271
Gross leasable area (m ²) (Note 1)	1,791,262.45
Gross leased area (m ²) (Note 2)	1,766,762.16
Total number of tenants (Note 3)	1,261
Total of all contracted rent (Thousands of Yen) (Note 4)	5,098,851

(Note 1) The sum total of the “leasable area” of each of the assets held at the end of the 5th fiscal period. “Leasable area” is the sum total area of office facilities, retail facilities, logistics facilities, or residential facilities, etc. leasable in each asset (including the area of common-use space, etc., if leased). Leasable area is calculated based not on that presented in the registry, but the area stated in the lease contract and the area calculated based on building completion drawings, etc. Accordingly, the leasable area may not be the same as the floor area based on that presented in the registry and may exceed the floor area. In the case of land with leasehold right, the land area based on that presented in the registry is used as contracted area. For the Shinjuku Nomura Building, NEC Head Office Building and Musashiurawa Shopping Square the leasable area is the area calculated by multiplying the building’s overall leasable area by the quasi co-ownership ratio of the beneficial interest in real estate trust owned by NMF as of the end of the fiscal period. For the NRE Tennozu Building, since the rent under the master lease agreement is calculated as the building’s overall rent multiplied by the ownership ratio of the common areas, the leasable area is calculated as the building’s overall leasable area multiplied by the ownership ratio of the common areas. Land with leasehold interest indicates the land area in the registry as contracted space.

(Note 2) The sum total of “leased area” of each of the assets held at the end of the 5th fiscal period. “Leased area” is the area that is actually leased to an end-tenant (The area stated in the lease contract; provided, however, that such be limited to the area of office properties, retail properties, logistics properties, or residential properties, etc. (if all rental units are collectively leased, then the area of the entire rental units) and not include the leased area of parking space, etc. However, if the master lessee has a rent-guaranteed master lease for some or all rental units, the space is included in leased area regardless of whether or not there is a lease agreement with an end-tenant.) in each asset. In the case of land with leasehold right, the leased area of the land is shown. For the Shinjuku Nomura Building, NEC Head Office Building and Musashiurawa Shopping Square the leased area is the area calculated by multiplying the building’s overall leased area by the quasi co-ownership ratio of the beneficial interest in real estate trust owned by NMF as of the end of the fiscal period. For the NRE Tennozu Building, since the rent under the master lease agreement is calculated as the building’s overall rent multiplied by the ownership ratio of the common areas, the leased area is calculated as the building’s overall leased area multiplied by the ownership ratio of the common areas.

(Note 3) The sum total of “total number of tenants” of each of the assets held at the end of the 5th fiscal period. In the calculation of “number of tenants,” when some or all rental units are collectively leased for the purpose of subleasing and the lessee in the lease agreement (master lease agreement) has concluded an agreement with an end-tenant (sublessee that is the actual user) for subleasing the rental units, the lessee of the master lease agreement is counted as one tenant. However, in the case of assets with a so-called pass-through master lease agreement, where the rent received from the lessee in the master lease agreement is the same amount as the rent that the lessee receives from the end-tenant, the total number of end-tenants is shown. In addition, if multiple rental units in a specific asset are leased to a specific tenant, this is counted as one tenant for the asset and, if multiple assets are leased to a specific tenant, these are counted separately and the total of that number of tenants is shown. For residential facilities or residential portions of “other” sector facilities, when some or all rental units are collectively leased for the purpose of subleasing and the lessee in the lease agreement (master lease agreement) has concluded an agreement with an end-tenant for subleasing the rental units, the lessee of the master lease agreement is counted as one tenant, and the total number of tenants for the building as whole is shown.

(Note 4) The total amount of “total contracted rent” for February 2018 of each of the assets held at the end of the 5th fiscal period (amounts less than one thousand are truncated). “Total contracted rent” for February 2018 refers to the sum total of monthly rent and common area charges in lease agreements actually concluded with end-tenants that are valid as of the last day of February 2018 (This does not include parking space or other fees stated in parking space lease agreements or other such agreements signed in addition to the tenant lease agreement. If common-use space, etc. is leased based on the lease agreement, the rent for such is included and, if rent includes an amount equivalent to the fee for use of parking space, such amount is included. In addition, if the master lessee has a rent-guaranteed master lease for some or all rental units, the rent for the space is based on the rent, etc., in the lease agreement concluded with the master lessee.). Furthermore, regarding tenants who have been exempt from rent payment for a certain period of time in their agreements, such exemption period is not considered in the table above, and the rent is calculated based on the monthly rent and common area charges payable immediately after the exemption period ends. In addition, the standard level of rent is used for tenants with sales-based rent. For the Shinjuku

Nomura Building, NEC Head Office Building and Musashiurawa Shopping Square the total contracted rent is calculated by multiplying the building's overall rent revenues by the quasi co-ownership ratio of the beneficial interest in real estate trust owned by NMF as of the end of the fiscal period. For the NRE Tennozu Building, the the total contracted rent is calculated as the building's overall rent revenues multiplied by the ratio of the common areas that NMF owns through the trustee.

(b) Changes in Occupancy Rate

The following is the changes in the occupancy rate of real estate under management held by NMF.

	February 29, 2016 (end of 1st fiscal period)	August 31, 2016 (end of 2nd fiscal period)	February 28, 2017 (end of 3rd fiscal period)	August 31, 2017 (end of 4th fiscal period)	February 28, 2018 (end of 5th fiscal period)
Portfolio occupancy rate (at end of fiscal period) (%)	98.9	99.1	99.2	98.4	98.6

B. Price and Investment Share

The following is an overview of the assets held at the end of the 5th fiscal period (acquisition price, carrying amount, opinion of value at end of period, investment share and appraiser).

