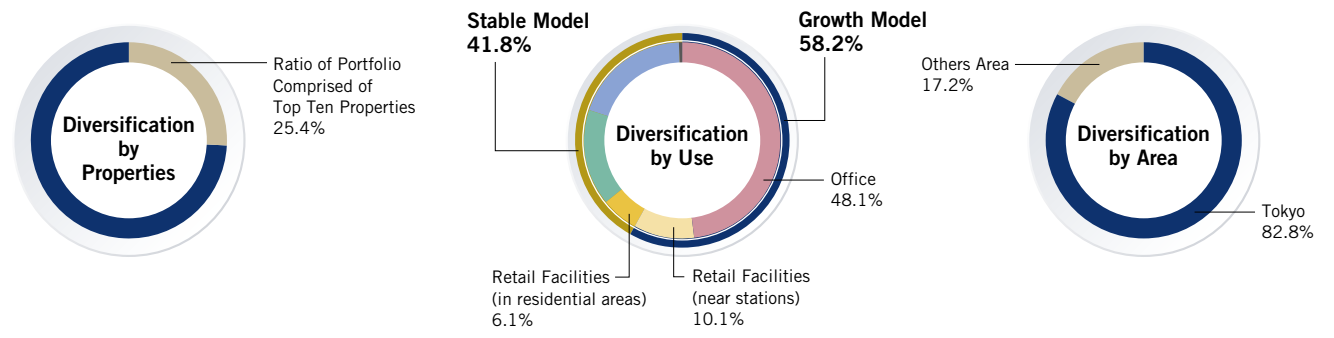


2nd Fiscal Period Semi-Annual Report



Our Growth Driver



Superior Sponsor Support

➤ Nomura Real Estate Group's Leasing Business Value Chain

Nomura Real Estate Master Fund, Inc. (NMF) was established on October 1, 2015 through the merger of the former Nomura Real Estate Master Fund, Inc., Nomura Real Estate Office Fund, Inc., and Nomura Real Estate Residential Fund, Inc. The new NMF seeks to 1. Achieve sustainable growth through its "diversified type strategy," 2. Reinforce its stability and evolve its growth strategies through its "large-scale REIT strategy," and 3. Establish a "leasing value chain" with the sponsor to accelerate the growth of both companies while making the strengthening of sponsor support a pillar of its management strategy. By steadily implementing these measures, we are working to meet unitholder expectations.

Securing Stable Returns over the Medium to Long Term

By combining investment in sectors that offer stable revenue with sectors that offer potential upside, NMF targets sustainable growth based on a moderate risk, moderate return portfolio while leveraging its strength as a diversified REIT.

Expanding Assets under Management

By selectively investing in excellent properties across a wide range of sectors, with investment timing optimized for each, we aim for stable, sustainable portfolio growth.

Establishing a Strong Fund Brand

By creating and implementing medium- to long-term strategies and sharing them with investors, we seek to earn investor trust and establish a strong fund brand in which they can invest with confidence.



➤ A Rare Opportunity for External Growth

Merger of Top REIT, Inc.

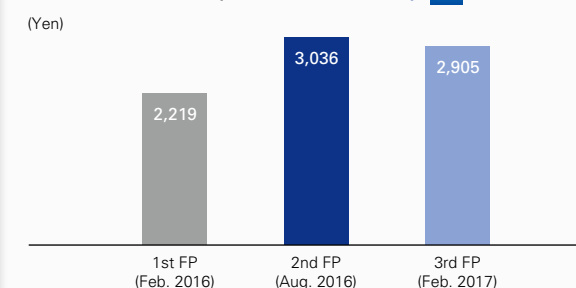
Capital is flowing into the J-REIT market from both domestic and foreign sources on expectations of recovery in the Japanese economy and real estate market. Backed by this favorable financing environment, property acquisitions by J-REITs remain brisk, spurred on by both new J-REIT listings and additional public offerings by existing J-REITs. Furthermore, as growing numbers of new players enter the real estate market, competition to acquire properties is

intensifying. The J-REIT market is also changing, with some J-REITs reorganizing, as polarization continues between large J-REITs and medium- to small J-REITs, while investments are being directed to increasingly diverse sectors.

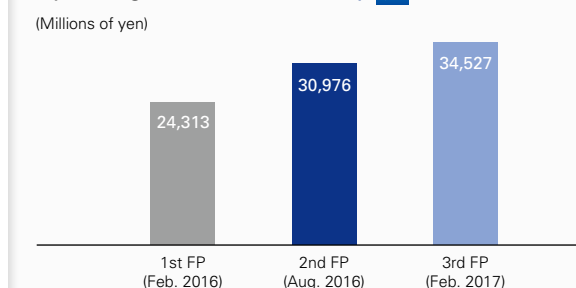
In this environment, NMF completed an absorption type merger with TOP REIT, Inc. on September 1, 2016, thus securing a rare opportunity for external growth in the heated real estate acquisition market.

➤ 2nd Fiscal Period Performance Highlights

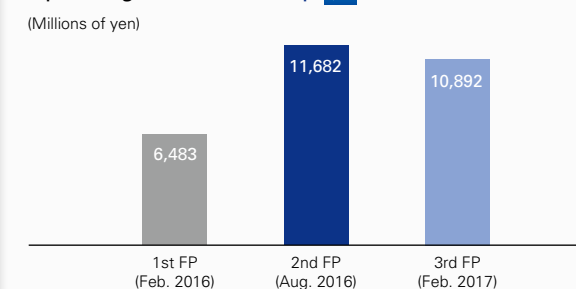
Cash Distribution per Unit 36.8% up



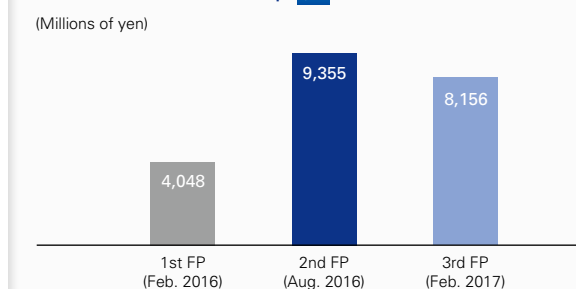
Operating Revenues 27.4% up



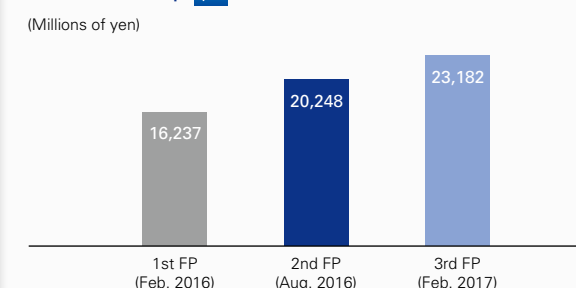
Operating Profit 80.2% up



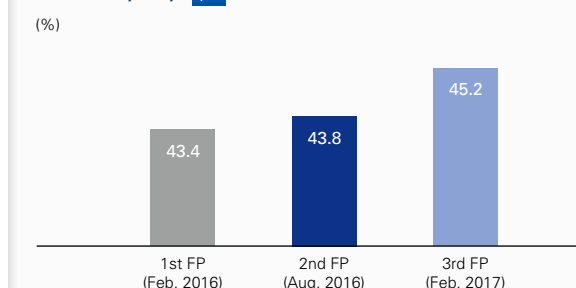
Net Income 131.1% up



NOI 24.7% up



LTV 0.4pt up



Message from the Management



Satoshi Yanagita Executive Director of
Nomura Real Estate Master Fund, Inc.

The basic policy of Nomura Real Estate Master Fund, Inc. (NMF) is to manage its assets to secure stable income over the medium to long term and ensure the steady growth of assets under management. We have established a Management Strategy aimed at achieving steady growth based on a long-term perspective, and we are working in line with this strategy to increase unitholder value.

Both domestic and foreign investment capital is flowing into the J-REIT market on expectations of recovery in the Japanese economy and real estate market. Backed by this favorable financing environment, property acquisitions by J-REITs remain brisk. NMF is accelerating efforts to improve portfolio quality through strategic property replacements (SPRs), a key priority under the Management Strategy, and is on track to achieve its SPR targets well ahead of schedule. In addition, we are focused on achieving internal growth, mainly in upside sectors. During the second fiscal period, we delivered on these priorities. As a result, operating revenues for the period reached ¥30,976 million, up 27.4% from the previous fiscal period, ordinary income

jumped 131.0% to ¥9,356 million, and net income grew 131.1% to ¥9,335 million. The per-unit distribution came to ¥3,036, surpassing our previous estimate by ¥276.

Furthermore, on September 1, 2016, we completed the merger with TOP REIT, Inc. announced on May 26, 2016. By taking advantage of this rare opportunity for external growth, NMF has expanded its asset size to ¥933.0 billion and further secured its position as one of Japan's largest diversified REITs. In addition, the merger helped to build a high-quality portfolio and increase risk tolerance. As such, we expect more stable revenue and are better positioned to pursue both internal and external growth by leveraging the Nomura Real Estate Group's development capabilities, wide-ranging know-how and brand.

As we move forward, we ask for your continued support and encouragement.

Satoshi Yanagita
Executive Director
Nomura Real Estate Master Fund, Inc.

Delivering on Our Management Strategy



Ken Okada Director and Managing Executive Officer,
Head of NMF Investment Management Group,
Nomura Real Estate Asset Management Co., Ltd.

Our results for the second fiscal period can be summarized as follows: We delivered on our two key priorities of executing strategic property replacements (SPRs) and achieving internal growth, especially in the office sector, and these accomplishments are evident in our results.

For the third fiscal period, we are planning a per-unit distribution of ¥2,905, down ¥131 from the second fiscal period. However, the second period per-unit distribution excluding the portion from gain on sales of real estate (¥299 per unit) was ¥2,737; the third fiscal period distribution forecast is 6% higher than this, thanks in part to the effect of the merger with TOP REIT.

Boosting Performance by Achieving SPR Targets Well Ahead of Schedule

After our listing in October 2015, we formulated our Management Strategy. This strategy divides the 10 years following NMF's establishment into three phases—the Quality phase, Growth phase and Master phase—and aims

for stable management over the long term through steady growth in asset size and the strong establishment of the fund's brand.

In the Quality phase, NMF aims to utilize the benefits of being one of Japan's largest diversified REITs while focusing on SPRs to improve the portfolio's quality by reducing the high average age of its properties, a long-standing issue.

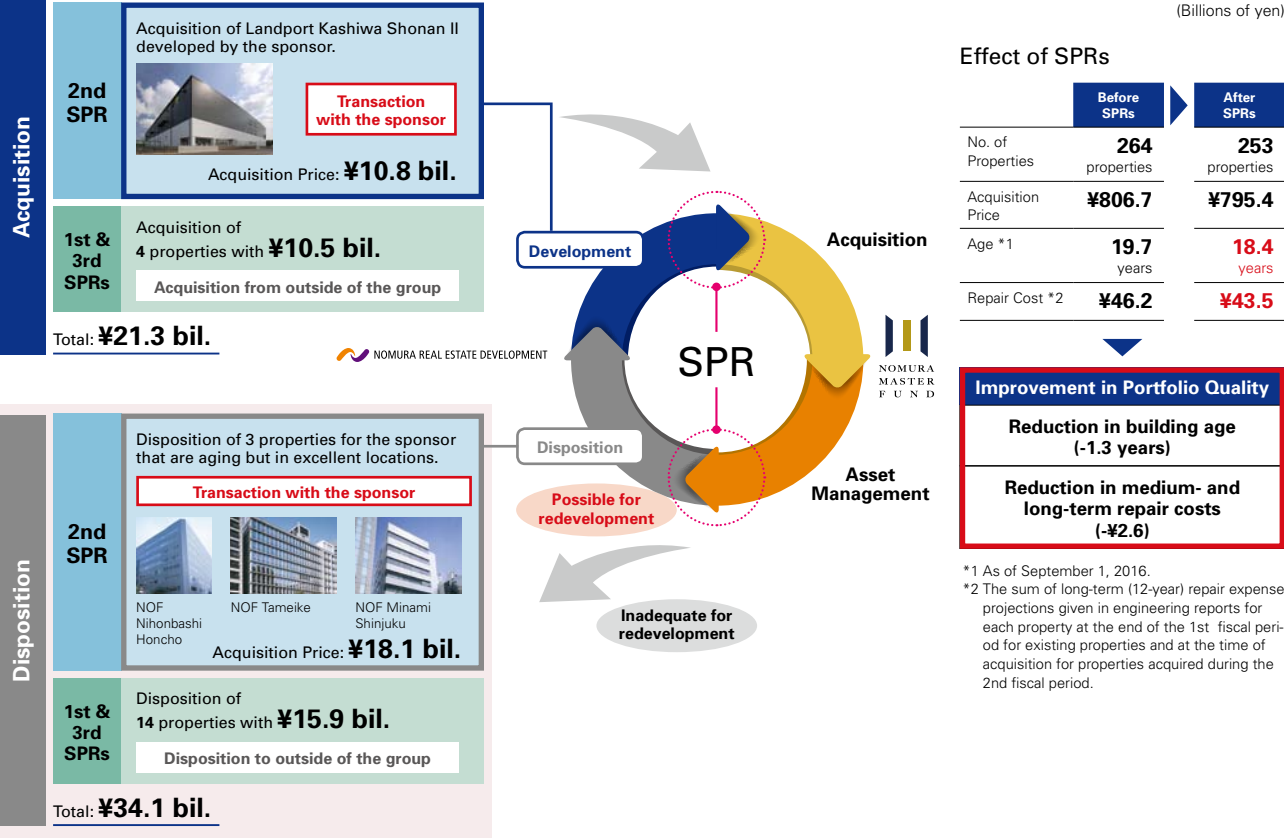
Specifically, we initially planned to implement ¥50 billion in property replacements in the first three to five years. However, because investor appetite for property acquisitions remains strong and competition to acquire properties is intense in Japan's real estate market, we decided to move ahead with the sale of 17 properties, for a total ¥34.1 billion, in the second fiscal period. We sold three of these properties, which were aging buildings in excellent locations, to the sponsor on the condition of receiving preferential negotiation rights to re-acquire them after redevelopment. To help compensate for the loss of revenue from the properties we sold, we also acquired five properties for a total of ¥21.3 billion.

Through these property replacements, the average building age for the entire portfolio decreased 1.3 years, reducing medium- and long-term repair costs by ¥2,652 million.

Delivering on Our Management Strategy

Strategic Property Replacement (1st ~ 3rd Rounds of SPRs)

Of the ¥50 billion targeted for disposition during the initial 3~5 years, ¥34 billion attained in the 2nd fiscal period



Internal Growth in Upside Sectors Driving Results

In addition to SPRs, internal growth, mainly in upside sectors, is a pillar of operations in the Quality phase. In particular, we aim to increase rent revenues from offices and retail facilities near stations.

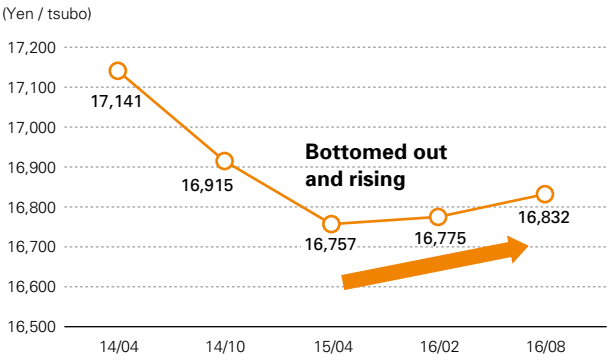
The occupancy rate of the entire portfolio as of the end of the second fiscal period was stable and high, at 99.1%. In the office sector, a key upside sector, the rental market has seen particularly notable recovery, with rises in newly advertised rents and successful rent increases upon contract renewal driving the internal growth of the portfolio as a whole. The following overview discusses market conditions in each sector.

Office

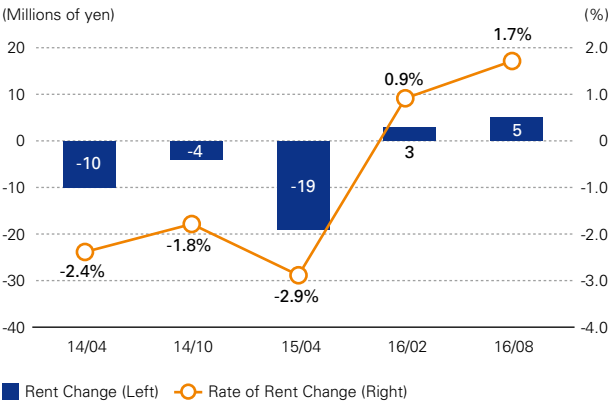
While the vacancy rate is stable and low in the office leasing market, rents continue to rise at a slow rate. The supply of new properties is expected to remain low for the time being, with demand from companies seeking increased floor space forecast to maintain the current market balance.

The office sector's average per-unit rent bottomed out in April 2015, and has since been rising steadily. Reflecting favorable market conditions, demand for increased floor space from tenants relocating to a larger space or consolidating locations is growing, and the proportion of our existing tenants that sought additional floor space grew from 9.3% in the first fiscal period to 22.1%. Similarly, the average rent-free period granted to tenants decreased from 4.2 months to 2.2 months, and the rate of rent increases upon rent revision grew from 0.9% to 1.7%.