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
Office	Greater Tokyo area	Shinjuku Nomura Building (Note 5)	43,900	45,861	49,200	4.9	The Tanizawa Sogo Appraisal Co., Ltd.
		NRE Tennozu Building	20,500	20,455	21,800	2.2	Daiwa Real Estate Appraisal Co., Ltd.
		Kojimachi Millennium Garden	26,700	26,537	27,200	2.7	Japan Real Estate Institute
		NMF Shinjuku Minamiguchi Building	10,000	10,146	11,400	1.1	Japan Real Estate Institute
		NMF Shibuya Koen-dori Building	10,400	10,440	10,600	1.1	Daiwa Real Estate Appraisal Co., Ltd.
		Secom Medical Building	11,100	10,925	11,300	1.1	Japan Real Estate Institute
		NMF Shiba Building	7,040	7,062	7,250	0.7	Daiwa Real Estate Appraisal Co., Ltd.
		Nishi-Shinjuku Showa Building	8,140	8,144	8,120	0.8	Appraisal Firm A Square Ltd.
		NRE Shibuya Dogenzaka Building	5,310	5,314	5,760	0.6	Daiwa Real Estate Appraisal Co., Ltd.
		Iwamoto-cho Toyo Building	4,050	4,059	4,190	0.4	Japan Real Estate Institute
		NMF Surugadai Building	4,690	4,691	5,050	0.5	The Tanizawa Sogo Appraisal Co., Ltd.
		PMO Nihonbashi Honcho	4,320	4,203	4,640	0.5	Japan Real Estate Institute
		PMO Nihonbashi Kayabacho	5,010	4,898	5,540	0.6	Japan Real Estate Institute
		NMF Gotanda Ekimae Building	4,430	4,613	4,920	0.5	Daiwa Real Estate Appraisal Co., Ltd.
		NRE Higashi-nihonbashi Building	3,570	3,555	3,510	0.4	Japan Real Estate Institute
		PMO Akihabara	4,240	4,126	4,830	0.5	Japan Real Estate Institute
		Hatchobori NF Building	2,480	2,458	2,660	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		NMF Kanda Iwamoto-cho Building	4,160	4,195	4,120	0.4	Japan Real Estate Institute
		NMF Takanawa Building	2,830	2,812	2,900	0.3	Japan Real Estate Institute
		PMO Hatchobori	2,880	2,794	3,240	0.3	Japan Real Estate Institute
		PMO Nihonbashi Odenmachi	2,210	2,147	2,570	0.3	Japan Real Estate Institute
		PMO Higashi-nihonbashi	1,690	1,629	1,890	0.2	Japan Real Estate Institute
		NRE Ueno Building	6,470	6,488	6,640	0.7	Japan Real Estate Institute
		NF Hongo Building	4,890	4,857	5,150	0.5	Daiwa Real Estate Appraisal Co., Ltd.
		Crystal Park Building	3,390	3,359	3,420	0.3	Appraisal Firm A Square Ltd.
		NMF Kichijoji Honcho Building	1,780	1,849	1,950	0.2	Japan Real Estate Institute
		Faret Tachikawa Center Square	3,850	3,839	4,270	0.4	The Tanizawa Sogo Appraisal Co., Ltd.
		NMF Kawasaki Higashiguchi Building	7,830	7,903	9,270	0.9	Japan Valuers Co., Ltd.
		NMF Yokohama Nishiguchi Building	5,460	5,671	6,640	0.6	Japan Real Estate Institute
		NMF Shin-Yokohama Building	2,620	2,818	3,000	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		PMO Tamachi	6,210	6,229	6,910	0.7	Japan Real Estate Institute
		PMO Ginza Hatchome	3,970	3,985	4,430	0.4	Japan Real Estate Institute
		PMO Shibakoen	3,900	3,909	4,320	0.4	Japan Real Estate Institute
		NEC Head Office Building (Note 6)	44,100	44,194	45,100	4.4	Daiwa Real Estate Appraisal Co., Ltd.
		Harumi Island Triton Square Office Tower Y	18,200	18,087	18,500	1.9	Daiwa Real Estate Appraisal Co., Ltd.
		NMF Aoyama 1-chome Building	10,400	10,450	11,800	1.2	Japan Real Estate Institute
		NMF Takebashi Building	8,330	8,304	8,700	0.9	The Tanizawa Sogo Appraisal Co., Ltd.
		Harumi Island Triton Square Office Tower Z	8,180	8,105	8,170	0.8	Daiwa Real Estate Appraisal Co., Ltd.

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
		NMF Kayabacho Building	6,070	6,035	6,200	0.6	Japan Real Estate Institute
		NMF Shinjuku EAST Building	5,710	5,719	5,990	0.6	The Tanizawa Sogo Appraisal Co., Ltd.
		NMF Shiba-Koen Building	3,620	3,713	3,760	0.4	Japan Real Estate Institute
		NMF Ginza 4-chome Building	1,850	1,871	1,960	0.2	The Tanizawa Sogo Appraisal Co., Ltd.
		Faret East Building	1,850	1,838	1,940	0.2	The Tanizawa Sogo Appraisal Co., Ltd.
		PMO Shinnihonbashi	4,440	4,479	4,680	0.5	Japan Real Estate Institute
		PMO Hirakawacho	3,410	3,447	3,560	0.4	Japan Real Estate Institute
	Other areas	Sapporo North Plaza	6,250	6,318	7,230	0.7	Japan Real Estate Institute
		NRE Sapporo Building	4,140	3,934	4,740	0.5	Japan Real Estate Institute
		NMF Sendai Aoba-dori Building	2,030	2,156	2,480	0.2	JLL Mori Valuation & Advisory K.K.(Note 7)
		NMF Utsunomiya Building (Note 8)	2,320	2,573	2,330	0.2	The Tanizawa Sogo Appraisal Co., Ltd.
		NMF Nagoya Fushimi Building	2,240	2,132	2,310	0.2	Japan Real Estate Institute
		NMF Nagoya Yanagibashi Building	2,280	2,341	2,200	0.2	Japan Valuers Co., Ltd.
		Omron Kyoto Center Building	18,300	18,160	19,100	1.9	Japan Real Estate Institute
		SORA Shin-Osaka 21	12,100	11,989	12,100	1.2	Japan Valuers Co., Ltd.
		NRE Osaka Building	6,100	6,373	6,210	0.6	The Tanizawa Sogo Appraisal Co., Ltd.
		NRE Nishi-Umeda Building	3,450	3,465	3,640	0.4	Daiwa Real Estate Appraisal Co., Ltd.
		NRE Yotsubashi Building	4,000	3,999	4,170	0.4	The Tanizawa Sogo Appraisal Co., Ltd.
		NRE Hiroshima Building	2,280	2,268	2,620	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		NMF Hakata Ekimae Building	4,210	4,179	4,830	0.5	Japan Real Estate Institute
		NMF Tenjin-Minami Building	2,230	2,153	2,380	0.2	Japan Real Estate Institute
		Office subtotal	428,110	430,278	455,390	45.5	
Retail Retail	Greater Tokyo area	Yokosuka More's City	13,640	13,859	16,500	1.6	The Tanizawa Sogo Appraisal Co., Ltd.
		Recipe SHIMOKITA	10,407	10,554	11,100	1.1	Japan Valuers Co., Ltd.
		Kawasaki More's	6,080	6,779	7,980	0.8	The Tanizawa Sogo Appraisal Co., Ltd.
		EQUINIA Shinjuku	4,260	4,313	4,920	0.5	Daiwa Real Estate Appraisal Co., Ltd.
		EQUINA Ikebukuro	3,990	4,061	4,460	0.4	Daiwa Real Estate Appraisal Co., Ltd.
		covirna machida	3,440	3,769	4,260	0.4	Japan Real Estate Institute
		Nitori Makuhari	3,080	2,846	3,810	0.4	Japan Real Estate Institute
		Konami Sports Club Fuchu	2,730	2,591	3,400	0.3	Daiwa Real Estate Appraisal Co., Ltd.
		FESTA SQUARE	2,600	2,383	3,250	0.3	Japan Real Estate Institute
		GEMS Shibuya	2,490	2,434	2,660	0.3	Daiwa Real Estate Appraisal Co., Ltd.
		Sundai Azamino	1,700	1,570	2,090	0.2	Japan Real Estate Institute
		EQUINIA Aobadai	1,560	1,624	1,930	0.2	Japan Real Estate Institute
		Megalos Kanagawa	1,000	977	1,410	0.1	Japan Real Estate Institute
		Mitsubishi Motors Meguro (Land)	2,740	2,764	3,190	0.3	Japan Real Estate Institute
		Mitsubishi Motors Chofu (Land)	1,760	1,776	1,770	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		Mitsubishi Motors Nerima (Land)	1,240	1,251	1,400	0.1	Japan Real Estate Institute
		Mitsubishi Motors Kawasaki (Land)	950	959	1,170	0.1	The Tanizawa Sogo Appraisal Co., Ltd.
		Mitsubishi Motors Takaido (Land)	850	859	884	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		Mitsubishi Motors Katsushika (Land)	800	808	882	0.1	Japan Real Estate