Change in average rent



Rent change and rate of rent change



Office

	Ended Feb. 29, 2016 (1st FP) From Oct. 1, 2015, to Feb. 29, 2016	Ended Aug. 31, 2016 (2nd FP) From Mar. 1, 2016, to Aug. 31, 2016	Change	% Change
Real Estate Rental Business Revenues	¥10,858,540	¥12,950,477	¥2,091,936	19.3
Rental Business Revenues	9,893,779	11,729,101	1,835,322	18.6
Other Rental Business Revenues	964,761	1,221,375	256,613	26.6
Real Estate Rental Business Expenses	5,169,316	5,851,529	682,213	13.2
Operating Profit	5,689,224	7,098,947	1,409,722	24.8
Net Operating Income	6,600,947	8,239,129	1,638,182	24.8

Retail

Concerning the environment surrounding retail facilities, individual consumption is weak, reflecting thriftiness among households. Demand related to daily necessities, such as groceries and dining, is firm, supported by improvement in employment as a result of labor shortages. Nevertheless, shifting consumer attitudes require careful attention. Rental demand for retail facilities in major urban areas is firm overall, thanks to solid demand for new retail outlets caused by continued population inflows to such areas. Demand generated by visitors to Japan from overseas is also expected to

remain stable, as the number of tourists coming to Japan increases on the back of economic recovery and the rise of a growing middle class in emerging Asian countries over the long term.

Looking at one of NMF's key retail properties, Universal CityWalk Osaka has seen steadily growing retail sales and sales-linked rent thanks to the growing number of visitors to the nearby Universal Studios Japan theme park. There are plans for additional investment in new attractions at Universal Studios Japan going forward, so we expect continued growth from Universal CityWalk Osaka, as well.

Near another key retail property, Morisia Tsudanuma, new condominiums are being built as the area is redeveloped. Retail sales are increasing, backed by growth in the residential population. Redevelopment is expected to cause the population in the vicinity to rise by around 10,000 people.

Retail

	Ended Feb. 29, 2016 (1st FP) From Oct. 1, 2015, to Feb. 29, 2016	Ended Aug. 31, 2016 (2nd FP) From Mar. 1, 2016, to Aug. 31, 2016	Change	% Change
Real Estate Rental Business Revenues	¥5,055,646	¥6,181,693	¥1,126,046	22.3
Rental Business Revenues	4,456,151	5,363,669	907,518	20.4
Other Rental Business Revenues	599,495	818,023	218,527	36.5
Real Estate Rental Business Expenses	2,489,809	2,886,644	396,834	15.9
Operating Profit	2,565,837	3,295,048	729,211	28.4
Net Operating Income	3,174,068	4,049,228	875,160	27.6

Logistics

In terms of logistics facilities, the supply-demand balance remains tight, reflecting the impact of online shopping and the apparel industry, which are driving demand, as well as the accompanying demand for third-party logistics (3PL)* and additional demand arising in recent years from growing logistics sophistication in the food wholesaling industry. New supply of large-scale facilities is expected from 2017, which may temporarily push up the vacancy rate. However, demand for highly functional logistics facilities is solid, so the supply-demand balance is expected to recover.

Under these conditions, we are striving to maintain the stable management of our logistics facilities under long-term contracts and working to spread out risk by diversifying lease maturities.

Delivering on Our Management Strategy

Logistics

(Thousands of yen)

	Ended Feb. 29, 2016 (1st FP) From Oct. 1, 2015, to Feb. 29, 2016	Ended Aug. 31, 2016 (2nd FP) From Mar. 1, 2016, to Aug. 31, 2016	Change	% Change
Real Estate Rental Business Revenues	¥3,790,705	¥4,736,769	¥946,063	25.0
Rental Business Revenues	3,632,136	4,524,926	892,790	24.6
Other Rental Business Revenues	158,569	211,843	53,273	33.6
Real Estate Rental Business Expenses	1,718,591	2,137,950	419,359	24.4
Operating Profit	2,072,114	2,598,818	526,703	25.4
Net Operating Income	3,015,245	3,725,780	710,534	23.6

Residential

Concerning the environment surrounding the rental apartment market, both the existing stock and new supply of high-quality rental condominiums in good locations are low, while population inflows to major urban areas continue to be strong. At the same time, land prices in major urban areas are expected to continue rising, as are construction costs, and competition with for-sale condominiums and other sectors to acquire building sites is intensifying. As such, a limited supply of rental apartments is expected. Reflecting this, the occupancy rate of rental condominiums owned by J-REITs remains high overall. Newly advertised rents are forecast to follow a gentle upward trajectory for the time being, backed by tight supply, strong demand and improving incomes.

The residential sector is also seeing steady growth in the proportion of units that achieve rent increases upon tenant change. Although this is not a sector with a major upside expected in the future, we will continue working to increase rents.

At the end of the fiscal period under review, the number of properties held by NMF was 252, with a total acquisition price of ¥784,607 million. The ratio of investment in the Greater Tokyo area was 79.7%, the gross leasable area of the portfolio was 1,654,570.95 m², and the portfolio remained highly diversified. *

* All figures exclude Landport Kashiwa Shonan II, which was acquired after the end of the fiscal period

Residential

(Thousands of yen)

	Ended Feb. 29, 2016 (1st FP) From Oct. 1, 2015, to Feb. 29, 2016	Ended Aug. 31, 2016 (2nd FP) From Mar. 1, 2016, to Aug. 31, 2016	Change	% Change
Real Estate Rental Business Revenues	¥4,607,717	¥5,608,457	¥1,000,739	21.7
Rental Business Revenues	4,304,368	5,172,191	867,823	20.2
Other Rental Business Revenues	303,349	436,266	132,916	43.8
Real Estate Rental Business Expenses	2,168,991	2,613,625	444,633	20.5
Operating Profit	2,438,726	2,994,832	556,106	22.8
Net Operating Income	3,447,103	4,179,196	732,092	21.2

Approaching ¥1 Trillion Asset Size Goal by Leveraging External Growth Opportunities

On September 1, 2016, NMF completed an absorption type merger with TOP REIT, Inc., acquiring all of its 19 properties. As a result, NMF's asset size has jumped to over ¥930 billion, the second largest among J-REITs. The real estate market has been hot, and acquiring excellent office properties has become especially difficult. Given this environment, we believe the acquisition of excellent office properties in Tokyo through the merger was an especially valuable achievement.

One of the properties we acquired through the merger with TOP REIT is Harumi Island Triton Square, a landmark in the Tokyo bayside area. Following the 2020 Tokyo Olympics, a 6,000-unit housing complex is planned to be built near the property, and the area's working population is expected to grow. Improvements to nearby transportation infrastructure are also planned. Considering these factors, we expect continued growth from this property.

Another property acquired from TOP REIT is the Ito-Yokado Higashi-Narashino Store. This property's tenant is scheduled to move out in June 2017. We are currently exploring both the possibility of leasing to a new tenant and of selling the property to the sponsor. We plan to finalize the business plan for the property by the end of 2016. Although the tenant's move-out was decided after we announced the merger, the impact on NMF is minimal as we had accounted for this vacancy risk in our pricing assessment of the property.

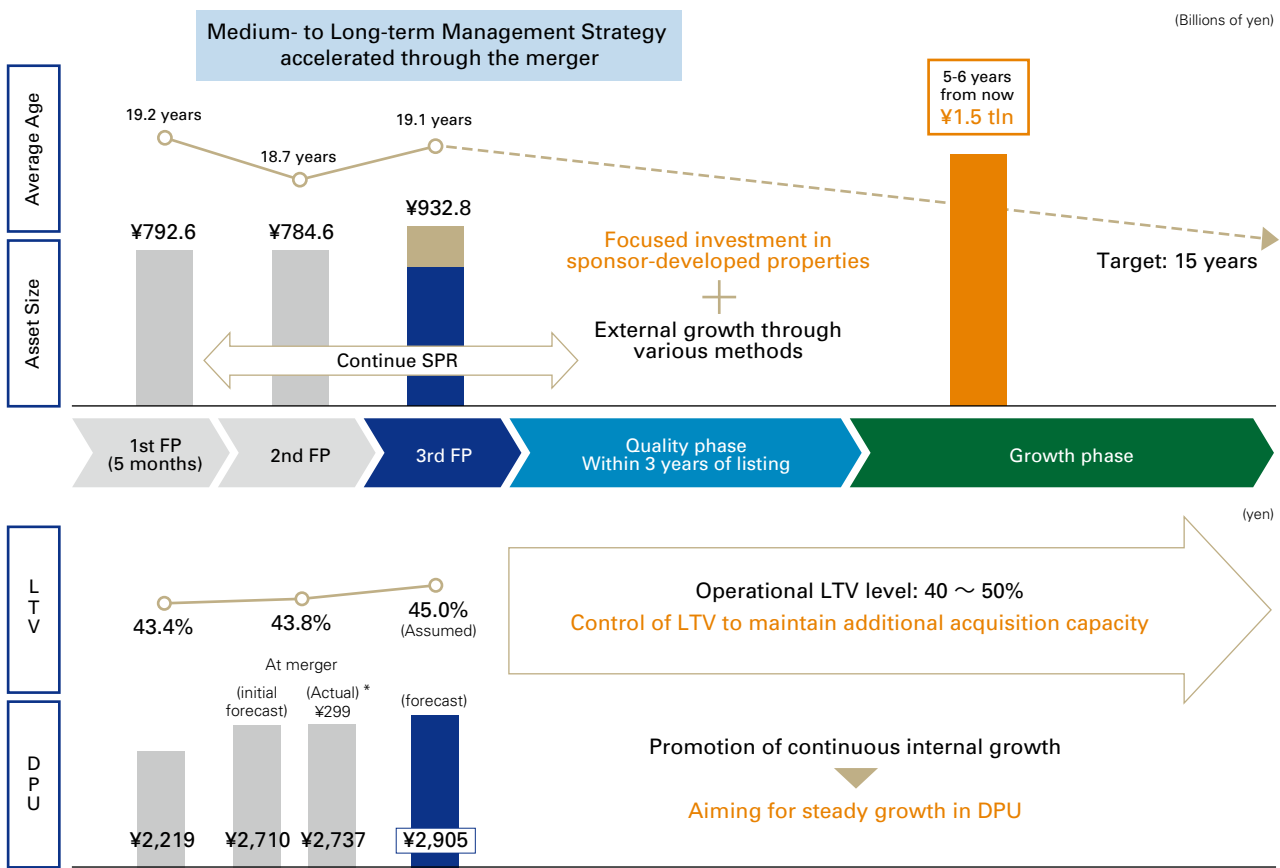
Assumed Acquisition Price
¥137.4 billion^(*)

(*) Detailed evaluations of the fair values of assets accepted from TOP are ongoing

Portfolio Summary

Type	Name
Office	NEC Head Office Building
	Harumi Island Triton Square Office Tower Y
	Akasaka Oji Building
	Kanda Nishiki-cho 3-chome Building
	Harumi Island Triton Square Office Tower Z
	Shinkawa Chuo Building
	Shinjuku EAST Building
	Shiba-Koen Building
	Ginza Oji Building
	Faret East Building
Retail	Sagamihara Shopping Center
	Musashiurawa Shopping Square
	Ito-Yokado Higashi-Narashino Store
	MEL Building
Residential	Fukasawa House Towers H&I
	PRIME URBAN Toyosu
	PRIME URBAN Nihonbashi Kayabacho
	PRIME URBAN Yoga II
	PRIME URBAN Musashi-Koganei II

Progress of Medium- to Long-term Management Strategy



* For the 2nd fiscal period, the portion of the DPU from gain on sales of real estate (¥299) is shown separately from the portion excluding this amount (¥2,737).

Delivering on Our Management Strategy

NMF’s Financial Strategy

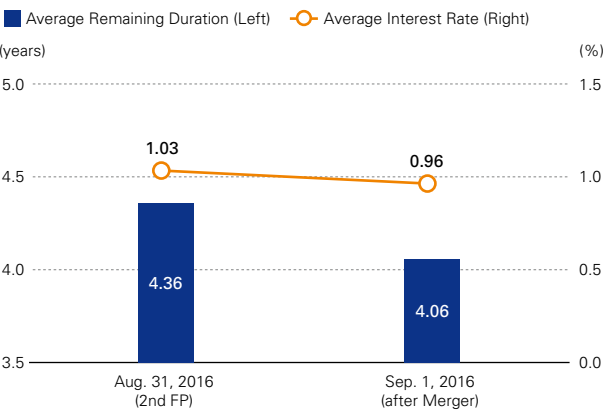
Taking advantage of the current low interest rate environment, NMF is working to extend the terms and lower the interest rates of its borrowings. During the second fiscal period, NMF took out loans of ¥14,700 million and ¥10,800 million on March 1, 2016 and August 31, 2016, respectively. Furthermore, using cash on hand generated by the sale of assets, NMF repaid a total of ¥18,800 million in existing loans. NMF also refinanced ¥22,330 million in existing loans. As a result, at the end of the second fiscal period, the average remaining duration until maturity of our borrowings was 4.36 years, compared with 3.96 years at the previous period-end, and our average interest rate on borrowings was 1.03%, compared with 1.09% at the previous period end.

To secure a stable financial base, in addition to its existing commitment line agreements (with a period of one year and borrowing limit of ¥40 billion), NMF established a new, three-year commitment line with a borrowing limit of ¥10 billion.

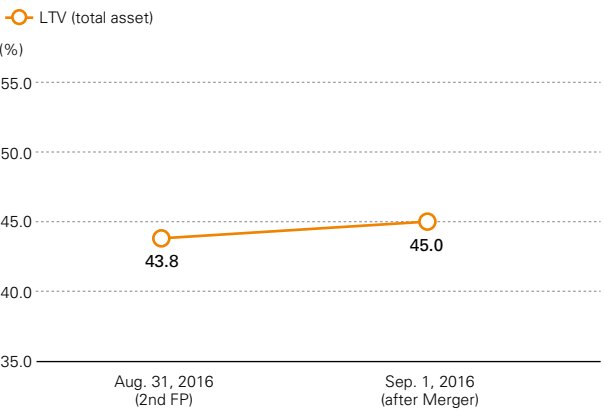
As a result, the balance of interest-bearing liabilities at the end of the fiscal period under review was ¥409,771 million, and the ratio of interest-bearing liabilities to total assets (LTV) was 43.8%.

The borrowings we took over from TOP REIT had short periods remaining until maturity and low interest rates. As such, following the merger, we expect our average remaining duration until maturity of borrowings to fall to 4.06 years, and the average interest rate to fall to 0.96%. Also, LTV is expected to rise to 45.0%. Our policy is to control LTV at between 40% and 50% while considering our capacity for additional property acquisitions, but we are aiming to bring it down somewhat from its current level in the medium term.