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
							Institute
		Mitsubishi Motors Higashikurume (Land)	800	808	884	0.1	Japan Real Estate Institute
		Mitsubishi Motors Setagaya (Land)	770	779	922	0.1	Japan Real Estate Institute
		Mitsubishi Motors Sekimachi (Land)	600	606	690	0.1	Japan Real Estate Institute
		Mitsubishi Motors Higashiyamato (Land)	450	455	513	0.1	The Tanizawa Sogo Appraisal Co., Ltd.
		Mitsubishi Motors Motosumiyoshi (Land)	370	375	385	0.0	Japan Real Estate Institute
		Mitsubishi Motors Kawagoe (Land)	350	355	379	0.0	The Tanizawa Sogo Appraisal Co., Ltd.
		Mitsubishi Motors Edogawa (Land)	200	204	184	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		Mitsubishi Motors Sayama (Land)	160	163	175	0.0	The Tanizawa Sogo Appraisal Co., Ltd.
		NRE Kichijoji Building (Note 9)	10,410	10,377	11,100	1.1	Daiwa Real Estate Appraisal Co., Ltd.
		GEMS Ichigaya	2,080	2,084	2,080	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		Sagamihara Shopping Center	6,840	6,832	6,900	0.7	Japan Real Estate Institute
		Musashiurawa Shopping Square (Note 6)	2,720	2,666	2,800	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		Summit Store Naritahigashi (Land)	700	747	776	0.1	Japan Real Estate Institute
		GEMS Daimon	2,060	2,077	2,110	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		GEMS Kanda	1,500	1,513	1,530	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		Summit Store Mukodaicho	5,100	5,151	5,160	0.5	Japan Valuers Co., Ltd.
	Other areas	Universal CityWalk Osaka	15,500	15,473	18,200	1.8	Japan Valuers Co., Ltd.
		Izumiya Senrioka	8,930	8,552	10,900	1.1	The Tanizawa Sogo Appraisal Co., Ltd.
		Izumiya Yao	4,406	4,122	5,510	0.6	The Tanizawa Sogo Appraisal Co., Ltd.
		Izumiya Obayashi	3,020	3,258	3,960	0.4	The Tanizawa Sogo Appraisal Co., Ltd.
		Ichibancho stear	4,700	4,558	5,650	0.6	The Tanizawa Sogo Appraisal Co., Ltd.
		EQUINIA Aobadori	1,640	1,447	2,030	0.2	The Tanizawa Sogo Appraisal Co., Ltd.
		MEL Building	1,060	1,057	1,190	0.1	Japan Real Estate Institute
		nORBESA	8,500	8,595	8,540	0.9	Japan Real Estate Institute
		Nakaza Cui-daore Building	11,600	12,159	11,100	1.1	Japan Valuers Co., Ltd.
Retail subtotal			159,783	160,611	180,734	18.1	
Logistics	Greater Tokyo area	Landport Urayasu	17,400	16,504	21,500	2.1	The Tanizawa Sogo Appraisal Co., Ltd.
		Landport Itabashi	15,710	14,996	19,200	1.9	The Tanizawa Sogo Appraisal Co., Ltd.
		Landport Kawagoe	13,700	12,580	16,500	1.6	Japan Real Estate Institute
		Landport Atsugi	11,410	10,722	11,600	1.2	The Tanizawa Sogo Appraisal Co., Ltd.
		Sagamihara Tana Logistics Center	10,600	10,199	12,300	1.2	Daiwa Real Estate Appraisal Co., Ltd.
		Sagamihara Onodai Logistics Center	8,700	8,120	11,100	1.1	Japan Real Estate Institute
		Landport Hachioji	8,250	7,650	9,650	1.0	Japan Real Estate Institute
		Landport Kasukabe	7,340	6,665	8,730	0.9	Japan Real Estate Institute
		Atsugi Minami Logistics Center B Tower	4,590	4,334	5,570	0.6	The Tanizawa Sogo Appraisal Co., Ltd.
		Hanyu Logistics Center	3,810	3,566	4,380	0.4	Daiwa Real Estate Appraisal Co., Ltd.
		Kawaguchi Logistics Center B Tower	3,750	3,668	4,620	0.5	Daiwa Real Estate Appraisal Co., Ltd.
		Kawaguchi Logistics Center A Tower	2,830	2,802	3,500	0.4	Daiwa Real Estate Appraisal Co., Ltd.
		Atsugi Minami Logistics Center A Tower	2,690	2,589	3,330	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		Kawaguchi Ryoke Logistics Center	10,790	10,628	13,000	1.3	JLL Morii Valuation & Advisory K.K.

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
		Landport Kashiwa Shonan II	10,800	10,828	11,400	1.1	Japan Valuers Co., Ltd.
		Landport Kashiwa Shonan I	9,900	9,991	10,200	1.0	Japan Valuers Co., Ltd.
	Other areas	Hirakata Kuzuha Logistics Center	3,460	3,430	3,850	0.4	Daiwa Real Estate Appraisal Co., Ltd.
	Logistics subtotal		145,730	139,282	170,430	17.0	
Residential	Greater Tokyo area	PROUD FLAT Shirokane Takanawa	3,400	3,316	3,440	0.3	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Yoyogi Uehara	989	980	942	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Hatsudai	713	698	762	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Shibuya Sakuragaoka	750	731	689	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Gakugei Daigaku	746	723	789	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Meguro Gyoninzaka	939	914	1,010	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Sumida Riverside	2,280	2,194	2,480	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kagurazaka	1,590	1,538	1,730	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Waseda	1,110	1,072	1,200	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Shinjuku Kawadacho	947	917	931	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Sangen Jaya	1,190	1,147	1,260	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kamata	1,160	1,110	1,240	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kamata II	3,320	3,194	3,330	0.3	The Tanizawa Sogo Appraisal Co., Ltd.
		PROUD FLAT Shinotsuka	623	597	547	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kiyosumi Shirakawa	928	892	983	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Monzen Nakacho II	652	629	605	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Monzen Nakacho I	1,030	987	952	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Fujimidai	1,470	1,420	1,630	0.2	Japan Real Estate Institute
		PROUD FLAT Asakusa Komagata	1,920	1,836	2,130	0.2	The Tanizawa Sogo Appraisal Co., Ltd.
		PROUD FLAT Yokohama	2,090	2,004	2,170	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kamioooka	2,710	2,603	2,670	0.3	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Tsurumi II	1,650	1,581	1,760	0.2	Japan Real Estate Institute
		PRIME URBAN Azabu Juban	1,100	1,102	1,140	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Akasaka	938	932	904	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Tamachi	972	954	932	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Shibaura LOFT	1,830	1,771	1,950	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Yoyogi	359	349	321	0.0	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Ebisu II	1,140	1,128	1,260	0.1	Japan Real Estate Institute
		PRIME URBAN Bancho	1,090	1,073	1,080	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Chiyoda Fujimi	679	666	648	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Idabashi	2,040	1,992	2,000	0.2	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Ebisu	1,260	1,246	1,280	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Naka Meguro	1,410	1,396	1,330	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Gakugei Daigaku	775	762	820	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Senzoku	474	468	485	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Meguro Riverside	414	399	441	0.0	Daiwa Real Estate Appraisal Co., Ltd.

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
Residential	Greater Tokyo area	PRIME URBAN Meguro Ohashi Hills	2,970	2,893	3,110	0.3	Japan Valuers Co., Ltd.
		PRIME URBAN Meguro Aobadai	1,310	1,288	1,440	0.1	Japan Real Estate Institute
		PRIME URBAN Gakugei Daigaku II	1,080	1,063	1,170	0.1	Japan Real Estate Institute
		PRIME URBAN Naka Meguro II	2,850	2,834	3,030	0.3	Japan Real Estate Institute
		PRIME URBAN Kachidoki	2,570	2,578	2,390	0.3	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Shinkawa	2,100	2,082	2,300	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Nihonbashi Yokoyamacho	4,220	4,082	4,520	0.5	Japan Valuers Co., Ltd.
		PRIME URBAN Nihonbashi Hamacho	1,550	1,515	1,710	0.2	Japan Real Estate Institute
		PRIME URBAN Hongo Ikizaka	557	541	603	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Hakusan	866	832	955	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Yotsuya Gaien Higashi	1,490	1,471	1,400	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nishi Shinjuku I	1,090	1,071	1,150	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nishi Shinjuku II	885	868	974	0.1	The Tanizawa Sogo Appraisal Co., Ltd.
		PRIME URBAN Shinjuku Naitomachi	430	429	465	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nishi Waseda	421	405	448	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Shinjuku Ochiai	594	595	637	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Mejiro	1,430	1,409	1,540	0.2	Japan Real Estate Institute
		PRIME URBAN Kagurazaka	2,900	2,817	3,040	0.3	Japan Real Estate Institute
		PRIME URBAN Sangen Jaya III	718	720	629	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Chitose Karasuyama	717	722	752	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Sangen Jaya	724	705	771	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Minami Karasuyama	667	644	754	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Karasuyama Galleria	549	531	573	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Karasuyama Court	338	327	357	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Chitose Funabashi	746	724	721	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Yoga	1,390	1,351	1,490	0.1	Japan Real Estate Institute
		PRIME URBAN Shinagawa Nishi	494	490	522	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Osaki	1,860	1,834	1,800	0.2	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Oimachi II	1,040	1,042	1,100	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Yukigaya	951	945	725	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Omori	905	874	834	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Denenchofu Minami	774	744	720	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Nagahara Kamiikedai	1,720	1,686	1,770	0.2	Japan Real Estate Institute
		PRIME URBAN Nakano Kamitakada	498	479	547	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Takaido	1,060	1,049	1,120	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nishi Ogikubo	414	403	422	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nishi Ogikubo II	1,790	1,763	1,870	0.2	Japan Real Estate Institute
		PRIME URBAN Otsuka	730	712	770	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Komagome	437	434	452	0.0	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Ikebukuro	3,800	3,692	4,000	0.4	Japan Real Estate Institute
		PRIME URBAN Monzen Nakacho	2,420	2,354	2,530	0.3	Chuo Real Estate Appraisal Co., Ltd.