Change in average remaining duration and average interest rate



Change in LTV



Fiscal Management

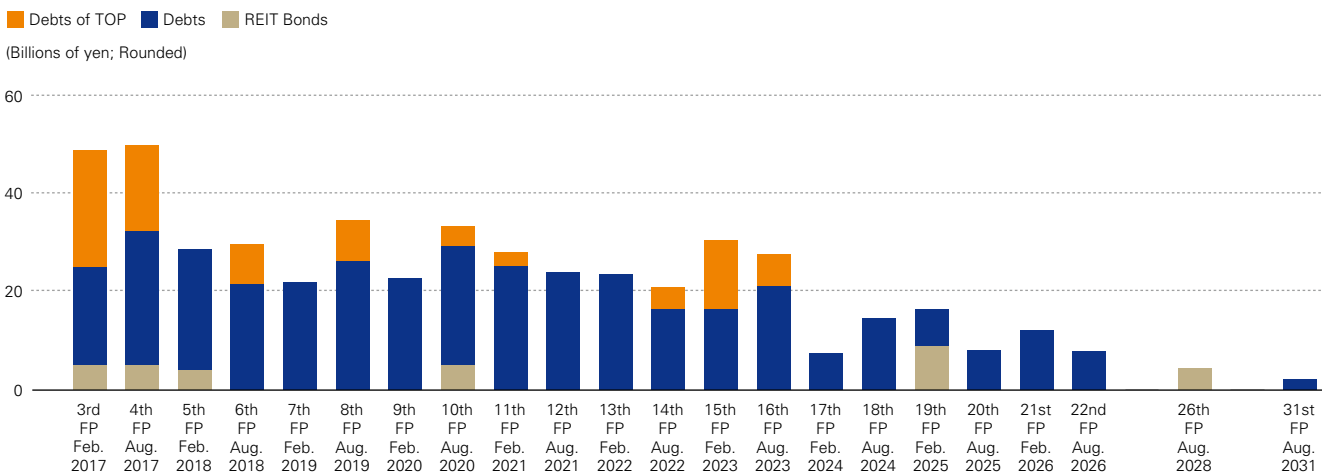
Financing

Financial Institution	Billions of Yen	Share
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	62.7	16.6%
Sumitomo Mitsui Banking Corporation	61.2	16.2%
Mitsubishi UFJ Trust and Banking Corporation	38.6	10.2%
Mizuho Bank, Ltd.	33.5	8.9%
Sumitomo Mitsui Trust Bank, Limited	31.6	8.4%
Development Bank of Japan Inc.	31.3	8.3%
Mizuho Trust & Banking Co., Ltd.	13.8	3.7%
The Norinchukin Bank	13.4	3.6%
Resona Bank, Ltd.	8.9	2.4%
The Nomura Trust and Banking Co., Ltd.	8.2	2.2%
The Bank of Fukuoka	8.0	2.1%
Taiyo Life Insurance Company	6.5	1.7%
The Dai-ichi Life Insurance Company, Limited	6.3	1.7%
Sumitomo Life Insurance Company	5.5	1.5%
Shinkin Central Bank	5.2	1.4%
The Iyo Bank, Ltd.	5.0	1.3%
Nippon Life Insurance Company	5.0	1.3%

Financial Institution	Billions of Yen	Share
The Chugoku Bank, Limited	4.5	1.2%
Mitsui Sumitomo Insurance Company, Limited	3.7	1.0%
The Nishi-Nippon City Bank, Ltd.	3.1	0.8%
Daido Life Insurance Company	3.1	0.8%
Aozora Bank, Ltd.	2.5	0.7%
The Hachijuni Bank, Ltd.	2.5	0.7%
The Chiba Bank, Ltd.	2.5	0.7%
The Hyakujushi Bank, Ltd.	2.0	0.5%
The 77 Bank, Ltd.	2.0	0.5%
The Keiyo Bank, Ltd.	1.7	0.5%
The Hiroshima Bank, Ltd.	1.0	0.3%
Mitsui Life Insurance Company Limited	1.0	0.3%
Sompo Japan Nipponkoa Insurance Inc.	1.0	0.3%
The Tokyo Tomin Bank, Limited.	1.0	0.3%
The Bank of Yokohama, Ltd.	0.5	0.1%
Corporate bonds	32.5	
Total	409.7	

Diversification of Repayment Dates

Diversification of Repayment Dates



Commitment Lines

	Commitment Line 1	Commitment Line 2
Loan Limit (commitment period)	40 (one year)	10 (three years)
Participating Financial Institutions	Tokyo-Mitsubishi UFJ, Sumitomo Mitsui, Mizuho, Mitsubishi UFJ Trust, Sumitomo Mitsui Trust	Tokyo-Mitsubishi UFJ, Sumitomo Mitsui

Credit Ratings

Rating Agency	LT Issuer Rating	Outlook
JCR	AA	Stable
R&I	A+	Stable
S&P	A	Stable

Portfolio Table (As of the end of the 2nd Fiscal Period)

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Office Buildings			
Of-T-001	Shinjuku Nomura Building	Shinjuku, Tokyo	43,900
Of-T-002	NRE Tennozu Building	Shinagawa, Tokyo	20,500
Of-T-003	Kojimachi Millennium Garden	Chiyoda, Tokyo	26,700
Of-T-004	NOF Nihonbashi Honcho Building	Chuo, Tokyo	10,914
Of-T-005	Tennozu Park Side Building	Shinagawa, Tokyo	12,700
Of-T-006	NOF Shinjuku Minamiguchi Building	Shibuya, Tokyo	10,000
Of-T-007	NOF Shibuya Koen-dori Building	Shibuya, Tokyo	10,400
Of-T-008	Secom Medical Building	Chiyoda, Tokyo	11,100
Of-T-009	NOF Shiba Building	Minato, Tokyo	7,040
Of-T-010	Nishi-Shinjuku Showa Building	Shinjuku, Tokyo	8,140
Of-T-011	NRE Shibuya Dogenzaka Building	Shibuya, Tokyo	5,310
Of-T-013	Iwamoto-cho Toyo Building	Chiyoda, Tokyo	4,050
Of-T-015	NOF Surugadai Plaza Building	Chiyoda, Tokyo	4,690
Of-T-016	PMO Nihonbashi Honcho	Chuo, Tokyo	4,320
Of-T-017	PMO Nihonbashi Kayabacho	Chuo, Tokyo	5,010
Of-T-018	Otemachi Tatemono Gotanda Building	Shinagawa, Tokyo	4,430
Of-T-019	NRE Higashi-nihonbashi Building	Chuo, Tokyo	3,570
Of-T-020	PMO Akihabara	Chiyoda, Tokyo	4,240
Of-T-021	Hatchobori NF Building	Chuo, Tokyo	2,480
Of-T-022	NOF Kanda Iwamoto-cho Building	Chiyoda, Tokyo	4,160
Of-T-023	NOF Takanawa Building	Shinagawa, Tokyo	2,830
Of-T-024	PMO Hatchobori	Chuo, Tokyo	2,880
Of-T-026	PMO Nihonbashi Odenmache	Chuo, Tokyo	2,210
Of-T-028	PMO Higashi-nihonbashi	Chuo, Tokyo	1,690
Of-T-029	NRE Ueno Building	Taito, Tokyo	6,470
Of-T-030	NOF Technoport Kamata Center Building	Ota, Tokyo	4,780
Of-T-031	NF Hongo Building.	Bunkyo, Tokyo	4,890
Of-T-034	Crystal Park Building	Musashino, Tokyo	3,390
Of-T-035	NOF Kichijoji Honcho Building	Musashino, Tokyo	1,780
Of-T-036	Faret Tachikawa Center Square	Tachikawa, Tokyo	3,850
Of-T-037	NOF Kawasaki Higashiguchi Building	Kawasaki, Kanagawa	7,830
Of-T-038	NOF Yokohama Nishiguchi Building	Yokohama, Kanagawa	5,460
Of-T-039	NOF Shin-Yokohama Building	Yokohama, Kanagawa	2,620
Of-T-041	PMO Tamachi	Minato, Tokyo	6,210
Of-T-042	PMO Ginza Hatchome	Chuo, Tokyo	3,970
Of-T-043	PMO Shibakoen	Minato, Tokyo	3,900
Of-S-001	Sapporo North Plaza	Sapporo, Hokkaido	6,250
Of-S-002	NRE Sapporo Building	Sapporo, Hokkaido	4,140
Of-S-004	NOF Sendai Aoba-dori Building	Sendai, Sendai	2,030
Of-S-005	NOF Utsunomiya Building	Utsunomiya, Tochigi	2,320
Of-S-006	NOF Nagoya Fushimi Building	Nagoya, Aichi	2,240
Of-S-007	NOF Nagoya Yanagibashi Building	Nagoya, Aichi	2,280
Of-S-008	Omron Kyoto Center Building	Kyoto, Kyoto	18,300
Of-S-009	SORA Shin-Osaka 21	Osaka, Osaka	12,100
Of-S-010	NRE Osaka Building	Osaka, Osaka	6,100
Of-S-011	NRE Nishi-Umeda Building	Osaka, Osaka	3,450
Of-S-012	NRE Yotsubashi Building	Osaka, Osaka	4,000
Of-S-013	NRE Hiroshima Building	Hiroshima, Hiroshima	2,280
Of-S-014	NOF Hakata Ekimae Building	Fukuoka, Fukuoka	4,210
Of-S-015	NOF Tenjin-Minami Building	Fukuoka, Fukuoka	2,230
Subtotal (50 properties)			340,344
Retail Facilities			
Rt-T-001	Morisia Tsudanuma	Narashino, Chiba	16,600
Rt-T-002	Yokosuka More's	Yokosuka, Kanagawa	13,640
Rt-T-003	Recipe SHIMOKITA	Setagaya, Tokyo	10,407
Rt-T-004	Kawasaki More's	Kawasaki, Kanagawa	6,080
Rt-T-005	EQUINIA Shinjuku	Shinjuku, Tokyo	4,260
Rt-T-006	EQUINIA Ikebukuro	Toshima, Tokyo	3,990
Rt-T-007	covirna machida	Machida, Tokyo	3,440
Rt-T-008	Nitori Makuhari	Chiba, Chiba	3,080
Rt-T-009	Konami Sports Club Fuchu	Fuchu, Tokyo	2,730
Rt-T-010	FESTA SQUARE	Saitama, Saitama	2,600
Rt-T-011	GEMS Shibuya	Shibuya, Tokyo	2,490
Rt-T-012	Sundai Azamino	Yokohama, Kanagawa	1,700
Rt-T-013	EQUINIA Aobadai	Yokohama, Kanagawa	1,560
Rt-T-014	Megalos Kanagawa	Yokohama, Kanagawa	1,000

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rt-T-015	Mitsubishi Motors Meguro	Meguro, Tokyo	2,740
Rt-T-016	Mitsubishi Motors Chofu	Chofu, Tokyo	1,760
Rt-T-017	Mitsubishi Motors Shibuya	Shibuya, Tokyo	1,570
Rt-T-018	Mitsubishi Motors Nerima	Nerima, Tokyo	1,240
Rt-T-019	Mitsubishi Motors Kawasaki	Kawasaki, Kanagawa	950
Rt-T-020	Mitsubishi Motors Takaido	Suginami, Tokyo	850
Rt-T-021	Mitsubishi Motors Katsushika	Katsushika, Tokyo	800
Rt-T-022	Mitsubishi Motors Higashikurume	Higashikurume, Tokyo	800
Rt-T-023	Mitsubishi Motors Setagaya	Setagaya, Tokyo	770
Rt-T-024	Mitsubishi Motors Suginami	Suginami, Tokyo	740
Rt-T-025	Mitsubishi Motors Sekimachi	Nerima, Tokyo	600
Rt-T-026	Mitsubishi Motors Higashiyamato	Higashiyamato, Tokyo	450
Rt-T-027	Mitsubishi Motors Motosumiyoshi	Kawasaki, Kanagawa	370
Rt-T-028	Mitsubishi Motors Kawagoe	Kawagoe, Saitama	350
Rt-T-029	Mitsubishi Motors Edogawa	Edogawa, Tokyo	200
Rt-T-030	Mitsubishi Motors Sayama	Sayama, Saitama	160
Rt-T-031	NRE Kichijoji Building	Musashino, Tokyo	5,310
Rt-T-032	GEMS Ichigaya	Chiyoda, Tokyo	2,080
Rt-S-001	Universal CityWalk Osaka	Osaka, Osaka	15,500
Rt-S-002	Izumiya Senrioka	Suita, Osaka	8,930
Rt-S-003	Merad Owada	Osaka, Osaka	6,640
Rt-S-004	Izumiya Yao	Yao, Osaka	4,406
Rt-S-005	Izumiya Obayashi	Takarazuka, Hyogo	3,020
Rt-S-006	Ichibancho stear	Sendai, Miyagi	4,700
Rt-S-007	EQUINIA Aobadori	Sendai, Miyagi	1,640
Subtotal (39 properties)			140,153
Logistics Facilities			
Lg-T-001	Landport Urayasu	Urayasu, Chiba	17,400
Lg-T-002	Landport Itabashi	Itabashi, Tokyo	15,710
Lg-T-003	Landport Kawagoe	Kawagoe, Saitama	13,700
Lg-T-004	Landport Atsugi	Atsugi, Kanagawa	11,410
Lg-T-005	Sagamihara Tana Logistics Center	Sagamihara, Kanagawa	10,600
Lg-T-006	Sagamihara Onodai Logistics Center	Sagamihara, Kanagawa	8,700
Lg-T-007	Landport Hachioji	Hachioji, Tokyo	8,250
Lg-T-008	Landport Kasukabe	Kasukabe, Saitama	7,340
Lg-T-009	Funabashi Logistics Center	Funabashi, Chiba	4,660
Lg-T-010	Atsugi Minami Logistics Center B Tower	Atsugi, Kanagawa	4,590
Lg-T-011	Hanyu Logistics Center	Hanyu, Saitama	3,810
Lg-T-012	Kawaguchi Logistics Center B Tower	Kawaguchi, Saitama	3,750
Lg-T-013	Kawaguchi Logistics Center A Tower	Kawaguchi, Saitama	2,830
Lg-T-014	Atsugi Minami Logistics Center A Tower	Atsugi, Kanagawa	2,690
Lg-T-015	Kawaguchi Ryoke Logistics Center	Kawaguchi, Saitama	10,790
Lg-S-001	Ota Nitta Logistics Center	Ota, Gunma	3,430
Lg-S-002	Ota Higashishinmachi Logistics Center	Ota, Gunma	2,170
Lg-S-003	Ota Kiyohara Logistics Center	Ota, Gunma	650
Lg-S-004	Chiyodamachi Logistics Center	Oura, Gunma	330
Lg-S-005	Hirakata Kuzuha Logistics Center	Hirakata, Osaka	3,460
Subtotal (20 properties)			136,270
Residential Facilities			
Rs-T-001	PROUD FLAT Shirokane Takanawa	Minato, Tokyo	3,400
Rs-T-002	PROUD FLAT Yoyogi Uehara	Shibuya, Tokyo	989
Rs-T-003	PROUD FLAT Hatsudai	Shibuya, Tokyo	713
Rs-T-004	PROUD FLAT Shibuya Sakuragaoka	Shibuya, Tokyo	750
Rs-T-005	PROUD FLAT Gakugei Daigaku	Meguro, Tokyo	746
Rs-T-006	PROUD FLAT Meguro Gyoninzaka	Meguro, Tokyo	939
Rs-T-007	PROUD FLAT Sumida Riverside	Chuo, Tokyo	2,280
Rs-T-008	PROUD FLAT Kagurazaka	Shinjuku, Tokyo	1,590
Rs-T-009	PROUD FLAT Waseda	Shinjuku, Tokyo	1,110
Rs-T-010	PROUD FLAT Shinjuku Kawadacho	Shinjuku, Tokyo	947
Rs-T-011	PROUD FLAT Sangen Jaya	Setagaya, Tokyo	1,190
Rs-T-012	PROUD FLAT Kamata	Ota, Tokyo	1,160
Rs-T-013	PROUD FLAT Kamata II	Ota, Tokyo	3,320
Rs-T-014	PROUD FLAT Shinotsuka	Toshima, Tokyo	623
Rs-T-015	PROUD FLAT Kiyosumi Shirakawa	Koto, Tokyo	928
Rs-T-016	PROUD FLAT Monzen Nakacho II	Koto, Tokyo	652
Rs-T-017	PROUD FLAT Monzen Nakacho I	Koto, Tokyo	1,030