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
Residential	Greater Tokyo area	PRIME URBAN Kameido	779	746	803	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Sumiyoshi	632	608	647	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Mukojima	528	529	542	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kinshi Koen	1,290	1,233	1,200	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kinshicho	758	733	708	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Hirai	722	690	758	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kasai	640	614	603	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kasai II	981	941	883	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kasai East	1,140	1,094	1,210	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Itabashi Kuyakushomae	1,080	1,037	1,160	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Asakusa	384	388	297	0.0	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Machiya South Court	1,910	1,874	1,990	0.2	Japan Real Estate Institute
		PRIME URBAN Musashi Koganei	1,910	1,907	2,000	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Musashino Hills	1,280	1,275	1,340	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Koganei Honcho	791	770	853	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Kumegawa	1,520	1,442	1,420	0.1	Japan Real Estate Institute
		PRIME URBAN Musashi Kosugi comodo	1,940	1,932	2,180	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Kawasaki	962	947	1,060	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Shinyurigaoka	1,020	984	1,210	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Tsurumi Teraya	493	493	394	0.0	Japan Real Estate Institute
		PRIME URBAN Urayasu	804	777	748	0.1	Japan Real Estate Institute
		PRIME URBAN Gyotoku I	633	615	560	0.1	Japan Real Estate Institute
		PRIME URBAN Gyotoku II	730	704	664	0.1	Japan Real Estate Institute
		PRIME URBAN Gyotoku Ekimae	488	473	437	0.0	Japan Real Estate Institute
		PRIME URBAN Gyotoku Ekimae II	469	456	483	0.0	Japan Real Estate Institute
		PRIME URBAN Gyotoku III	747	738	776	0.1	Japan Real Estate Institute
		PRIME URBAN Nishi Funabashi	761	727	703	0.1	Japan Real Estate Institute
		PRIME URBAN Kawaguchi	1,580	1,531	1,710	0.2	Japan Valuers Co., Ltd.
		PROUD FLAT Hatchobori	920	942	1,000	0.1	Japan Real Estate Institute
		PROUD FLAT Itabashi Honcho	720	739	783	0.1	Japan Real Estate Institute
		PRIME URBAN Meguro Mita	1,058	1,128	1,110	0.1	Japan Valuers Co., Ltd.
		Fukasawa House Towers H&I	7,140	7,061	7,310	0.7	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Toyosu	5,290	5,211	5,390	0.5	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Nihonbashi Kayabacho	2,850	2,826	2,900	0.3	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Yoga II	1,320	1,304	1,330	0.1	The Tanizawa Sogo Appraisal Co., Ltd.
		PRIME URBAN Musashi Koganei II	1,310	1,285	1,380	0.1	The Tanizawa Sogo Appraisal Co., Ltd.
		PRIME URBAN Gakugei daigaku parkfront	1,300	1,394	1,310	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Omori III	1,110	1,154	1,190	0.1	JLL Morii Valuation & Advisory K.K.
		PROUD FLAT Kinshicho	785	820	878	0.1	JLL Morii Valuation & Advisory K.K.
	Other areas	PROUD FLAT Itsutsubashi	652	612	711	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PROUD FLAT Kawaramachi	735	687	686	0.1	Japan Real Estate Institute

Use	Area	Property name	Acquisition price (Millions of Yen) (Note 1)	Carrying amount (Millions of Yen) (Note 2)	Opinion of value at end of period (Millions of Yen) (Note 3)	Investment share (%) (Note 4)	Appraiser
Residential	Other areas	PROUD FLAT Shin Osaka	1,620	1,526	1,700	0.2	Japan Real Estate Institute
		PRIME URBAN Kita Juyo Jo	274	261	282	0.0	The Tanizawa Sogo Appraisal Co., Ltd.
		PRIME URBAN Odori Koen I	502	477	529	0.1	Japan Real Estate Institute
		PRIME URBAN Odori Koen II	334	319	349	0.0	Japan Real Estate Institute
		PRIME URBAN Kita Juichi Jo	547	516	597	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Miyanosawa	475	443	504	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Odori Higashi	394	373	431	0.0	Japan Valuers Co., Ltd.
		PRIME URBAN Chiji Kokan	249	233	274	0.0	Japan Valuers Co., Ltd.
		PRIME URBAN Maruyama	229	215	240	0.0	Japan Valuers Co., Ltd.
		PRIME URBAN Kita Nijuyo Jo	437	411	471	0.0	Japan Valuers Co., Ltd.
		PRIME URBAN Sapporo Idaimae	616	581	654	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Sapporo Riverfront	4,480	4,238	4,650	0.5	Japan Valuers Co., Ltd.
		PRIME URBAN Kita Sanjo Dori	1,730	1,628	1,860	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Nagamachi Icchome	1,140	1,085	1,070	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Yaotome Chuo	466	440	441	0.0	Japan Valuers Co., Ltd.
		PRIME URBAN Tsutsumidori Amamiya	949	947	926	0.1	Japan Real Estate Institute
		PRIME URBAN Aoi	712	690	737	0.1	Chuo Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kanayama	553	522	604	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Tsurumai	1,020	959	1,110	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Kamimaezu	1,590	1,511	1,670	0.2	Japan Valuers Co., Ltd.
		PRIME URBAN Izumi	3,770	3,593	4,120	0.4	Japan Valuers Co., Ltd.
		PRIME URBAN Esaka I	652	626	663	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Esaka II	794	761	845	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Esaka III	1,190	1,123	1,180	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Tamatsukuri	1,020	974	1,080	0.1	Japan Valuers Co., Ltd.
		PRIME URBAN Sakaisuji Honmachi	1,810	1,723	1,830	0.2	Japan Real Estate Institute
		PRIME URBAN Hakata	588	559	614	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Yakuin Minami	265	252	282	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Kashii	398	374	342	0.0	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Hakata Higashi	622	587	527	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Chihaya	604	577	565	0.1	Daiwa Real Estate Appraisal Co., Ltd.
		PRIME URBAN Chikusa	1,110	1,182	1,130	0.1	Japan Valuers Co., Ltd.
Residential subtotal			184,045	179,525	189,546	18.9	
Other	Greater Tokyo area	Ryotokuji University Shin-Urayasu Campus (Land)	4,900	5,136	5,150	0.5	Japan Real Estate Institute
Other subtotal			4,900	5,136	5,150	0.5	
Total			922,568	914,834	1,001,250	100.0	

(Note 1) “Acquisition Price” refers to the following. Of the assets succeeded as a result of the merger of three REITs, the appraisal value as of September 30, 2015 for NRE Shibuya Dogenzaka Building and as of April 30, 2015 for other assets succeeded from NOF; and the appraisal value as of September 30, 2015 for PRIME URBAN Shinyurigaoka and as of May 31, 2015 for other assets succeeded from NRF are recorded as said assets’ respective acquisition prices. Furthermore, the appraisal value as of March 31, 2016 or April 1, 2016 for other assets succeeded from TOP are recorded as said assets’ respective acquisition prices. For all other assets, “Acquisition price” indicates the amount, excluding the various expenses required to acquire the property, including transaction brokerage fees, taxes and public dues, etc. (the amount of transaction payment for real estate, etc., described in the sales agreement).

(Note 2) “Carrying amount” is the sum total amount of the acquisition price (including various expenses required for the acquisition) of land, buildings, structures, tools, furniture and fixtures, construction in progress, and leasehold rights (including these assets in trust), less accumulated depreciation.

(Note 3) “Opinion of value at end of period” is the appraisal or investigation value provided by the respective real estate appraiser (the value calculated by the respective real estate appraiser with the date of the 5th fiscal period-end (February 28, 2017) as the effective date of value and the value indicated by the income approach as a standard) in accordance with NMF’s Articles of Incorporation and the Regulations Concerning Accounting of Investment Corporations.

The appraisal or investigation value of real estate is no more than an indication of the opinion of the value of the appraised real estate at the time of appraisal by the respective real estate appraiser, etc., conducted in accordance with the Act on Real Estate Appraisal (Act No. 152 of 1963, including subsequent amendments), and real estate appraisal standards, etc. Reappraisal of the same real estate may result in a different appraisal or investigation value, depending on the real estate appraiser conducting the appraisal and the method or timing of the appraisal. In addition, the appraisal of real estate is not a guarantee or promise of the possibility of transactions at present or in the future at the appraised value.

Furthermore, the cost approach and income approach (direct capitalization approach and discounted cash flow approach) are used in appraisal calculations. The appraisal value is determined by the income approach if the subject real estate’s price is estimated with an emphasis on investment profitability in the market and it is seen as an investment target for qualified institutional investors, etc. The value indicated by the cost approach is used as an index to verify the value indicated by the income approach.

The “direct capitalization approach” is a method where the net revenue in a certain period is capitalized by the capitalization rate. It is a method of seeking the value indicated by the income approach (a method of seeking the estimated value of real estate by seeking the sum of the present value of the net revenue the real estate is expected to generate in the future).

The “discounted cash flow (DCF) approach” is a method where the net income and terminal value arising in multiple successive periods are discounted to present value according to their periods and totaled. It is also a method of seeking the value indicated by the income approach.

(Note 4) “Investment share” is the period-end opinion of value of the respective asset as a percentage of the total amount of the period-end opinion of value of the entire portfolio (271 properties in total). The figures are rounded to the first decimal place. Accordingly, the sum total may be exactly 100.0%.

(Note 5) NMF holds quasi co-ownership of 50.1% of beneficial interest in real estate. For the for opinion of value and carrying price in the table above, price of this quasi co-ownership interest ratio is stated for opinion of value and carrying price.

(Note 6) NMF holds quasi co-ownership of 50.0% of beneficial interest in real estate. For the for opinion of value and carrying price in the table above, price of this quasi co-ownership interest ratio is stated for opinion of value and carrying price.

(Note 7) After the end of the 5th fiscal period, the company name was changed to “JLL Morii Valuation & Advisory K.K.” from “Morii Appraisal & Investment Consulting, Inc.” as of April 1, 2018.

(Note 8) Property name was changed as of April 1, 2018 for the following property.

Use	New name (After change)	Old name (Before change)
Office	NMF Utsunomiya Building	NOF Utsunomiya Building

(Note 9) NMF’s acquisition of quasi co-ownership of the beneficial interest in the property was made in two stages. The acquisition price given is the total for both transactions.

C. Status of Major Tenants

Details concerning the leasing status of major tenants are shown below. Major tenants are those who, as of February 28, 2018, account for 10% or more of the total leased area of the assets held by NMF as of February 28, 2018 (in cases where multiple assets have the same tenant, this is calculated using the total leased area for all assets leased by said tenant).

Tenant name (Note 1)	Business type	Property name	Contract termination date	Contract Extension	Leased area (m ²) (Note 1)	Annual rent (Millions of Yen) (Note 2)	Leasehold and security deposits (Millions of Yen) (Note 3)
Nomura Real Estate Partners Co., Ltd. (Note 4)	Real estate	Shinjuku Nomura Building	March 31, 2020	(Fixed-term lease contract)	1,021.25	117	93
		NRE Yotsubashi Building (Note 5)	March 31, 2018	Contract shall be extended for additional terms of two years unless either party notifies the other party in writing of its intention to terminate this contract no later than six months prior to the expiration of the initial term or any extended term thereof.	227.08	11	8
			March 31, 2018	(Fixed-term lease contract)	797.83	40	27
		Kojimachi Millennium Garden (Residential building)	March 31, 2019	Contract shall be extended for additional terms of one year unless either party notifies the other party in writing of its intention to terminate this contract no later than three months prior to the expiration of the initial term or any extended term thereof.	4,649.80	223	32
		PROUD FLAT Shirokane Takanawa	February 28, 2019		2,877.98	182	37
		PROUD FLAT Yoyogi Uehara	February 28, 2019		1,128.14	58	6
		PROUD FLAT Hatsudai	February 28, 2019		958.98	47	4
		PROUD FLAT Shibuya Sakuragaoka	February 28, 2019		638.70	41	5
		PROUD FLAT Gakugei Daigaku	February 28, 2019		934.39	48	5
		PROUD FLAT Meguro Gyoninzaka	February 28, 2019		834.06	52	5
		PROUD FLAT Sumida Riverside	February 28, 2019		3,004.49	145	14
		PROUD FLAT Kagurazaka	February 28, 2019		1,793.43	93	2
		PROUD FLAT Waseda	February 28, 2019		1,428.90	68	6
		PROUD FLAT Shinjuku Kawadacho	February 28, 2019		1,080.79	55	8
		PROUD FLAT Sangen Jaya	February 28, 2019		1,277.82	69	6
		PROUD FLAT Kamata	February 28, 2019		1,475.64	71	6
		PROUD FLAT Kamata II	February 28, 2019		3,946.72	199	22
		PROUD FLAT Shinotsuka	February 28, 2019		752.09	39	3
		PROUD FLAT Kiyosumi Shirakawa	February 28, 2019		1,209.56	59	9
		PROUD FLAT Monzen Nakacho II	February 28, 2019		830.55	40	4
		PROUD FLAT Monzen Nakacho I	February 28, 2019		1,191.08	64	6
		PROUD FLAT Fujimidai	February 28, 2019		2,222.05	110	14
		PROUD FLAT Asakusa Komagata	February 28, 2019		2,685.39	123	17
		PROUD FLAT Yokohama	February 28, 2019		3,024.02	137	15
		PROUD FLAT Kamioooka	February 28, 2019		4,872.17	182	15
		PROUD FLAT Tsurumi II	February 28, 2019		2,219.74	113	20
		PRIME URBAN Azabu Juban	February 28, 2019		1,196.76	66	6
		PRIME URBAN Akasaka	February 28, 2019		1,025.82	54	5
		PRIME URBAN Tamachi	February 28, 2019		1,084.56	59	6
		PRIME URBAN Shibaura LOFT	February 28, 2019		1,905.39	114	9
		PRIME URBAN Yoyogi	February 28, 2019		439.56	23	2
		PRIME URBAN Ebisu II	February 28, 2019		1,098.98	64	5
		PRIME URBAN Bancho	February 28, 2019		1,194.85	62	4
		PRIME URBAN Chiyoda Fujimi	February 28, 2019		793.87	42	4
		PRIME URBAN Idabashi	February 28, 2019		2,065.46	119	15
		PRIME URBAN Ebisu	February 28, 2019		1,296.10	63	6