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rs-T-018	PROUD FLAT Fujimidai	Nerima, Tokyo	1,470
Rs-T-019	PROUD FLAT Asakusa	Taito, Tokyo	1,920
Rs-T-020	PROUD FLAT Yokohama	Yokohama, Kanagawa	2,090
Rs-T-021	PROUD FLAT Kamioooka	Yokohama, Kanagawa	2,710
Rs-T-022	PROUD FLAT Tsurumi II	Yokohama, Kanagawa	1,650
Rs-T-023	PRIME URBAN Azabu Juban	Minato, Tokyo	1,100
Rs-T-024	PRIME URBAN Akasaka	Minato, Tokyo	938
Rs-T-025	PRIME URBAN Tamachi	Minato, Tokyo	972
Rs-T-026	PRIME URBAN Shibaura	Minato, Tokyo	1,830
Rs-T-028	PRIME URBAN Yoyogi	Shibuya, Tokyo	359
Rs-T-029	PRIME URBAN Ebisu II	Shibuya, Tokyo	1,140
Rs-T-030	PRIME URBAN Bancho	Chiyoda, Tokyo	1,090
Rs-T-031	PRIME URBAN Chiyoda Fujimi	Chiyoda, Tokyo	679
Rs-T-032	PRIME URBAN Iidabashi	Chiyoda, Tokyo	2,040
Rs-T-033	PRIME URBAN Ebisu	Meguro, Tokyo	1,260
Rs-T-034	PRIME URBAN Naka Meguro	Meguro, Tokyo	1,410
Rs-T-035	PRIME URBAN Gakugei Daigaku	Meguro, Tokyo	775
Rs-T-036	PRIME URBAN Senzoku	Meguro, Tokyo	474
Rs-T-037	PRIME URBAN Meguro Riverside	Meguro, Tokyo	414
Rs-T-038	PRIME URBAN Meguro Ohashi Hills	Meguro, Tokyo	2,970
Rs-T-039	PRIME URBAN Meguro Aobadai	Meguro, Tokyo	1,310
Rs-T-040	PRIME URBAN Gakugei Daigaku II	Meguro, Tokyo	1,080
Rs-T-041	PRIME URBAN Naka Meguro II	Meguro, Tokyo	2,850
Rs-T-042	PRIME URBAN Kachidoki	Chuo, Tokyo	2,570
Rs-T-043	PRIME URBAN Shinkawa	Chuo, Tokyo	2,100
Rs-T-044	PRIME URBAN Nihonbashi Yokoyamacho	Chuo, Tokyo	4,220
Rs-T-045	PRIME URBAN Nihonbashi Hamacho	Chuo, Tokyo	1,550
Rs-T-046	PRIME URBAN Hongo Ikizaka	Bunkyo, Tokyo	557
Rs-T-047	PRIME URBAN Hakusan	Bunkyo, Tokyo	866
Rs-T-048	PRIME URBAN Yotsuya Gaien Higashi	Shinjuku, Tokyo	1,490
Rs-T-050	PRIME URBAN Nishi Shinjuku I	Shinjuku, Tokyo	1,090
Rs-T-051	PRIME URBAN Nishi Shinjuku II	Shinjuku, Tokyo	885
Rs-T-052	PRIME URBAN Shinjuku Naitomachi	Shinjuku, Tokyo	430
Rs-T-053	PRIME URBAN Nishi Waseda	Shinjuku, Tokyo	421
Rs-T-054	PRIME URBAN Shinjuku Ochiai	Shinjuku, Tokyo	594
Rs-T-055	PRIME URBAN Mejiro	Shinjuku, Tokyo	1,430
Rs-T-056	PRIME URBAN Kagurazaka	Shinjuku, Tokyo	2,900
Rs-T-057	PRIME URBAN Sangen Jaya III	Setagaya, Tokyo	718
Rs-T-058	PRIME URBAN Chitose Karasuyama	Setagaya, Tokyo	717
Rs-T-060	PRIME URBAN Sangen Jaya	Setagaya, Tokyo	724
Rs-T-061	PRIME URBAN Minami Karasuyama	Setagaya, Tokyo	667
Rs-T-062	PRIME URBAN Karasuyama Galleria	Setagaya, Tokyo	549
Rs-T-063	PRIME URBAN Karasuyama Court	Setagaya, Tokyo	338
Rs-T-065	PRIME URBAN Chitose Funabashi	Setagaya, Tokyo	746
Rs-T-066	PRIME URBAN Yoga	Setagaya, Tokyo	1,390
Rs-T-067	PRIME URBAN Shinagawa Nishi	Shinagawa, Tokyo	494
Rs-T-068	PRIME URBAN Osaki	Shinagawa, Tokyo	1,860
Rs-T-069	PRIME URBAN Oimachi II	Shinagawa, Tokyo	1,040
Rs-T-070	PRIME URBAN Yukigaya	Ota, Tokyo	951
Rs-T-071	PRIME URBAN Omori	Ota, Tokyo	905
Rs-T-072	PRIME URBAN Denenchofu Minami	Ota, Tokyo	774
Rs-T-073	PRIME URBAN Nagahara Kamiikedai	Ota, Tokyo	1,720
Rs-T-075	PRIME URBAN Nakano Kamitakada	Nakano, Tokyo	498
Rs-T-076	PRIME URBAN Takaido	Suginami, Tokyo	1,060
Rs-T-077	PRIME URBAN Nishi Ogikubo	Suginami, Tokyo	414
Rs-T-078	PRIME URBAN Nishi Ogikubo II	Suginami, Tokyo	1,790
Rs-T-079	PRIME URBAN Otsuka	Toshima, Tokyo	730
Rs-T-080	PRIME URBAN Komagome	Toshima, Tokyo	437
Rs-T-081	PRIME URBAN Ikebukuro	Toshima, Tokyo	3,800
Rs-T-082	PRIME URBAN Monzen Nakacho	Koto, Tokyo	2,420
Rs-T-083	PRIME URBAN Kameido	Koto, Tokyo	779
Rs-T-084	PRIME URBAN Sumiyoshi	Koto, Tokyo	632
Rs-T-085	PRIME URBAN Mukojima	Sumida, Tokyo	528
Rs-T-086	PRIME URBAN Kinshi Koen	Sumida, Tokyo	1,290
Rs-T-087	PRIME URBAN Kinshicho	Sumida, Tokyo	758
Rs-T-088	PRIME URBAN Hirai	Edogawa, Tokyo	722
Rs-T-089	PRIME URBAN Kasai	Edogawa, Tokyo	640
Rs-T-090	PRIME URBAN Kasai II	Edogawa, Tokyo	981

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rs-T-091	PRIME URBAN Kasai East	Edogawa, Tokyo	1,140
Rs-T-093	PRIME URBAN Itabashi Kuyakushomae	Itabashi, Tokyo	1,080
Rs-T-094	PRIME URBAN Asakusa	Taito, Tokyo	384
Rs-T-095	PRIME URBAN Machiya South Court	Arakawa, Tokyo	1,910
Rs-T-096	PRIME URBAN Musashi Koganei	Koganei, Tokyo	1,910
Rs-T-097	PRIME URBAN Musashino Hills	Koganei, Tokyo	1,280
Rs-T-098	PRIME URBAN Koganei Honcho	Koganei, Tokyo	791
Rs-T-099	PRIME URBAN Kumegawa	Higashimurayama, Tokyo	1,520
Rs-T-100	PRIME URBAN Musashi Kosugi comodo	Kawasaki, Kanagawa	1,940
Rs-T-101	PRIME URBAN Kawasaki	Kawasaki, Kanagawa	962
Rs-T-102	PRIME URBAN Shinyurigaoka	Kawasaki, Kanagawa	1,020
Rs-T-103	PRIME URBAN Tsurumi Teraya	Yokohama, Kanagawa	493
Rs-T-105	PRIME URBAN Urayasu	Urayasu, Chiba	804
Rs-T-106	PRIME URBAN Gyotoku I	Ichikawa, Chiba	633
Rs-T-107	PRIME URBAN Gyotoku II	Ichikawa, Chiba	730
Rs-T-108	PRIME URBAN Gyotoku Ekimae	Ichikawa, Chiba	488
Rs-T-109	PRIME URBAN Gyotoku Ekimae II	Ichikawa, Chiba	469
Rs-T-110	PRIME URBAN Gyotoku III	Ichikawa, Chiba	747
Rs-T-111	PRIME URBAN Nishi Funabashi	Funabashi, Chiba	761
Rs-T-112	PRIME URBAN Kawaguchi	Kawaguchi, Saitama	1,580
Rs-T-113	PROUD FLAT Hatchobori	Chuo, Tokyo	920
Rs-T-114	PROUD FLAT Itabashi Honcho	Itabashi, Tokyo	720
Rs-T-115	PRIME URBAN Meguro Mita	Meguro, Tokyo	1,058
Rs-S-001	PROUD FLAT Itsutsubashi	Sendai, Miyagi	652
Rs-S-002	PROUD FLAT Kawaramachi	Sendai, Miyagi	735
Rs-S-003	PROUD FLAT Shin Osaka	Osaka, Osaka	1,620
Rs-S-005	PRIME URBAN Kita Juyo Jo	Sapporo, Hokkaido	274
Rs-S-006	PRIME URBAN Odori Koen I	Sapporo, Hokkaido	502
Rs-S-007	PRIME URBAN Odori Koen II	Sapporo, Hokkaido	334
Rs-S-008	PRIME URBAN Kita Juichi Jo	Sapporo, Hokkaido	547
Rs-S-009	PRIME URBAN Miyanosawa	Sapporo, Hokkaido	475
Rs-S-010	PRIME URBAN Odori Higashi	Sapporo, Hokkaido	394
Rs-S-011	PRIME URBAN Chiji Kokan	Sapporo, Hokkaido	249
Rs-S-012	PRIME URBAN Maruyama	Sapporo, Hokkaido	229
Rs-S-013	PRIME URBAN Kita Nijuyo Jo	Sapporo, Hokkaido	437
Rs-S-014	PRIME URBAN Sapporo Idaimae	Sapporo, Hokkaido	616
Rs-S-015	PRIME URBAN Sapporo Riverfront	Sapporo, Hokkaido	4,480
Rs-S-016	PRIME URBAN Kita Sanjo Dori	Sapporo, Hokkaido	1,730
Rs-S-017	PRIME URBAN Nagamachi Icchome	Sendai, Miyagi	1,140
Rs-S-018	PRIME URBAN Yaotome Chuo	Sendai, Miyagi	466
Rs-S-019	PRIME URBAN Tsutsumidori Amamiya	Sendai, Miyagi	949
Rs-S-020	PRIME URBAN Aoi	Nagoya, Aichi	712
Rs-S-021	PRIME URBAN Kanayama	Nagoya, Aichi	553
Rs-S-022	PRIME URBAN Tsurumai	Nagoya, Aichi	1,020
Rs-S-023	PRIME URBAN Kamimaezu	Nagoya, Aichi	1,590
Rs-S-024	PRIME URBAN Izumi	Nagoya, Aichi	3,770
Rs-S-025	PRIME URBAN Esaka I	Suita, Osaka	652
Rs-S-026	PRIME URBAN Esaka II	Suita, Osaka	794
Rs-S-027	PRIME URBAN Esaka III	Suita, Osaka	1,190
Rs-S-028	PRIME URBAN Tamatsukuri	Osaka, Osaka	1,020
Rs-S-029	PRIME URBAN Sakaisuji Honmachi	Osaka, Osaka	1,810
Rs-S-030	PRIME URBAN Hakata	Fukuoka, Fukuoka	588
Rs-S-031	PRIME URBAN Yakuin Minami	Fukuoka, Fukuoka	265
Rs-S-032	PRIME URBAN Kashii	Fukuoka, Fukuoka	398
Rs-S-033	PRIME URBAN Hakata Higashi	Fukuoka, Fukuoka	622
Rs-S-034	PRIME URBAN Chihaya	Fukuoka, Fukuoka	604
Rs-S-035	PRIME URBAN Chikusa	Nagoya, Aichi	1,110
Subtotal (142 properties)			162,940
Ot-T-001	Ryotokuji University Shin-Urayasu Campus (Land)	Urayasu, Chiba	4,900
Subtotal (1 properties)			4,900
Total (252 properties)			784,600

Portfolio Gallery

NMF Office Portfolio

NMF's investment in office facilities centers on properties developed by Nomura Real Estate Development, including the Premium Midsize Office (PMO) brand, with a focus on state-of-the-art features to meet ever-changing tenant needs.

Total Office Portfolio	Total Acquisition Value for Portfolio
50 properties	¥340,344 million



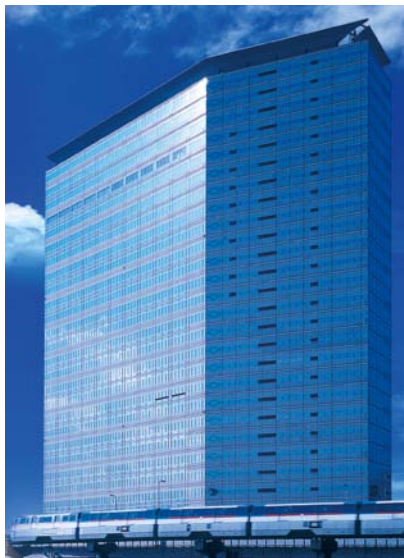
Shinjuku Nomura Building

Acquisition Price: ¥43,900 million
Nearest Station: Shinjuku Station
Completion: May 1978



Kojimachi Millennium Garden

Acquisition Price: ¥26,700 million
Nearest Station: Yotsuya Station
Completion: May 2000



NRE Tennozu Building

Acquisition Price: ¥20,500 million
Nearest Station: Tennozu Isle Station
Completion: June 1996



PMO Ginza Hatchome



PMO Tamachi



PMO Shibakoen



Secom Medical Building



Tennozu Park Side Building



Omron Kyoto Center Building



SORA Shin-Osaka 21



NOF Shibuya
Koen-dori Building

NMF Retail Portfolio

NMF invests primarily in urban retail facilities that offer rich variety and enliven their surroundings, mainly through the GEMS brand developed by Nomura Real Estate Development.

Total Retail Portfolio	Total Acquisition Value for Portfolio
39 properties	¥140,153 million



NRE Kichijoji Building

Acquisition Price: ¥5,310 million
Nearest Station: Kichijoji Station
Completion: July 2014



GEMS Ichigaya

Acquisition Price: ¥2,080 million
Nearest Station: Ichigaya Station
Completion: October 2014



GEMS Shibuya

Acquisition Price: ¥2,490 million
Nearest Station: Shibuya Station
Completion: September 2012



Universal CityWalk Osaka



Morisia Tsudanuma



Yokosuka More's City



Kawasaki More's



Recipe SHIMOKITA



EQUINA Ikebukuro



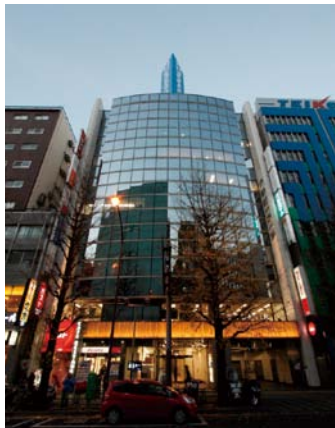
Ichibancho stear



Izumiya Senrioka



Izumiya Yao



EQUINA Shinjuku

Portfolio Gallery

NMF Logistics Portfolio

Centered on the Landport brand, NMF invests in logistics facilities with advanced functionality to meet the evolving needs of diverse tenants with an emphasis on optimization and efficiency.

Total Logistics Portfolio

20 properties

Total Acquisition Value for Portfolio

¥136,270 million



Landport Itabashi

Acquisition Price: ¥15,710 million
Nearest Station: Nishidai Station
Completion: January 2008



Landport Urayasu

Acquisition Price: ¥17,400 million
Nearest Station: Maihama Station
Completion: May 2008



Landport Kawagoe

Acquisition Price: ¥13,700 million
Nearest Station: Minami-Otsuka Station
Completion: May 2009



Hirakata Kazuha Logistics Center



Sagamihara Onodai Logistics Center



Kawaguchi Ryoke Logistics Center



Sagamihara Tana Logistics Center



Landport Kasukabe



Landport Atsugi



Landport Hachioji

NMF Residential Portfolio

NMF invests in high-quality residential facilities in excellent urban locations, chiefly the PROUD FLAT and PRIME URBAN series developed by Nomura Real Estate Development.

Total Residential Portfolio

142 properties

Total Acquisition Value for Portfolio

¥162,940 million



PROUD FLAT Shirokane Takanawa

Acquisition Price: ¥3,400 million
Nearest Station: Shirokane Takanawa Station
Completion: July 2008



PRIME URBAN Meguro Ohashi Hills

Acquisition Price: ¥2,970 million
Nearest Station: Ikejiri Ohashi Station
Completion: February 2008



PRIME URBAN Sapporo Riverfront

Acquisition Price: ¥4,480 million
Nearest Station: Nakajima Koen Station
Completion: January 2008



PRIME URBAN Nihonbashi Yokoyamacho



PRIME URBAN Ikebukuro



PROUD FLAT Kamata II



PROUD FLAT Hatchobori



PRIME URBAN Chikusa



PROUD FLAT Sumida Riverside



PRIME URBAN Naka Meguro II



PROUD FLAT Kamioooka



PRIME URBAN Meguro Mita



PROUD FLAT Itabashi Honcho

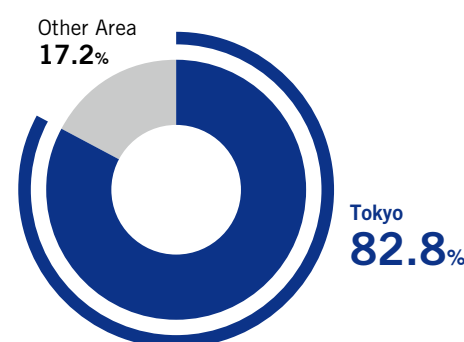
Portfolio Diversification

Diversification is critical for stability of a J-REIT and NMF achieved diversification through the factors illustrated below.

(As of September 1, 2016; after the merger with Top REIT, Inc.)

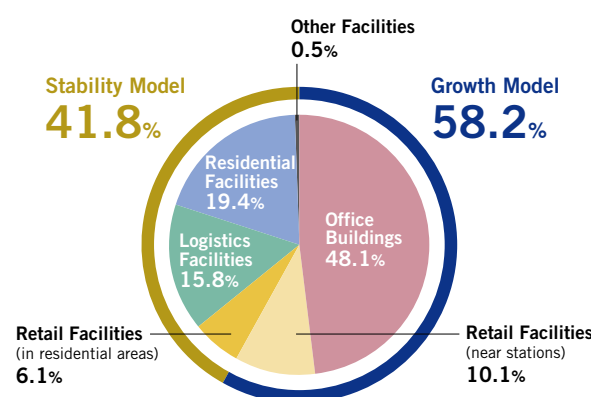
Diversification by Area

Property quantity is also spread among various geographical areas with 80% or more of the properties in the Tokyo area and about 20% in three major metropolitan areas and government designated cities.



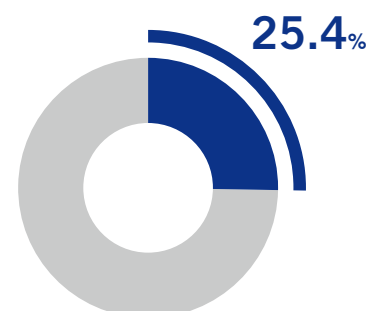
Diversification by Use

The portfolio is also divided by use to provide further stability.



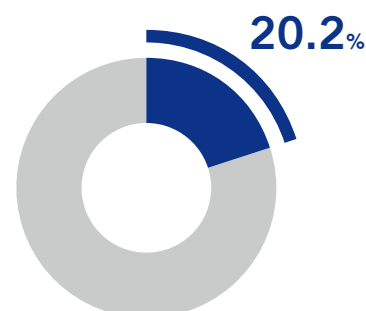
Diversification by Property

Ratio of Portfolio Comprised of Top Ten Properties



Diversification by Tenant

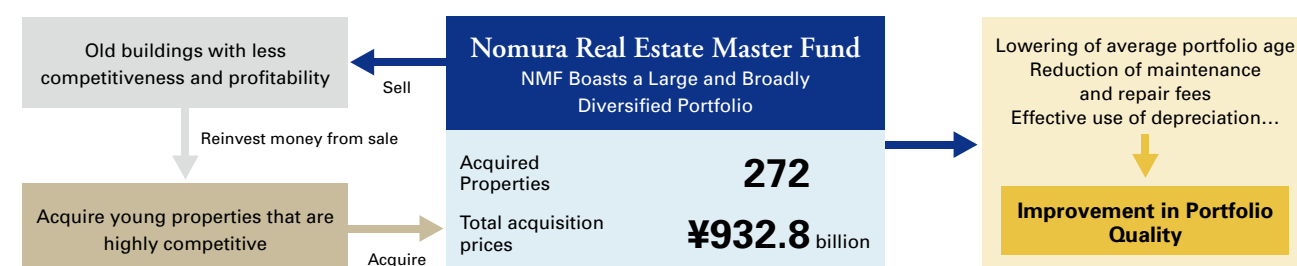
Ratio of Portfolio Comprised of Top Ten Tenants



Strategic Property Replacement

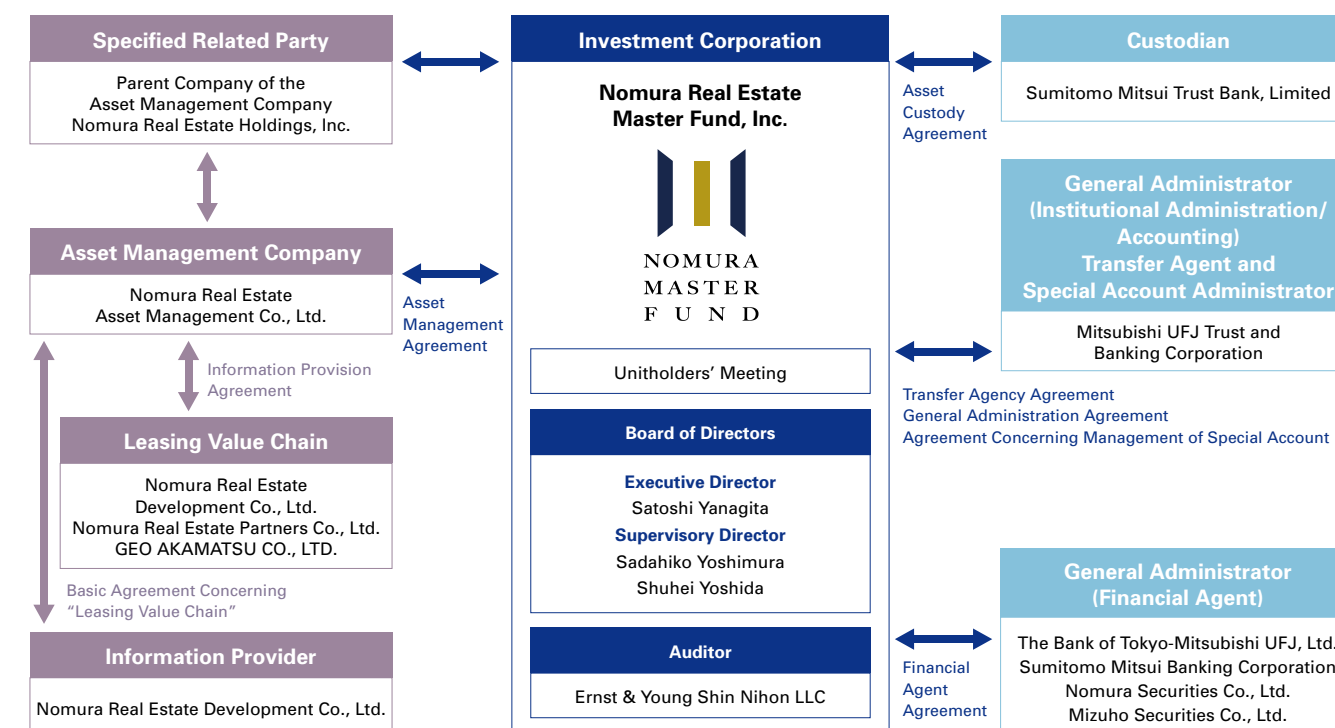
NMF's Strategic Property Replacement (SPR) calls for selling old and less competitive properties and acquiring newer and more competitive properties, and for effective utilization of depreciation.

What is Strategic Property Replacement?

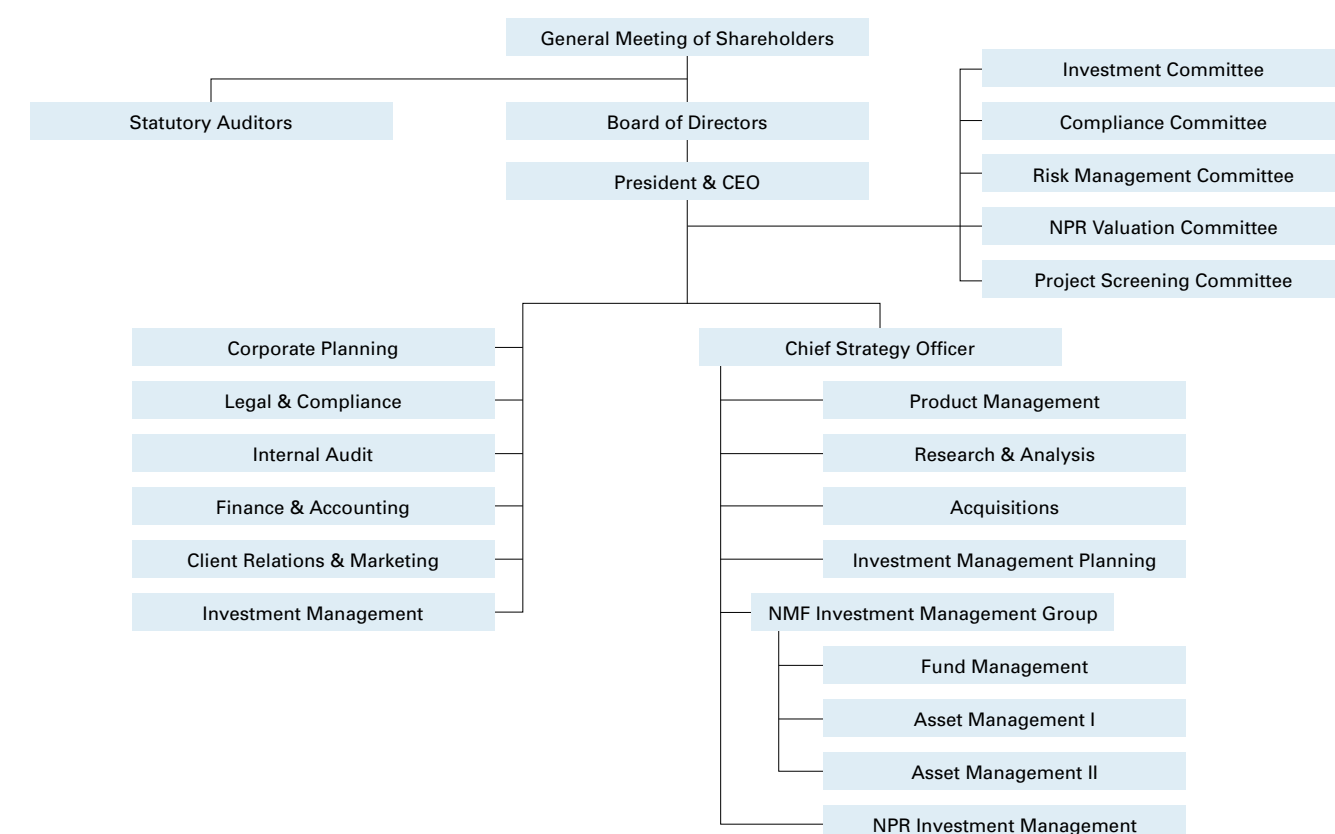


Structure and Organization

Structure of NMF



Organization of NREAM



Balance Sheet

	Thousands of Yen	
	As of August 31, 2016	As of February 29, 2016
ASSETS		
Current Assets:		
Cash and bank deposits	¥75,270,568	¥58,325,160
Rental receivables	592,582	436,677
Income taxes receivable	1,423	35
Other current assets	1,180,067	1,015,420
Allowance for doubtful accounts	(54)	(54)
Total current assets	77,044,586	59,777,238
Property and Equipment:		
Land	516,284,405	523,662,007
Buildings and structures	270,808,636	267,849,174
Machinery and equipment	698,335	569,328
Tools, furniture and fixtures	379,682	224,983
Leased assets	24,495	24,495
Construction in progress	838,601	436,021
Subtotal	789,034,154	792,766,008
Less accumulated depreciation	(15,010,664)	(10,942,164)
Net property and equipment	774,023,490	781,823,844
Investments and Other Assets:		
Goodwill	74,305,825	76,252,703
Leasehold rights	8,492,841	8,493,227
Intangible assets	32,725	25,399
Investment securities	—	91,431
Long-term prepaid expenses	1,005,942	742,792
Long-term deposits	89,386	89,386
Security deposits	946,804	977,584
Deferred investment corporation bond issuance costs	22,411	23,783
Total investments and other assets	84,895,934	86,696,305
Total Assets	¥935,964,010	¥928,297,387

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

	Thousands of Yen	
	As of August 31, 2016	As of February 29, 2016
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥2,562,468	¥2,162,601
Short-term debt	—	9,100,000
Current portion of investment corporation bonds	10,000,000	5,000,000
Current portion of long-term debt	47,805,600	50,015,600
Lease obligations	8,651	8,651
Other accounts payable	2,226,125	1,888,592
Accrued expenses	330,953	325,814
Accrued income taxes	605	994
Accrued consumption taxes	530,466	140,702
Rent received in advance	4,320,066	4,394,283
Unearned revenue	341,707	369,865
Derivative liabilities	73,218	37,854
Other current liabilities	292,886	298,548
Total current liabilities	68,492,745	73,743,504
Long-term Liabilities:		
Investment corporation bonds	22,500,000	27,500,000
Long-term debt	329,466,200	311,549,000
Lease obligations	9,721	14,047
Long-term advanced received	671,420	838,163
Security deposits from tenants	33,331,213	34,221,440
Derivative liabilities	2,181,237	2,829,741
Total long-term liabilities	388,159,791	376,952,391
Total Liabilities	456,652,536	450,695,895
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	161,120,405	161,120,405
Surplus		
Capital surplus	315,299,775	315,299,775
Allowance for temporary difference adjustments	(6,137,594)	—
Other deductions from capital surplus	(941,669)	—
Total deductions from capital surplus	(7,079,263)	—
Capital surplus, net	308,220,512	315,299,775
Retained earnings	12,225,011	4,048,907
Total surplus	320,445,523	319,348,682
Total unitholders' equity	481,565,928	480,469,087
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(2,254,454)	(2,867,595)
Valuation and translation adjustments	(2,254,454)	(2,867,595)
Total Net Assets	479,311,474	477,601,492
Total Liabilities and Net Assets	¥935,964,010	¥928,297,387

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

Statement of Income and Retained Earnings

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	¥29,532,380	¥24,312,612
Gain on sales of real estate	1,442,275	—
Gain on investments in silent partnership	1,900	1,066
	30,976,555	24,313,678
Operating Expenses:		
Real estate rental expenses	13,489,929	11,546,709
Loss on sale of real estate	329,201	—
Impairment Loss	—	79,020
Asset management fees	2,565,116	1,505,234
Asset custody fees	48,380	21,349
Administrative service fees	147,697	185,996
Merger expenses	375,501	2,590,275
Amortization of goodwill	1,946,878	1,622,398
Other operating expenses	391,184	279,520
	19,293,886	17,830,501
Operating Profit	11,682,669	6,483,177
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	309	6,064
Reversal of dividends payable	4,081	3,907
Interest on refund	—	17
Other non-operating revenues	41	97
	4,431	10,085
Non-Operating Expenses:		
Interest expense	1,714,123	1,408,455
Interest expenses on investment corporation bonds	284,082	294,326
Amortization of investment corporation bond issuance costs	1,372	1,143
Loan arrangement fees	324,256	297,926
Other offering costs associated with the issuance of investment units	—	436,525
Other non-operating expenses	6,681	4,550
	2,330,514	2,442,925
Ordinary Income	9,356,586	4,050,337
Income before Income Taxes	9,356,586	4,050,337
Income Taxes:		
Current	605	2,019
Deferred	—	40
	605	2,059
Net Income	9,355,981	4,048,278
Retained earnings brought forward	2,869,030	—
Retained earnings received by merger	—	629
Retained Earnings at End of Period	¥12,225,011	¥4,048,907

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

Statement of Changes in Net Assets

For the period from March 1, 2016 to August 31, 2016								Thousands of Yen
	Unitholders' Equity							
	Surplus							
	Capital surplus							
	Total deduction from capital surplus							
	Units	Unitholders' Capital	Capital Surplus	Allowance for temporary difference adjustment	Deduction from other capital surplus	Total deduction from capital surplus	Net capital surplus	
Balance as of March 1, 2016	3,722,010	¥161,120,405	¥315,299,775	—	—	—	¥315,299,775	
Distributions of retained earnings	—	—	—	—	—	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(¥6,137,594)	—	(¥6,137,594)	(6,137,594)	
Other distributions in excess of net earnings	—	—	—	—	(941,669)	(941,669)	(941,669)	
Net income	—	—	—	—	—	—	—	
Net changes of items other than unitholder's equity	—	—	—	—	—	—	—	
Balance as of August 31, 2016	3,722,010	¥161,120,405	¥315,299,775	(¥6,137,594)	(¥941,669)	(¥7,079,263)	¥308,220,512	

	Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus		Total unitholders' equity	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets	
	Retained earnings	Total surplus					
Balance as of March 1, 2016	¥ 4,048,907	¥319,348,682	¥480,469,087	(¥2,867,595)	(¥2,867,595)	¥477,601,492	
Distributions of retained earnings	(1,179,877)	(1,179,877)	(1,179,877)	—	—	(1,179,877)	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(6,137,594)	(6,137,594)	—	—	(6,137,594)	
Other distributions in excess of net earnings	—	(941,669)	(941,669)	—	—	(941,669)	
Net income	9,355,981	9,355,981	9,355,981	—	—	9,355,981	
Net changes of items other than unitholder's equity	—	—	—	613,141	613,141	613,141	
Balance as of August 31, 2016	¥12,225,011	¥320,445,523	¥481,565,928	(¥2,254,454)	(¥2,254,454)	¥479,311,474	

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

For the period from October 1, 2015 to February 29, 2016								Thousands of Yen
	Unitholders' Equity							
	Surplus						Total Unitholders' Equity	
	Units	Unitholders' Capital	Capital Surplus	Retained Earnings	Total Surplus			
Balance as of October 1, 2015	—	—	—	—	—	—	—	
Increase by merger	3,722,010	¥161,120,405	¥315,299,775	¥913,191	¥316,212,966		¥477,333,371	
Cash distribution paid	—	—	—	(912,562)	(912,562)		(912,562)	
Net income	—	—	—	4,048,278	4,048,278		4,048,278	
Net changes of items other than unitholder's equity	—	—	—	—	—		—	
Balance as of February 29, 2016	3,722,010	¥161,120,405	¥315,299,775	¥4,048,907	¥319,348,682		¥480,469,087	

	Thousands of Yen		
	Valuation and Translation Adjustments		Total Net Assets
	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	
Balance as of October 1, 2015	—	—	—
Increase by merger	—	—	¥477,333,371
Cash distribution paid	—	—	(912,562)
Net income	—	—	4,048,278
Net changes of items other than unitholder's equity	(2,867,595)	(2,867,595)	(2,867,595)
Balance as of February 29, 2016	(¥2,867,595)	(¥2,867,595)	¥477,601,492

Statement of Cash Flows

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	¥9,356,586	¥4,050,337
Depreciation	4,207,239	3,472,856
Impairment loss	—	79,020
Amortization of goodwill	1,946,878	1,622,398
Amortization of investment corporation bond issuance costs	1,372	1,143
Interest income	(309)	(6,064)
Interest expense	1,998,205	1,702,781
Loss on disposal of property and equipment	5,166	6,882
Increase (Decrease) in allowance for doubtful accounts	—	54
Decrease (Increase) in rental receivables	(157,025)	138,204
Decrease (Increase) in long-term prepaid expenses	(263,149)	(218,802)
Decrease (Increase) in long-term deposits	—	(180)
Increase (Decrease) in trade accounts payable	399,867	606,537
Increase (Decrease) in other accounts payable	150,153	(8,392)
Increase (Decrease) in accrued consumption taxes	389,764	(347,570)
Increase (Decrease) in accrued expenses	15,792	(524,025)
Increase (Decrease) in rent received in advance	(74,218)	86,852
Decrease in property and equipment due to sales	9,423,685	—
Decrease in property and equipment in trust due to sales	23,127,270	—
Other	(174,316)	129,783
Subtotal	50,352,960	10,791,814
Interest received	309	6,064
Interest paid	(2,187,967)	(2,077,288)
Income taxes paid	(2,382)	5,251
Net cash provided by (used in) operating activities	48,162,920	8,725,841
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(28,773,290)	(11,178,616)
Payments for purchases of leasehold rights and intangible assets	(15,064)	(11,882)
Proceeds from withdrawal of investment securities	86,592	8,754
Reimbursement of security deposits to tenants	(2,582,461)	(1,253,605)
Proceeds from security deposits from tenants	1,697,875	944,334
Payments for security deposits	—	(10,000)
Proceeds from security deposits	30,780	76
Net cash provided by (used in) investing activities	(29,555,568)	(11,500,939)
Cash Flows from Financing Activities		
Proceeds from short-term debt	6,000,000	5,000,000
Repayments of short-term debt	(15,100,000)	—
Proceeds from long-term debt	46,530,000	29,500,000
Repayment of long-term debt	(30,822,800)	(11,082,800)
Redemption of investment corporation bonds	—	(15,000,000)
Distributions to unitholders	(1,189,881)	(8,886,988)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(6,137,594)	—
Other distributions in excess of net earnings	(941,669)	—
Net cash provided by (used in) financing activities	(1,661,944)	(469,788)
Net Increase (Decrease) in Cash and Cash Equivalents	16,945,408	(3,244,886)
Cash and Cash Equivalents at Beginning of Period	58,325,160	—
Increase in Cash and Cash Equivalents Resulting from Merger	—	61,570,046
Cash and Cash Equivalents at End of Period	¥75,270,568	¥58,325,160

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

Notes to Financial Statements

1. ORGANIZATION

Nomura Real Estate Master Fund, Inc. is a real estate investment corporation formed to own and invest primarily in logistics facilities, retail facilities, offices and residential facilities. The Company is externally managed by a licensed asset management company, Nomura Real Estate Asset Management Co., Ltd. (“NREAM”). NREAM is a wholly-owned subsidiary of Nomura Real Estate Holdings, Inc. NMF was established on October 1, 2015 through the consolidation type merger of the former Nomura Real Estate Master Fund, Inc. (hereinafter the “former NMF”), Nomura Real Estate Office Fund, Inc. (hereinafter “NOF”) and Nomura Real Estate Residential Fund, Inc. (hereinafter “NRF”), and listed its investment securities (TSE code: 3462) on the Real Estate Investment Trust Section of the Tokyo Stock Exchange on October 2 the same year.