Tenant name (Note 1)	Business type	Property name	Contract termination date	Contract Extension	Leased area (m ²) (Note 1)	Annual rent (Millions of Yen) (Note 2)	Leasehold and security deposits (Millions of Yen) (Note 3)
Nomura Real Estate Partners Co., Ltd. (Note 4)	Real estate	PRIME URBAN Naka Meguro	February 28, 2019	Contract shall be extended for additional terms of one year unless either party notifies the other party in writing of its intention to terminate this contract no later than three months prior to the expiration of the initial term or any extended term thereof.	1,249.26	76	8
		PRIME URBAN Gakugei Daigaku	February 28, 2019		1,008.39	49	4
		PRIME URBAN Senzoku	February 28, 2019		621.23	28	2
		PRIME URBAN Meguro Riverside	February 28, 2019		453.77	28	2
		PRIME URBAN Meguro Ohashi Hills	February 28, 2019		2,904.89	164	15
		PRIME URBAN Meguro Aobadai	February 28, 2019		1,416.69	73	11
		PRIME URBAN Gakugei Daigaku II	February 28, 2019		1,090.47	60	10
		PRIME URBAN Naka Meguro II	February 28, 2019		2,362.48	153	36
		PRIME URBAN Kachidoki	February 28, 2019		4,419.50	179	18
		PRIME URBAN Nihonbashi Yokoyamacho	February 28, 2019		5,687.14	242	38
		PRIME URBAN Nihonbashi Hamacho	February 28, 2019		2,026.44	94	9
		PRIME URBAN Hongo Ikizaka	February 28, 2019		662.58	33	3
		PRIME URBAN Hakusan	February 28, 2019		1,069.82	52	4
		PRIME URBAN Yotsuya Gaen Higashi	February 28, 2019		1,723.38	88	8
		PRIME URBAN Nishi Shinjuku I	February 28, 2019		1,412.72	71	6
		PRIME URBAN Nishi Shinjuku II	February 28, 2019		1,162.55	56	5
		PRIME URBAN Shinjuku Naitomachi	February 28, 2019		578.18	27	2
		PRIME URBAN Nishi Waseda	February 28, 2019		507.11	28	2
		PRIME URBAN Shinjuku Ochiai	February 28, 2019		1,007.45	39	3
		PRIME URBAN Mejiro	February 28, 2019		1,648.40	82	5
		PRIME URBAN Kagurazaka	February 28, 2019		2,733.56	158	21
		PRIME URBAN Sangen Jaya III	February 28, 2019		924.66	44	3
		PRIME URBAN Chitose Karasuyama	February 28, 2019		1,602.52	45	9
		PRIME URBAN Sangen Jaya	February 28, 2019		823.26	43	4
		PRIME URBAN Minami Karasuyama	February 28, 2019		1,024.61	45	3
		PRIME URBAN Karasuyama Galleria	February 28, 2019		758.92	35	2
		PRIME URBAN Karasuyama Court	February 28, 2019		526.20	22	1
		PRIME URBAN Chitose Funabashi	February 28, 2019		1,001.28	45	4
		PRIME URBAN Yoga	February 28, 2019		1,704.92	80	9
		PRIME URBAN Shinagawa Nishi	February 28, 2019		941.54	42	7
		PRIME URBAN Osaki	February 28, 2019		2,043.31	109	10
		PRIME URBAN Oimachi II	February 28, 2019		1,730.73	88	8
		PRIME URBAN Yukigaya	February 28, 2019		1,454.83	67	6
		PRIME URBAN Omori	February 28, 2019		1,124.55	55	6
		PRIME URBAN Denenchofu Minami	February 28, 2019		1,042.47	47	4
		PRIME URBAN Nagahara Kamiikedai	February 28, 2019		2,177.45	92	10
		PRIME URBAN Nakano Kamitakada	February 28, 2019		798.73	36	3
		PRIME URBAN Takaido	February 28, 2019		1,665.90	77	5