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

2. BASIS OF PRESENTATION

The Company maintains its accounting records and prepares its financial statements in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), including provisions set forth in the Investment Trust Act of Japan, the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

The Company’s fiscal period is a six-month period which ends at the end of February or August. The Company does not prepare consolidated financial statements because it has no subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with banks and short-term investments that are highly liquid, readily convertible to cash, with an insignificant risk of market value fluctuation, and with a maturity of three months or less when purchased.

Property and equipment

Property and equipment are stated at cost, which includes the purchase price and related costs for acquisition, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the fixed assets outlined below:

Buildings	3 - 70 years
Structures	2 - 45 years
Machinery and equipment	2 - 10 years
Tools, furniture and fixtures	2 - 20 years

Intangible assets

Intangible assets are amortized by the straight-line method.

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

Long-term prepaid expenses

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

Investment securities

Non-marketable securities are stated at cost determined by the moving average method.

For the silent partnership equity interest, the method of allocating the partnership’s profit/loss is based on the Company’s proportional interest.

Impairment of fixed assets

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of its fixed assets may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the aggregate estimated future cash flows. If a fixed asset is determined to be impaired, it is written down to its recoverable amount and the write-down is recorded as an impairment loss during the period in which it occurs.

Deferred investment corporation bond issuance costs

Deferred investment corporation bond issuance costs are amortized by the straight-line method over the respective terms of the bonds.

Allowance for doubtful accounts

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

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

Operating revenues consist of rental revenues including base rents and common area charges, and other operating revenues including utility charge reimbursements, parking space rental revenues and other income. Rental revenues are generally recognized on an accrual basis over the life of each lease. Utility charge reimbursements are recognized when earned and their amounts are reasonably estimated.

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥77,205 thousand for the fiscal period ended August 31, 2016.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

The Company utilizes interest rate swap contracts as derivative financial instruments only for the purpose of hedging its exposure to changes in interest rates. The Company defers recognition of gains or losses resulting from changes in the fair value of interest rate swap contracts which meet the criteria for deferral hedge accounting.

Although the deferred hedge treatment is generally applied, the Company applies special treatment to those interest rate swap contracts that meet the criteria for such special treatment. Under the special treatment, interest rate swaps are not remeasured at fair value; instead, the net amount paid or received under the interest rate swap contract is recognized and included in interest expense or income.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2016 and February 29, 2016 consist of the following:

	As of August 31, 2016	Thousands of Yen As of February 29, 2016
Cash and bank deposits	¥75,270,568	¥58,325,160
Cash and cash equivalents	¥75,270,568	¥58,325,160

Cash and cash equivalents was increased by ¥61,570,046 thousand by the merger.

Important contents of the non-cash transactions
NMF was established through the consolidation type merger of the former NMF with the consolidated investment corporations, namely NOF and NRF. The main breakdown of the assets and liabilities inherited from these three investment corporations is as follows. The increase of unitholders' capital and capital surplus are ¥161,120,405 thousand and ¥315,299,775 thousand respectively.

	For the period from March 1, 2016 to August 31, 2016	Thousands of Yen For the period from October 1, 2015 to February 29, 2016
Current assets	—	¥63,281,118
Non-current assets	—	783,332,892
Deferred assets	—	24,926
Total assets	—	¥846,638,936
Current liabilities	—	62,222,671
Long-term liabilities	—	384,957,994
Total liabilities	—	¥447,180,665

5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2016 and February 29, 2016 consist of the following:

	As of August 31, 2016		As of February 29, 2016	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥185,217,460	¥185,217,460	¥171,862,734	¥171,862,734
Buildings and structures	106,359,015		102,418,893	
Accumulated depreciation	(3,144,755)	103,214,260	(1,545,725)	100,873,168
Machinery and equipment	569,898		501,737	
Accumulated depreciation	(109,416)	460,482	(48,242)	453,495
Tools, furniture and fixtures	82,496		21,885	
Accumulated depreciation	(5,002)	77,494	(765)	21,120
Land in trust	331,066,945	331,066,945	351,799,273	351,799,273
Buildings and structures in trust	164,449,621		165,430,281	
Accumulated depreciation	(11,698,891)	152,750,730	(9,325,899)	156,104,382
Machinery and equipment in trust	128,437		67,591	
Accumulated depreciation	(7,150)	121,287	(2,382)	65,209
Tools, furniture and fixtures in trust	297,186		203,098	
Accumulated depreciation	(38,082)	259,104	(15,802)	187,296
Lease assets in trust	24,495		24,495	
Accumulated depreciation	(7,368)	17,127	(3,349)	21,146
Construction in progress	838,601	838,601	436,021	436,021
Total	¥774,023,490	¥774,023,490	¥781,823,844	¥781,823,844

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

Short-term debt and current portion of long-term debt as of August 31, 2016 and February 29, 2016 consist of the following:

	As of August 31, 2016		As of February 29, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on May 26, 2016	—	—	¥4,100,000	0.17545%
Unsecured loans from a bank due on December 27, 2016 ^(Note 2)	—	—	—	—
Unsecured loans from banks due on February 24, 2017 ^(Note 3)	—	—	5,000,000	0.67863%
Unsecured loans from banks due on February 26, 2017 ^(Note 3)	—	—	—	—
Unsecured loans from a bank due on May 26, 2016	—	—	1,000,000	0.52000%
Unsecured loans from a bank due on June 26, 2016	—	—	9,400,000	1.11700%
Unsecured loans from a bank due on August 26, 2016	—	—	3,000,000	1.10100%
Unsecured loans from a bank due on August 26, 2016	—	—	2,000,000	0.79750%
Unsecured loans from a bank due on August 26, 2016 ^(Note 3)	—	—	3,000,000	0.44545%
Unsecured loans from a bank due on November 26, 2016	¥13,000,000	0.64250%	13,000,000	0.64250%
Unsecured loans from a bank due on February 26, 2017	1,000,000	1.07450%	1,000,000	1.07450%
Unsecured loans from a bank due on February 26, 2017	2,000,000	0.88700%	2,000,000	0.88700%
Unsecured loans from a bank due on February 26, 2017	1,800,000	0.69000%	1,800,000	0.69000%
Unsecured loans from a bank due on February 26, 2017 ^(Note 4)	1,000,000	0.45182%	4,500,000	0.49545%
Unsecured loans from banks due on March 11, 2017 ^(Note 5)	4,000,000	0.35182%	—	—
Unsecured loans from a bank due on March 26, 2017	1,000,000	0.21182%	—	—
Unsecured loans from banks due on June 10, 2017	3,900,000	1.43500%	—	—
Unsecured loans from a bank due on August 26, 2017	750,000	0.44000%	—	—
Unsecured loans from banks due on August 26, 2017	5,000,000	0.21182%	—	—
Unsecured loans from banks due on August 27, 2017	9,000,000	1.12850%	—	—
Unsecured loans from banks due on August 27, 2017	3,920,000	1.08500%	—	—
Unsecured loans from a bank due on June 25, 2016 ^(Note 6)	—	—	6,750,000	1.97000%
Unsecured loans from a bank due on August 27, 2016 ^(Note 7)	—	—	1,080,000	2.10000%
Unsecured loans from a bank due on February 26, 2016 ^(Note 8)	1,350,000	2.03000%	1,400,000	2.03000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 9)	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 9)	42,800	2.21812%	42,800	2.21812%
Total	¥47,805,600		¥59,115,600	

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

Note 2: The borrowing was fully repaid on August 31, 2016 in advance to the maturity date.

Note 3: The borrowing was fully repaid on May 26, 2016 in advance to the maturity date.

Note 4: The borrowing was ¥3,500 million repaid on May 26, 2016 in advance to the maturity date.

Note 5: The borrowing was ¥1,000 million repaid on May 26, 2016 in advance to the maturity date.

Note 6: Repay ¥250 million of principal at each Repayment Date until December 25, 2009, and repay ¥6,750 million on June 25, 2016, the last repayment date.

Note 7: The amount of ¥40 million every Date of Repayment from February 27, 2010 to February 27, 2016, and the repayment of ¥1,080 million on August 27, 2016, the Final Date of Repayment.

Note 8: The amount of ¥50 million every Date of Repayment from August 26, 2010 to August 26, 2016, and ¥1,350 million on February 26, 2017, the last Date of Repayment.

Note 9: Repay ¥10.7 million of principal at each repayment date during the period between August 26, 2013, and February 26, 2025, and repay ¥497.1 million on May 26, 2025, the last repayment date.

- (1) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2016. The total unused amounts of such credit facilities were ¥10,000 million as of August 31, 2016.
- (2) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the fiscal period ended August 31, 2016. The total unused amounts of such credit facilities were ¥40,000 million as of August 31, 2016.
- (3) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with three financial institutions for the fiscal period ended February 29, 2016. The total unused amounts of such credit facilities were ¥5,000 million as of February 29, 2016.
- (4) The Company entered into ¥30,000 million credit facilities in the form of commitment lines with three financial institutions for the fiscal period ended February 29, 2016. The total unused amounts of such credit facilities were ¥30,000 million as of February 29, 2016.

7. LONG-TERM DEBT

Long-term debt as of August 31, 2016 and February 29, 2016 consist of the following:

	As of August 31, 2016		As of February 29, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on March 11, 2017	—	—	¥5,000,000	0.39545%
Unsecured loans from banks due on March 26, 2017	—	—	1,000,000	0.25545%
Unsecured loans from banks due on June 10, 2017	—	—	3,900,000	1.43500%
Unsecured loans from banks due on August 26, 2017	—	—	750,000	0.48000%
Unsecured loans from banks due on August 26, 2017	—	—	5,000,000	0.25545%
Unsecured loans from banks due on August 27, 2017	—	—	9,000,000	1.12850%
Unsecured loans from banks due on August 27, 2017	—	—	3,920,000	1.08500%
Unsecured loans from banks due on September 26, 2017	¥4,000,000	0.15182%	4,000,000	0.19545%
Unsecured loans from a bank due on December 26, 2017	12,900,000	1.03775%	12,900,000	1.03775%
Unsecured loans from banks due on February 26, 2018	1,000,000	1.84650%	1,000,000	1.84650%
Unsecured loans from banks due on February 26, 2018	1,500,000	0.44000%	1,500,000	0.48000%
Unsecured loans from banks due on February 27, 2018	5,420,000	1.12013%	5,420,000	1.12013%
Unsecured loans from a bank due on May 26, 2018	12,200,000	0.86250%	12,200,000	0.86250%
Unsecured loans from banks due on June 26, 2018	2,000,000	1.09000%	2,000,000	1.09000%
Unsecured loans from banks due on August 26, 2018	2,000,000	1.03500%	2,000,000	1.03500%
Unsecured loans from a bank due on August 26, 2018	5,400,000	0.99000%	5,400,000	0.99000%
Unsecured loans from a bank due on November 26, 2018	2,000,000	0.93600%	2,000,000	0.93600%
Unsecured loans from a bank due on November 26, 2018	4,000,000	0.72500%	4,000,000	0.72500%
Unsecured loans from a bank due on November 26, 2018	3,000,000	0.77650%	3,000,000	0.77650%
Unsecured loans from banks due on November 26, 2018	1,000,000	0.48250%	1,000,000	0.48250%
Unsecured loans from banks due on November 26, 2018	1,700,000	0.50250%	1,700,000	0.50250%
Unsecured loans from a bank due on February 26, 2019	3,000,000	1.44450%	3,000,000	1.44450%
Unsecured loans from a bank due on February 26, 2019	2,000,000	0.90759%	2,000,000	0.90759%
Unsecured loans from a bank due on February 26, 2019	5,300,000	0.87695%	5,300,000	0.87695%
Unsecured loans from a bank due on May 26, 2019	9,000,000	1.11750%	9,000,000	1.11750%
Unsecured loans from a bank due on May 26, 2019	1,000,000	1.04875%	1,000,000	1.04875%
Unsecured loans from a bank due on May 26, 2019	1,100,000	0.69894%	1,100,000	0.69894%
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	2,200,000	1.22000%
Unsecured loans from a bank due on August 26, 2019	5,700,000	1.25200%	5,700,000	1.25200%
Unsecured loans from a bank due on August 26, 2019	2,500,000	1.27625%	2,500,000	1.27625%
Unsecured loans from a bank due on August 26, 2019	4,700,000	0.81080%	4,700,000	0.81080%
Unsecured loans from a bank due on November 26, 2019	1,600,000	1.16500%	1,600,000	1.16500%
Unsecured loans from a bank due on November 26, 2019	4,000,000	0.72650%	4,000,000	0.72650%
Unsecured loans from a bank due on November 26, 2019	5,600,000	0.54065%	5,600,000	0.54065%
Unsecured loans from a bank due on November 26, 2019	3,450,000	0.37420%	3,450,000	0.37420%
Unsecured loans from a bank due on February 26, 2020	5,750,000	1.01150%	5,750,000	1.01150%
Unsecured loans from a bank due on February 26, 2020	2,500,000	0.64685%	2,500,000	0.64685%
Unsecured loans from a bank due on May 26, 2020	10,000,000	1.33750%	10,000,000	1.33750%
Unsecured loans from a bank due on May 26, 2020	800,000	1.25875%	800,000	1.25875%
Unsecured loans from a bank due on May 27, 2020	1,000,000	1.48625%	1,000,000	1.48625%
Unsecured loans from a bank due on August 26, 2020	1,100,000	1.53674%	1,100,000	1.53674%
Unsecured loans from a bank due on August 26, 2020	800,000	1.28277%	800,000	1.28277%
Unsecured loans from a bank due on August 26, 2020	4,700,000	1.18000%	4,700,000	1.18000%
Unsecured loans from a bank due on August 26, 2020	500,000	1.15566%	500,000	1.15566%
Unsecured loans from a bank due on August 26, 2020	4,500,000	1.08100%	4,500,000	1.08100%
Unsecured loans from a bank due on August 26, 2020	1,000,000	0.72000%	1,000,000	0.72000%
Unsecured loans from a bank due on November 26, 2020	3,500,000	0.46075%	3,500,000	0.46075%
Unsecured loans from a bank due on November 26, 2020	2,350,000	0.46190%	2,350,000	0.46190%
Unsecured loans from a bank due on November 26, 2020	500,000	0.47375%	500,000	0.47375%
Unsecured loans from a bank due on February 26, 2021	5,000,000	1.35250%	5,000,000	1.35250%
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.17750%	2,000,000	1.17750%
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.19211%	2,000,000	1.19211%