Tenant name (Note 1)	Business type	Property name	Contract termination date	Contract Extension	Leased area (m ²) (Note 1)	Annual rent (Millions of Yen) (Note 2)	Leasehold and security deposits (Millions of Yen) (Note 3)
Nomura Real Estate Partners Co., Ltd. (Note 4)	Real estate	PRIME URBAN Nishi Ogikubo	February 28, 2019	Contract shall be extended for additional terms of one year unless either party notifies the other party in writing of its intention to terminate this contract no later than six months prior to the expiration of the initial term or any extended term thereof.	519.88	25	2
		PRIME URBAN Nishi Ogikubo II	February 28, 2019		2,225.33	99	10
		PRIME URBAN Otsuka	February 28, 2019		924.97	46	4
		PRIME URBAN Komagome	February 28, 2019		991.94	35	4
		PRIME URBAN Ikebukuro	February 28, 2019		3,924.21	194	19
		PRIME URBAN Monzen Nakacho	February 28, 2019		3,154.60	148	17
		PRIME URBAN Kameido	February 28, 2019		1,054.34	47	6
		PRIME URBAN Sumiyoshi	February 28, 2019		792.51	37	3
		PRIME URBAN Mukojima	February 28, 2019		1,068.31	42	2
		PRIME URBAN Kinshi Koen	February 28, 2019		1,837.20	80	8
		PRIME URBAN Kinshicho	February 28, 2019		991.62	46	7
		PRIME URBAN Hirai	February 28, 2019		1,095.91	48	5
		PRIME URBAN Kasai	February 28, 2019		865.60	38	3
		PRIME URBAN Kasai II	February 28, 2019		1,395.54	61	6
		PRIME URBAN Kasai East	February 28, 2019		1,884.62	75	7
		PRIME URBAN Itabashi Kuyakushomae	February 28, 2019		1,700.30	72	6
		PRIME URBAN Asakusa	February 28, 2019		876.70	29	2
		PRIME URBAN Machiya South Court	February 28, 2019		3,989.70	137	34
		PRIME URBAN Musashi Koganei	February 28, 2019		5,763.00	132	13
		PRIME URBAN Musashino Hills	February 28, 2019		2,961.06	89	18
		PRIME URBAN Koganei Honcho	February 28, 2019		1,561.16	55	7
		PRIME URBAN Kumegawa	February 28, 2019		2,548.93	107	35
		PRIME URBAN Musashi Kosugi comodo	February 28, 2019		3,527.70	130	27
		PRIME URBAN Kawasaki	February 28, 2019		1,635.04	66	7
		PRIME URBAN Shinyurigaoka	February 28, 2019		1,687.35	70	11
		PRIME URBAN Tsurumi Teraya	February 28, 2019		952.06	37	3
		PRIME URBAN Urayasu	February 28, 2019		1,243.84	53	7
		PRIME URBAN Gyotoku I	February 28, 2019		1,107.12	41	4
		PRIME URBAN Gyotoku II	February 28, 2019		1,244.00	47	3
		PRIME URBAN Gyotoku Ekimae	February 28, 2019		778.19	33	3
		PRIME URBAN Gyotoku Ekimae II	February 28, 2019		907.17	39	5
		PRIME URBAN Gyotoku III	February 28, 2019		1,720.60	63	6
		PRIME URBAN Nishi Funabashi	February 28, 2019		1,196.54	51	5
		PRIME URBAN Kawaguchi	February 28, 2019		2,374.96	104	27
		PROUD FLAT Hatchobori	February 28, 2019		992.75	55	5
		PROUD FLAT Itabashi Honcho	February 28, 2019		1,109.90	44	5
		PRIME URBAN Meguro Mita	February 28, 2019		1,065.79	53	5
		PRIME URBAN Gakugei Daigaku Parkfront	February 28, 2019		1,446.82	70	5
		PROUD FLAT Omori III	February 28, 2019		1,390.61	68	7
		PROUD FLAT Kinshicho	February 28, 2019		1,022.36	50	5
		PRIME URBAN Shinkawa	February 28, 2019		3,458.39	133	39
		PRIME URBAN Toyosu	February 28, 2019		6,687.76	327	35
		PRIME URBAN Nihonbashi Kayabacho	February 28, 2019		3,443.17	175	20
		PRIME URBAN Yoga II	February 28, 2019		1,342.81	65	6

Tenant name (Note 1)	Business type	Property name	Contract termination date	Contract Extension	Leased area (m ²) (Note 1)	Annual rent (Millions of Yen) (Note 2)	Leasehold and security deposits (Millions of Yen) (Note 3)
		PRIME URBAN Musashi Koganei II	February 28, 2019		2,010.17	83	9
Total			-	-	200,748.42	9,355	1,283

(Note 1) In the case of assets with a so-called pass-through master lease agreement, where the rent received from the lessee in the master lease agreement is the same amount as the rent that the lessee receives from the end-tenant, the end-tenant is shown as the tenant, and the lessee is not shown as a tenant. However, for residential facilities, the master lessee is shown as the tenant, and the leased area shown is that that actually rented and subject to the tenant agreements with end tenants.

(Note 2) “Annual rent” is calculated by multiplying by 12 the sum of monthly rent and common area charges in lease agreements for each property actually concluded with end-tenants that are valid as of the last day of February 2018 (this does not include parking space or other fees stated in parking space lease agreements or other such agreements signed in addition to the tenant lease agreement. If common-use space, etc. is leased based on the lease agreement, the rent for such is included, and if rent includes an amount equivalent to the fee for use of parking space, such amount is included. In addition, if the master lessee has a rent-guaranteed master lease, the rent for the space covered in said lease is based on the rent, etc., in the lease agreement concluded with the master lessee); amounts less than one thousand yen are truncated. Accordingly, the sum of each tenant’s annual rent may not be exactly the same as the figure given the “Total” row. Furthermore, regarding tenants who have been exempt from rent payment for a certain period of time in their agreements, such exemption period is not considered in the table above.

(Note 3) For residential facilities, the lessee of the master lease agreement shown in the “Tenant name” column receives leasehold and security deposits from the end-tenants and deposits this amount with NMF or the trustee as the leasehold and security deposits of the master lease agreement.

(Note 4) This client is an interested party of NMF as specified in the Investment Trust Act.

(Note 5) After the end of the 5th fiscal period (February 28, 2018), the contract was changed to the fixed-term lease contract with termination date of March 31, 2021 regarding the total leased area as of March 14, 2018.

D. Status of Major Properties

Not applicable.

E. Overview of Leasing to Interested Parties

As of February 28, 2018, some of the assets held by NMF at the same date were leased to interested parties as defined in the Investment Trust Act.

The following is an overview of the status of leasing of said assets to interested parties as defined in the Investment Trust Act.

Tenant name	Property name	Leased area (m ²)
Nomura Real Estate Partners Co., Ltd.	Shinjuku Nomura Building	1,021.25
	NRE Yotsubashi Building	1,024.91
	Total of PROUD FLAT Shirogane-Takanawa, and 115 others	198,702.26
Nomura Real Estate Development Co., Ltd.	Shinjuku Nomura Building	6,625.91
	NMF Yokohama Nishiguchi Building	94.83
	NRE Yotsubashi Building	1,369.84
Nomura Real Estate Life & Sports Co., Ltd.	Megalos Kanagawa	6,217.85
Nomura Real Estate Urban Net Co., Ltd.	Shinjuku Nomura Building	1,740.51
	NMF Gotanda Ekimae Building	198.90
	NMF Kichijoji Honcho Building	269.37
	NMF Kawasaki Higashiguchi Building	216.54
	NMF Yokohama Nishiguchi Building	373.27
	NRE Nishi-Umeda Building	404.41
Geo Akamatsu Co., Ltd.	NRE Yotsubashi Building	357.06
Nomura Real Estate Amenity Service Co., Ltd.	NRE Yotsubashi Building	80.01

F. Collateral

Assets held by NMF and offered as collateral at the end of the 5th period under review are as follows.

Property Name	Type of collateral	Secured party	Recent appraisal value (Millions of Yen)
Konami Sports Club Fuchu	Mortgage	Konami Sports Club Co., Ltd. (Note)	3,400
Sagamihara Shopping Center	Mortgage	Ito-Yokado Co., Ltd. (Note)	6,900

(Note) The secured claims are rights held by the security interest holders to claim the return of leasehold deposits.