	As of August 31, 2016		As of February 29, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on February 26, 2021	¥2,000,000	0.80832%	¥2,000,000	0.80832%
Unsecured loans from a bank due on February 26, 2021	3,000,000	0.86350%	3,000,000	0.86350%
Unsecured loans from a bank due on February 26, 2021	2,120,000	0.85050%	2,120,000	0.85050%
Unsecured loans from a bank due on February 26, 2021	500,000	0.46725%	500,000	0.46725%
Unsecured loans from a bank due on February 26, 2021	2,000,000	0.22560%	2,000,000	0.22560%
Unsecured loans from a bank due on February 26, 2021	400,000	0.21810%	—	—
Unsecured loans from a bank due on May 26, 2021	8,000,000	1.56250%	8,000,000	1.56250%
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	1,000,000	1.46375%
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	1,000,000	1.68200%
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	3,500,000	1.62500%
Unsecured loans from a bank due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	2,700,000	1.24100%
Unsecured loans from a bank due on August 26, 2021	3,600,000	0.81585%	3,600,000	0.81585%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.11662%	2,000,000	1.11662%
Unsecured loans from a bank due on November 26, 2021	4,900,000	0.97410%	4,900,000	0.97410%
Unsecured loans from a bank due on January 26, 2022	3,500,000	1.48300%	3,500,000	1.48300%
Unsecured loans from a bank due on February 26, 2022	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from a bank due on February 26, 2022	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from a bank due on February 26, 2022	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from a bank due on May 26, 2022	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from a bank due on August 26, 2022	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on August 26, 2022	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from a bank due on August 26, 2022	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022	1,000,000	0.32886%	—	—
Unsecured loans from a bank due on November 26, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from a bank due on November 26, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from a bank due on November 26, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 26, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 26, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from a bank due on November 26, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 26, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 26, 2023	2,800,000	0.40740%	—	—
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	—	—
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 26, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from a bank due on August 26, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 26, 2023	1,000,000	0.43466%	—	—
Unsecured loans from a bank due on August 26, 2023	1,000,000	0.41000%	—	—
Unsecured loans from a bank due on November 26, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from a bank due on November 26, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from banks due on May 26, 2024	1,100,000	0.51000%	—	—
Unsecured loans from a bank due on May 26, 2024	2,700,000	0.46376%	—	—
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	—	—
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	—	—
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	—	—

	As of August 31, 2016		As of February 29, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on February 26, 2025	¥4,200,000	0.62675%	—	—
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	—	—
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	—	—
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	—	—
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	¥1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	—	—
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	—	—
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	—	—
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	—	—
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	—	—
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	—	—
Unsecured loans from a bank due on October 26, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 26, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	818,100	2.17000%	839,500	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	818,100	2.21812%	839,500	2.21812%
Total	¥329,466,200		¥311,549,000	

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

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

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

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
As of February 29, 2016	¥53,475,600	¥43,685,600	¥49,185,600	¥49,455,600
As of August 31, 2016	¥46,505,600	¥48,285,600	¥47,385,600	¥49,435,600

8. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows:

	As of August 31, 2016		As of February 29, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020	¥5,000,000	2.47%	¥5,000,000	2.47%
NOF's 6th series of unsecured investment corporation bonds due on March 17, 2017	5,000,000	2.21%	5,000,000	2.21%
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.9%	4,500,000	2.9%
NOF's 9th series of unsecured investment corporation bonds due on November 24, 2017	4,000,000	1.52%	4,000,000	1.52%
NRF's 2nd series of unsecured investment corporation bonds due on February 24, 2017	5,000,000	1.03%	5,000,000	1.03%
Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024	3,000,000	0.87%	3,000,000	0.87%
NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024	6,000,000	1.02%	6,000,000	1.02%
Total	¥32,500,000		¥32,500,000	

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
As of February 29, 2016	¥5,000,000	¥9,000,000	—	—	¥5,000,000
As of August 31, 2016	¥10,000,000	¥4,000,000	—	¥5,000,000	—

9. UNITHOLDERS’ EQUITY

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

10. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

On the Balance Sheet ,there are the increase and decrease of Allowance for temporary difference adjustments.

For the period from March 1, 2016 to August 31, 2016

1. Reason, related assets and amounts

Thousands of Yen							
Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	¥1,622,398	—	¥1,622,398	—	¥1,622,398	—
Land, buildings, etc.	Merger expenses	2,638,862	—	1,568,581	—	1,568,581	—
Land, buildings, etc.	Impairment loss	79,020	—	79,020	—	79,020	—
Deferred gains or losses on hedges	Loss on interest rate swaps recognized at the end of the fiscal period	2,867,595	—	2,867,595	—	2,867,595	—
Increase - subtotal		7,207,875	—	6,137,594	—	6,137,594	—
Buildings, building improvements, etc.	Depreciation deficiency equivalent	(790,132)	—	—	—	—	—
Investment corporation bond issuance costs	Investment corporation bonds issuance cost amortization deficiency equivalent	(97,558)	—	—	—	—	—
Unearned revenue, etc.	Write-down of loss on interest rate swap due to merger	(172,304)	—	—	—	—	—
Other	—	(10,287)	—	—	—	—	—
Decrease - subtotal		(1,070,281)	—	—	—	—	—
Total		¥6,137,594	—	¥6,137,594	—	¥6,137,594	—

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(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.

For the period from October 1, 2015 to February 29, 2016

Not applicable

11. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of August 31, 2016 and February 29, 2016 were as follows:

	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Net assets per unit	¥128,777	¥128,318
Net income per unit	¥2,513	¥1,087

Note 1: The net income per unit is calculated by dividing net income by the weighted-average number of units outstanding.

Note 2: The basis for calculating net income per unit is as follows.

	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Net income (Thousands of Yen)	¥9,355,981	¥4,048,278
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	¥9,355,981	¥4,048,278
Average number of units during the period (Units)	3,722,010	3,722,010

12. RELATED PARTY TRANSACTIONS

For the periods from March 1, 2016 to August 31, 2016 and from October 1, 2015 to February 29, 2016

Parent Company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

13. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 34% for the fiscal period ended August 31, 2016. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥11,300,022 thousand for the fiscal period ended August 31, 2016 respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Deferred tax asset:		
Valuation difference on other assets acquired by merger	¥12,309,409	¥15,343,108
Deferred gains or losses on hedges	712,266	926,521
Unearned revenue	319,728	389,900
Write-offs for long-term prepaid expenses	32,211	36,451
Impairment losses of non-repudiation	—	25,531
Depreciation costs of trust leasehold rights	611	500
Accrued enterprise tax	—	97
Excess allowance for doubtful accounts	17	17
Subtotal	¥13,374,242	¥16,722,125
Valuation allowance	(¥13,374,242)	(¥16,722,125)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

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

	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Statutory tax rate	32.31%	32.31%
Deductible cash distributions	(8.61%)	(58.38%)
Valuation of allowance	(30.43%)	13.16%
Amortization of goodwill	6.72%	12.94%
Other	0.01%	0.01%
Effective tax rate	0.01%	0.05%

14. FINANCIAL INSTRUMENTS

Overview

1. Policy for Financial Instruments

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

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

2. Type and Risk of Financial Instruments and Related Risk Management

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

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

3. Supplementary Explanation on Estimated Fair Value of Financial Instruments

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

Fair Value of Financial Instruments

For the period from March 1, 2016 to August 31, 2016

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2016.

	Carrying value ^(Note 1)	Fair value ^(Note 1)	Thousands of Yen Difference
(i) Cash and bank deposits	¥75,270,568	¥75,270,568	—
(ii) Short-term debt	—	—	—
(iii) Current portion of investment corporation bonds	(10,000,000)	(10,074,295)	¥74,295
(iv) Current portion of long-term debt	(47,805,600)	(47,886,883)	81,283
(v) Investment corporation bonds	(22,500,000)	(24,314,967)	1,814,967
(vi) Long-term debt	(329,466,200)	(336,081,428)	6,615,228
(vii) Derivative transactions	(¥2,274,820)	(¥2,274,820)	—

For the period from October 1, 2015 to February 29, 2016

The following table summarizes the carrying value and the estimated fair values of financial instruments as of February 29, 2016.

	Carrying value ^(Note 1)	Fair value ^(Note 1)	Thousands of Yen Difference
(i) Cash and bank deposits	¥58,325,160	¥58,325,160	—
(ii) Short-term debt	(9,100,000)	(9,100,000)	—
(iii) Current portion of investment corporation bonds	(5,000,000)	(5,046,550)	¥46,550
(iv) Current portion of long-term debt	(50,015,600)	(50,192,167)	176,567
(v) Investment corporation bonds	(27,500,000)	(29,536,482)	2,036,482
(vi) Long-term debt	(311,549,000)	(318,556,852)	7,007,852
(vii) Derivative transactions	(¥2,882,186)	(¥2,882,186)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

- (i) Cash and bank deposits and (ii) Shot-term debt
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the carrying value is reported as the fair value.
- (iii) Current portion of long-term debt and (iv) Long-term debt
For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest rate swaps (see “19. Derivatives and Hedge Accounting”) is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.
- (v) Derivative transactions
See “19. Derivatives and Hedge Accounting.”

Note 3: Financial instruments for which fair value is difficult to determine

Type of asset	As of August 31, 2016	As of February 29, 2016
Investment securities	—	¥91,431

(*) The fair value of the investment securities is not disclosed because there is no quoted market price available for these securities and it is extremely difficult to determine the fair value.

Note 4: Redemption schedule for cash and bank deposits as of August 31, 2016

	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	Thousands of Yen After five years
Cash and bank deposits	¥75,270,568	—	—	—	—	—
Total	¥75,270,568	—	—	—	—	—

Redemption schedule for cash and bank deposits as of February 29, 2016

	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	Thousands of Yen After five years
Cash and bank deposits	¥58,325,160	—	—	—	—	—
Total	¥58,325,160	—	—	—	—	—

Note 5: Redemption schedule for debt as of August 31, 2016

	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	Thousands of Yen After five years
Short-term debt	—	—	—	—	—	—
Investment corporation bonds	¥10,000,000	¥4,000,000	—	¥5,000,000	—	¥13,500,000
Long-term debt	¥47,805,600	¥46,505,600	¥48,285,600	¥47,385,600	¥49,435,600	¥137,853,800
Total	¥57,805,600	¥50,505,600	¥48,285,600	¥52,385,600	¥49,435,600	¥151,353,800

Redemption schedule for cash and bank deposits as of February 29, 2016

	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	Thousands of Yen After five years
Short-term debt	¥9,100,000	—	—	—	—	—
Investment corporation bonds	¥5,000,000	¥9,000,000	—	—	¥5,000,000	¥13,500,000
Long-term debt	¥50,015,600	¥53,475,600	¥43,685,600	¥49,185,600	¥49,455,600	¥115,746,600
Total	¥64,115,600	¥62,475,600	¥43,685,600	¥49,185,600	¥54,455,600	¥129,246,600

15. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Carrying value		
Balance at beginning of the period	¥790,306,905	¥781,610,588
Amount of increase (decrease) during the period	(7,849,126)	8,696,317
Balance at end of the period	782,457,778	790,306,905
Fair value at end of the period	¥834,749,000	¥829,072,000

Note 1: The carrying value represents the acquisition cost less accumulated depreciation.
Note 2: The major increase in the carrying value during the period ended February 29, 2016 was mainly due to the acquisition of NRE Kichijoji Building™ (¥5,347,396 thousand) and GEMS Ichigaya (¥2,112,624 thousand) and PROUD FLAT Hatchobori (¥962,150 thousand) and PROUD FLAT Itabashi Honcho (¥767,484 thousand) and decrease in the carrying value during the period ended February 29, 2016 was mainly due to depreciation (total ¥3,471,460 thousand).
The amount of increase during current period is mainly attributable to acquisition of PMO Tamachi (¥6,328,987 thousand), PMO Ginza Hatchome (¥4,025,053 thousand), PMO Shibakoen (¥3,975,082 thousand), Hirakata Kuzuha Logistics Center (¥3,516,505 thousand), PRIME URBAN Meguro Mita (¥1,137,130 thousand), PRIME URBAN Chikusa (¥1,205,712 thousand), and Ryotokuji University Shin-Urayasu Campus (Land) (¥5,125,367 thousand).
The decrease during the current period is mainly attributable to sale of NOF Nihonbashi Honcho Building (¥10,449,586 thousand), NOF Tameike Building (¥4,804,276 thousand), NOF Shinagawa Konan Building (¥3,471,844 thousand), NOF Minami Shinjuku Building (¥2,219,005 thousand), Central Shintomicho Building (¥1,328,098 thousand), Toho Edogawabashi Building (¥1,095,234 thousand), Toshin Meguro Building (¥854,458 thousand), Yokohama Odori Koen Building (¥1,806,149 thousand), JCB Sapporo Higashi Building (¥3,266,519 thousand), PRIME URBAN Hatagaya (¥470,012 thousand), PRIME URBAN Ochiai (¥337,641 thousand), PRIME URBAN Sangen Jaya II (¥483,603 thousand), PRIME URBAN Kamikitazawa (¥596,632 thousand), PRIME URBAN Nakano (¥468,054 thousand), PRIME URBAN Ekoda (¥408,769 thousand), PRIME URBAN Urayasu II (¥219,614 thousand), and PRIME URBAN Yamahana (¥271,452 thousand) as well as depreciation (¥4,203,908 thousand).

Note 3: The fair value as of August 31, 2016 represents the sum of the appraisal values estimated by external real estate appraisers.

The real estate rental revenues and expenses for the fiscal period ended August 31, 2016 are presented in “16. Breakdown of Real Estate Rental Revenues and Expenses”.

16. SEGMENT INFORMATION

For the period from March 1, 2016 to August 31, 2016 and from October 1, 2015 to February 29, 2016

Segment Information

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

Related Information

1. Information about products and services

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

(1) Revenues

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

(2) Property and equipment

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

For the period from March 1, 2016 to August 31, 2016

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	4,289,956	Rental real estate business

For the period from October 1, 2015 to February 29, 2016

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	3,542,264	Rental real estate business

17. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended August 31, 2016 and February 29, 2016 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Real estate rental revenues	¥29,532,380	¥24,312,612
Rental revenues	26,844,872	22,286,436
Rental revenues	24,461,221	20,176,657
Common area charges	2,383,651	2,109,779
Other rental revenues	2,687,508	2,026,176
Parking revenues	533,526	450,566
Incidental income	2,069,384	1,529,932
Other miscellaneous revenues	84,598	45,678
Real estate rental expenses	13,489,929	11,546,709
Property management costs	1,614,328	1,378,031
Property management fees	874,717	654,354
Property and other taxes	2,315,517	2,114,886
Utility expenses	1,711,878	1,389,966
Casualty insurance	37,635	30,985
Repairs and maintenance	1,581,099	1,555,617
Land rents	193,397	162,378
Depreciation	4,205,687	3,471,462
Other rental expenses	955,671	789,030
Real estate rental profits	¥16,042,451	¥12,765,903

18. IMPAIRMENT LOSS

In the fiscal period ended February 29, 2016, the Company recorded impairment loss on the following asset group.

Property name	Use	Type	Location	Impairment loss (Thousands of Yen)
Toho Edogawabashi Building	Office	Buildings, land, etc.	Tokyo	¥50,924
PRIME URBAN Nakano	Residential	Buildings, land, etc.	Tokyo	20,959
PRIME URBAN Urayasu II	Residential	Buildings, land, etc.	Chiba	¥7,137

In calculating impairment loss, each property is considered a single asset group. In the fiscal period ended February 29, 2016, based on their intended sale and the conclusion of a purchase agreement on March 30, 2016 for the above three of fixed asset groups, the book value was reduced to the recoverable amount and the difference was charged to the operating expenses account as impairment loss.

Furthermore, as the impairment loss arising from the sale is deemed to be similar to operating expenses in nature, it was charged to the operating expenses account in accordance with Article 48, Paragraph 2 of the “Regulations Concerning Accounting of Investment Corporations”.

In addition, the recoverable amount of the asset groups was determined by the net selling value. The net selling value is calculated as the actual selling price net of the estimated selling-related expenses.

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

	Thousands of Yen	
	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
Gain on sale of real estate		
Proceeds from sale of real estate	¥29,633,000	—
Cost of real estate	27,746,678	—
Other related sales expense	444,047	—
Gain on sale of real estate	¥1,442,275	—
Loss on sale of real estate		
Proceeds from sale of real estate	¥4,500,000	—
Cost of real estate	4,804,277	—
Other related sales expense	24,924	—
Loss on sale of real estate	¥329,201	—

20. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of August 31, 2016 and February 29, 2016 are summarized as follows:

	Thousands of Yen	
	As of August 31, 2016	As of February 29, 2016
Due within one year	¥24,861,465	¥23,715,979
Due after one year	71,432,067	58,287,999
Total	¥96,293,532	¥82,003,978

21. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of August 31, 2016

- (1) There were no derivative financial instruments not subject to hedge accounting.
(2) Derivative financial instruments subject to hedge accounting were as follows:

Thousands of Yen					
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value (Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	¥135,300,000	¥117,600,000	(¥2,274,820) (Note 3)
Special treatment of interest rate swaps	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	114,760,900	101,718,100	(2,159,763) (Note 4)
Total			¥250,060,900	¥219,318,100	(¥4,434,584)

Note 1: Contract amount is based on notional amount.
Note 2: Fair value is calculated by swap counterparty, based on the actual market interest rate, etc.
Note 3: Out of the fair value, (¥20,365 thousand) is booked as “accrued expenses” on the Balance Sheet.
Note 4: Out of the fair value, (¥2,159,763 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest rate swaps.

Derivative transactions as of February 29, 2016

- (1) There were no derivative financial instruments not subject to hedge accounting.
(2) Derivative financial instruments subject to hedge accounting were as follows:

Thousands of Yen					
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value (Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	¥149,700,000	¥130,457,200	(¥2,882,186) (Note 3)
Special treatment of interest rate swaps	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	103,382,300	90,339,500	(2,492,211) (Note 4)
Total			¥253,082,300	¥220,796,700	(¥5,374,397)

Note 1: Contract amount is based on notional amount.
Note 2: Fair value is calculated by swap counterparty, based on the actual market interest rate, etc.
Note 3: Out of the fair value, (¥14,591 thousand) is booked as “accrued expenses” on the Balance Sheet.
Note 4: Out of the fair value, (¥2,492,211 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest rate swaps.

22. CASH DISTRIBUTIONS

	For the period from March 1, 2016 to August 31, 2016	For the period from October 1, 2015 to February 29, 2016
1. Retained earnings at end of period	¥12,225,011,401	¥4,048,907,447
2. Distributions in excess of retained earnings	¥2,095,491,630	¥7,079,263,020
Of which, allowance for temporary difference adjustment	—	¥6,137,594,490
Of which, other distributions in excess of net income	¥2,095,491,630	¥941,668,530
3. Incorporation into unitholders' capital	¥763,347,909	—
Of which, reversal of allowance for temporary difference adjustments	¥763,347,909	—
4. Distributions	¥11,300,022,360	¥8,259,140,190
[Distribution per unit]	(¥3,036)	(¥2,219)
Of which, distributions of earnings	¥9,204,530,730	¥1,179,877,170
[Of which, other distributions in excess of net income (per unit)]	(¥2,473)	(¥317)
Of which, allowance for temporary difference adjustments	—	¥6,137,594,490
[Of which, distributions in excess of retained earnings per unit [allowance for temporary difference adjustments]]	—	(¥1,649)
Of which, other distributions in excess of net income	¥2,095,491,630	¥941,668,530
[Of which, distributions in excess of retained earnings per unit [other distributions in excess of net income]]	(¥563)	(¥253)
4. Retained earnings carried forward	¥2,257,132,762	¥2,869,030,277

Calculation method of distribution amount

Concerning distributions for the 2nd fiscal period, the Company set the distribution per unit at ¥3,036.

With regard to the above distribution, in order to include the maximum amount of earnings distributions in tax deductible expenses in accordance with the special measures for the tax treatment (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957)), NMF decided to distribute almost the entire amount of net income as stipulated in Article 136 Paragraph 1 of the Investment Trust Act except reversal of allowance for temporary difference adjustments, excluding fractional amounts of the earnings distribution per investment unit less than one yen. Accordingly, the Company declared an earnings distribution per investment unit (excluding distributions in excess of earnings) of ¥2,473.

In addition, in accordance with the distribution policy stipulated in the Articles of Incorporation and in consideration of the impact that costs related to the merger, such as amortization costs of goodwill and reduction in net assets (as described in Article 2 Paragraph 2 (30) (b) of the Calculation Rules for Investment Corporations), and reversal of allowance for temporary difference adjustments (excluding net asset deductions;together with costs related to the merger such as amortization costs of goodwill (hereafter, “merger expenses, etc.”)) will have on distributions, NMF will distribute a distribution in excess of earnings that it decides with the amount equivalent to the merger-related costs (hereinafter, “distribution in excess of earnings”). When making distributions in excess of earnings, if each period’s distribution of the allowance for temporary difference adjustments (that which is stipulated in Article 2 Paragraph 2 (30) (b) of the Calculation Rules for Investment Corporations) is less than the amount of merger-related costs, etc., then other distribution in excess of net income will also be made.

For the fiscal period ended August 31, 2016, the Company decided to pay out ¥2,095 million of distributions in excess of earnings, which is the sum of ¥1,946 million of amortization expenses for goodwill, ¥150 million of reversal of allowance for temporary difference adjustments (excluding net asset deductions). The Company decided to pay out ¥2,095 million of other distribution in excess of net income, and so the per unit distribution of other distribution in excess of net income was ¥563.

23. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

For the period from March 1, 2016 to August 31, 2016

1. Reason of reversal, related assets and amounts

		Thousands of Yen
Related assets, etc.	Reason of reversal	Reversal of allowance for temporary difference adjustments
Land, buildings, etc.	Sale of property and depreciation of merger expenses	¥71,187
Land, buildings, etc.	Sale of property on which impairment was recognized	79,020
Deferred gains or losses on hedges	Changes in fair value of derivative transactions	613,141
Total		¥763,348

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 or sale, the corresponding amount is scheduled to be reversed.
Land	Upon sale, the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land in trust, etc.	
Leasehold	Upon sale, the corresponding amount is scheduled to be reversed.
Leasehold in trust	
Investment securities	Upon redemption, etc., the corresponding amount is scheduled to be reversed.

- (3) Deferred gains or losses on hedges
Based on changes in the fair value of derivatives used as hedging instruments, the corresponding amount is scheduled to be reversed.

For the period from October 1, 2015 to February 29, 2016

1. Reason of provision, related assets and amounts

		Thousands of Yen
		Provision of allowance for temporary difference adjustments
Related assets, etc.	Reason of provision	
Goodwill	Amortization of goodwill	¥1,622,398
Land, buildings, etc.	Merger expenses	2,638,862
Land, buildings, etc.	Impairment loss	79,020
Deferred gains or losses on hedges	Loss on interest rate swaps recognized at the end of the fiscal period	2,867,595
Increase - subtotal		7,207,875
Buildings, building improvements, etc.	Depreciation deficiency equivalent	(790,132)
Investment corporation bond issuance costs	Investment corporation bonds issuance cost amortization deficiency equivalent	(97,557)
Unearned income, etc.	Reversal of loss on interest rate swap due to merger	(172,304)
Other	—	(10,287)
Decrease - subtotal		(1,070,280)
Total		¥6,137,594

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 or sale, the corresponding amount is scheduled to be reversed.
Land	Upon sale, the corresponding amount is scheduled to be reversed.
Buildings in trust, etc.	Upon depreciation or sale, the corresponding amount is scheduled to be reversed.
Land in trust, etc.	
Leasehold	Upon sale, the corresponding amount is scheduled to be reversed.
Leasehold in trust	
Investment securities	Upon redemption, etc., the corresponding amount is scheduled to be reversed.

- (3) Impairment loss
At the time of the sale of the relevant property, the corresponding amount is scheduled to be reversed.
- (4) Deferred gains or losses on hedges
Based on changes in the fair value derivatives used as the hedging instruments, the corresponding amount is scheduled to be reversed.

24. BUSINESS COMBINATION

Current fiscal period (From from March 1, 2016 to August 31, 2016)

Not applicable

Previous fiscal period (From October 1, 2015 to February 29, 2016)

Business Combination through Acquisition

1. Overview of Business Combination

- (1) Name and Business Description of Acquirees

Names of acquirees	Business description
Nomura Real Estate Office Fund, Inc. (“NOF”)	Real estate investment trust
Nomura Real Estate Residential Fund, Inc. (“NRF”)	Real estate investment trust

- (2) Main Reasons for Business Combination

NMF believed that the merger would expand acquisition opportunities, stabilize the portfolio, enhance risk tolerance, increase competitive strength for asset acquisitions and stabilize the financial base by increasing the asset size and diversifying target investment sectors. In addition, NMF believed that it could achieve both growth and stable management by effectively leveraging the wide-range of know-how and brands held by Nomura Real Estate Group, one of the major comprehensive real estate developers in Japan. As such, NMF was confident that the merger was the best option for its unitholders and has therefore entered into the merger agreement.

- (3) Date of Business Combination

October 1, 2015

- (4) Legal Framework of Business Combination

A consolidation-type merger involving the former NMF, and NOF and NRF, as the consolidated investment corporations.

- (5) Name of the Investment Corporation after Business Combination

Nomura Real Estate Master Fund, Inc.

- (6) Main Reasons for Determining Acquiring Company

- [1] The former NMF’s unitholders hold the most voting rights among the three investment corporations.
[2] The Company’s Board of Directors is constituted from the former NMF’s Board of Directors.

2. Operating Period of Acquirees Included in the Statement of Income and Retained Earnings

Names of acquirees	Operating period
NOF	From October 1, 2015 to February 29, 2016
NRF	From October 1, 2015 to February 29, 2016

3. Acquisition Cost of Acquirees and the Breakdown

Names of acquirees	Acquisition cost
NOF	¥205,604,427 thousand
NRF	¥109,695,348 thousand
Total	¥315,299,775 thousand

4. Exchange Ratio, Method of Calculation and Number of Investment Units Delivered as Consideration for the Acquisition

- (1) Exchange Ratio of Investment Units

	The Company	Former NMF	NOF	NRF
Merger Ratio	1.00	1.00	3.60	4.45

- (2) Method of Calculation

Each investment corporation appointed a financial advisor for the merger and requested each financial advisor to perform a financial analysis of the merger ratio. The former NMF appointed Nomura Securities Co., Ltd., NOF appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and NRF appointed SMBC Nikko Securities Inc. (hereafter, referred to as the “FA”). The merger ratios were calculated based on factors such as financial position, asset status and future outlooks, and the merits of the merger were comprehensively considered upon reference to the results of the calculations of the financial position by each FA, leading to an agreement among the former NMF, NOF and NRF with regard to the above merger ratios.

- (3) Number of Investment Units Granted

Names of acquirees	Investment units issued
NOF	1,341,190 units
NRF	715,560 units

5. Details on and Amount of Main Acquisition-Related Expenses

Description	Relevant investment corporation	Amount
FA fees	Former NMF	¥600,000 thousand
Acquisition fees for merger	The Company	¥2,590,275 thousand

6. Amount and Reason for Goodwill

- (1) Amount of Goodwill
¥77,875,100 thousand
- (2) Reason
Goodwill resulted from the acquisitions of NOF and NRF, the former for ¥205,604,427 thousand (acquisition price), which exceeded the acquisition-date fair value of its net assets of ¥159,932,291 thousand, and the latter for ¥109,695,348 thousand (acquisition price), which exceeded the acquisition-date fair value of its net assets of ¥77,492,382 thousand.
- (3) Method of Goodwill Amortization and Amortization Period
Goodwill is being amortized using straight-line method over 20 years.

7. Breakdown of Assets Accepted Acquired and Liabilities Assumed

	Thousands of Yen
Current assets	¥39,178,399
Non-current assets	518,620,230
Total assets	¥557,798,629
Current liabilities	¥51,711,857
Long-term liabilities	268,662,098
Total liabilities	¥320,373,955

8. Estimated Impact on the Statement of Income and Retained Earnings for the Fiscal Period Ended February 29, 2016 Assuming the Business Combination was Completed at the Beginning of the Fiscal Period.
- Not applicable because the acquisition date was at the beginning of the fiscal period.

25. SIGNIFICANT SUBSEQUENT EVENTS

Merger with TOP

On May 26, 2016, NMF and Top REIT, Inc. (“TOP”) resolved, at their respective Board of Directors’ meetings, to implement an absorption-type merger (the “absorption-type merger”) with NMF as the surviving corporation and TOP as the absorbed corporation, effective September 1, 2016. On the same day, NMF and TOP entered into a merger agreement.

- (1) Objective of the absorption-type merger
NMF believes that the absorption-type merger presented a rare opportunity for external growth in the heated real estate acquisition market. Furthermore, the absorption-type merger increased NMF’s ratio of investment in properties for which future internal growth can be expected, specifically properties that are in upside sectors or located within Tokyo’s five central wards. Through the absorption-type merger, NMF sought to increase the portfolio’s diversity, thereby raising risk tolerance, and expected that the increase in the market capitalization of its investment units accompanying the issue of investment units would further enhance their liquidity. As a result of these and other effects, NMF expected the absorption-type merger to contribute to unitholder value.
- (2) Method of the merger
The merger was an absorption-type merger with NMF as the surviving corporation; TOP was dissolved through the absorption-type merger.
- (3) Allotment ratio
Through the absorption-type merger, 2.62 investment units of NMF were allotted per 1.00 unit of TOP.
- (4) Merger distribution
Instead of the cash distributions to the unitholders of TOP for TOP’s final fiscal period (May 1 to August 31, 2016), NMF will make a cash distribution to the unitholders recorded on the final unitholders’ register for TOP as of the day immediately prior to the effective date of the absorption-type merger in an amount equivalent to the cash distribution for TOP’s final fiscal period, based on the amount of profit available for distribution by TOP for said period.
- (5) Unitholders’ capital
Increases in NMF’s unitholders’ capital and capital surplus due to the absorption-type merger are as follows.
Unitholder’s capital: ¥0
Capital surplus: The amount of change in unitholders’ equity as described in Article 22 Paragraph 1 of the Regulations Concerning Accounting of Investment Corporations less the amount of unitholders’ capital shown above
- (6) TOP’s business
The operation of assets, mainly as investments in specified assets, in accordance with the Investment Trust Act.



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Independent Auditor’s Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at August 31, 2016, and the statements of income and retained earnings, changes in net assets, and cash flows from March 1, 2016 to August 31, 2016 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Master Fund, Inc. as at August 31, 2016, and its financial performance and cash flows from March 1, 2016 to August 31, 2016 in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

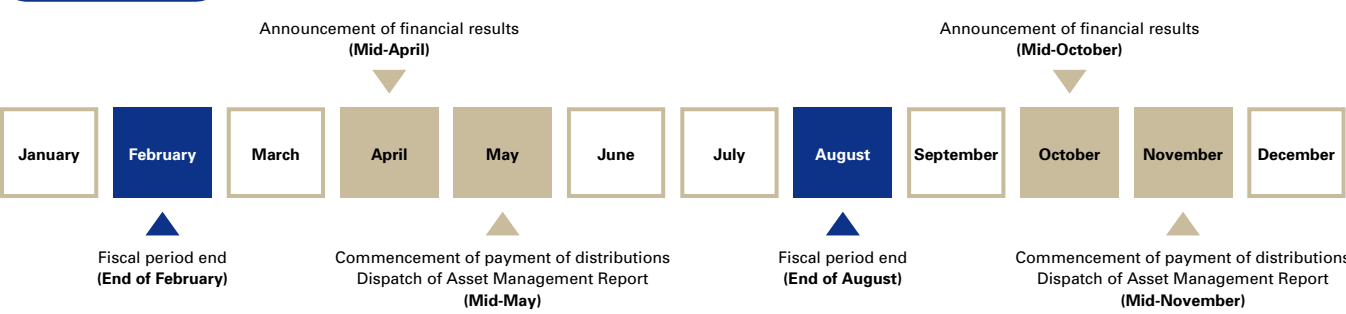
We draw attention to Note 24 to the financial statements, which describes that Nomura Real Estate Master Fund, Inc. has merged with Top REIT, Inc. on September 1, 2016. Our opinion is not qualified in respect of this matter.

Ernst & Young Shinnihon LLC

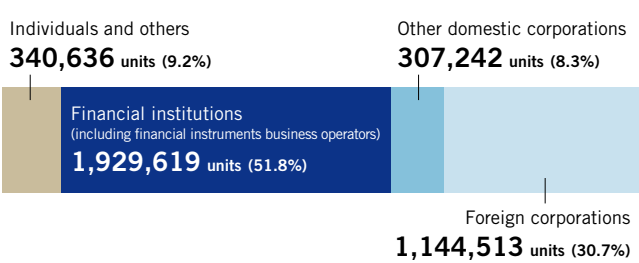
November 21, 2016
Tokyo, Japan

Investor Information

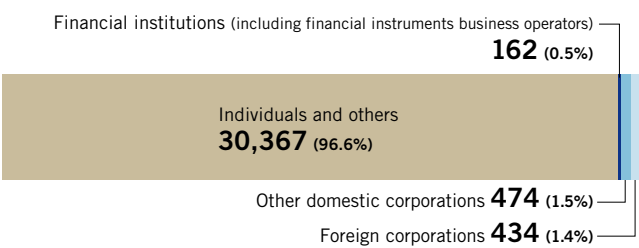
IR Calendar



Number of Investment Units



Number of Unitholders



Guide to Website

<http://www.nre-mf.co.jp/en/>

The website is going through a dramatic update with the end of the first fiscal period and will have an entire new set of data installed. We hope that you will take the time to access and view the new site. The English website is at <http://www.nre-mf.co.jp/en/>. Disclosure materials of the former three REITs before the merger are also available at “Disclosure Materials” under “Investor Relations.”

Top 10 Unitholders

Unitholder	Units held	Share
1 Japan Trustee Services Bank, Ltd.	888,831	23.88%
2 The Master Trust Bank of Japan, Ltd.	316,564	8.51%
3 Trust & Custody Services Bank, Ltd.	270,023	7.25%
4 Nomura Real Estate Development Co., Ltd.	210,671	5.66%
5 The Nomura Trust and Banking Co., Ltd.	135,697	3.65%
6 STATE STREET BANK WEST CLIENT - TREATY 505234	112,185	3.01%
7 NOMURA BANK (LUXEMBOURG) S.A.	86,512	2.32%
8 STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	59,607	1.60%
9 SIX SIS FOR SWISS NATIONAL BANK	41,296	1.11%
10 STATE STREET BANK AND TRUST COMPANY	34,799	0.93%
Total	2,156,185	57.93%

Note: The figures are based on data as of August 31, 2016.

