

12th Fiscal Period Semi-Annual Report

March 1, 2021 to August 31, 2021

Securities Code: 3462

Nomura Real Estate Master Fund, Inc.



Office



Residential



Logistics



Retail



Driving the Market as One of Japan's Largest REITs



MASTER FUND

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Message from the Management

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



Nomura Real Estate Master Fund, Inc.
 Executive Director **Shuhei Yoshida**
 (From left) Supervisory Director **Koichi Owada**
 Supervisory Director **Mineo Uchiyama**
 Supervisory Director **Mika Okada** (Note)

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

To Our Unitholders

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

In reaching the end of our 12th fiscal period, we would also like to extend our sincere gratitude to all unitholders for your continued support for Nomura Real Estate Master Fund, Inc.

During the 12th fiscal period, we decided to acquire Landport Ome III (¥17 billion) following Landport Ome II which we acquired in the previous fiscal period. In addition, we have considered selling and replacing properties with concerns over the future including regional properties and aged properties up to now, and recently decided to sell NMF Utsunomiya Building alongside the property acquisition.

As a result of the property replacement this time, not only just profitability but also the ratio of the logistics sector, which is expected to generate stable earnings even amid the COVID-19 crisis, will increase. Furthermore, the portfolio quality will improve from various perspectives such as the ratio of the Greater Tokyo area, building age and environmental performance.

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

Furthermore, in the office and rental apartment sectors, changes in the market, such as rising vacancy rates and declining advertised rents, were also continuously observed.

The properties held by NMF were also affected by increase in the area of contract terminations and such. However, through appropriate and flexible leasing activities based on market trends, as well as rent increases upon tenant change and upward rent revisions upon contract renewal, we continued to practice management with an aim to secure stable revenue.

As a result, at the end of the 12th fiscal period, our portfolio consisted of 299 properties with a total acquisition price of ¥1,068.4 billion. Operating revenues totaled ¥37,519 million, operating profit reached ¥14,741 million, and net income came to ¥12,434 million. As for rent reduction/exemption and other factors that led to temporary decrease in revenue due to COVID-19, partial reversal of internal reserves was made in the amount of ¥447 million for the purpose of leveling the amount of distribution and maintaining forecast distribution amount. Accordingly, cash distribution per unit for the 12th fiscal period came to ¥3,288, the same as the initial forecast.

In addition, in the area of ESG (environmental, social and governance) activities, which we have been promoting for some time, we continued to promote ESG initiatives, such as initiatives in the environmental field aiming for energy saving and initiatives in the social field including the survey on tenant satisfaction, in the fiscal period under review towards the achievement of materiality (material issues) and KPI targets formulated to realize sustainable growth of NMF. We will continue to proactively promote ESG initiatives as the front runner in the J-REIT industry.

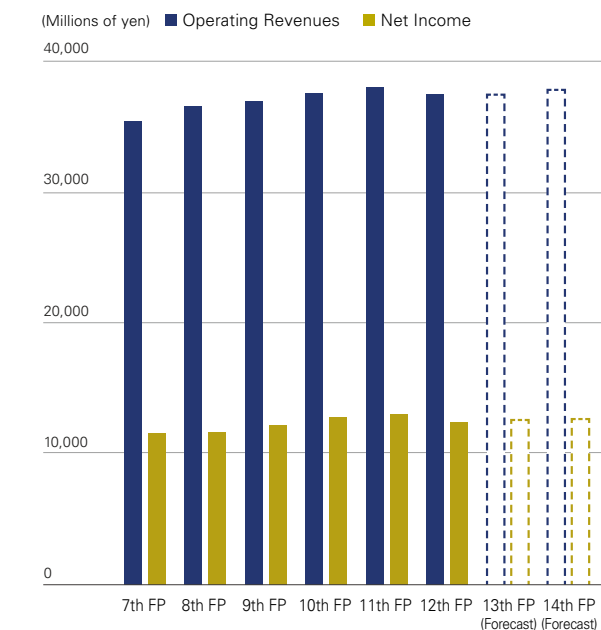
With a careful eye on the impact of COVID-19, we remain strongly committed to enhancing fund performance and managing the fund's assets in an aim to live up to the expectations and trust of our unitholders. We ask for your continued support and encouragement.

PERFORMANCE HIGHLIGHTS

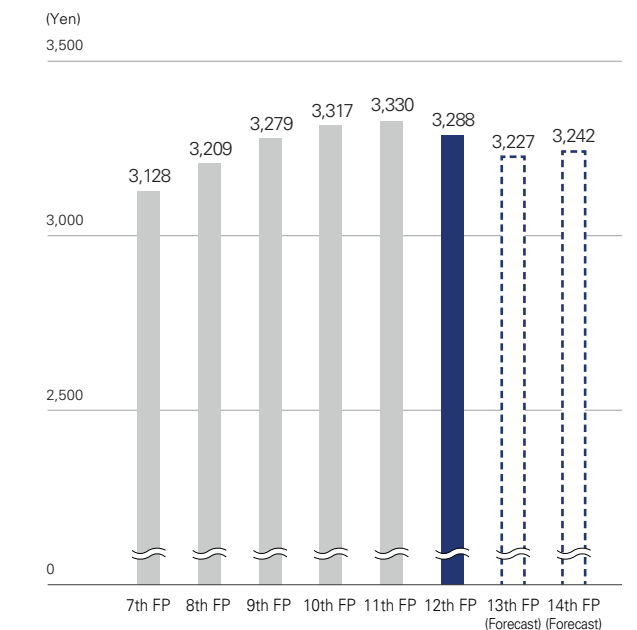
	12th Fiscal Period	13th Fiscal Period (forecast)*	14th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of earnings)	¥3,288	¥3,227	¥3,242
Operating Revenues	¥37,519 million	¥37,466 million	¥37,833 million
Operating Expenses	¥22,777 million	¥22,653 million	¥22,972 million
Net Income	¥12,434 million	¥12,595 million	¥12,666 million
Total Assets	¥1,192,507 million	¥1,190,911 million	¥1,190,176 million

*The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 12th Fiscal Period Ended August 31, 2021," published October 13, 2021. As such, the actual distribution may differ from this forecast due to future property acquisitions or sales, changes in the real estate market, tenant changes or other changes in the circumstances surrounding NMF. The distribution forecast is not a guarantee of distributions.

Operating Revenues and Net Income



Cash Distribution per Unit



Track Record of Growth since Incorporation

Improved portfolio quality through strategic property replacement supported by the Sponsor and achieved

steady increase in distributions.

	Incorporation
Number of properties	257
Ratio of top 10 properties	26.8%
Ratio of Greater Tokyo area	79.8%
Average building age	19.3 years
DPU (Note 1)	¥2,656

Acquisition of high-quality properties

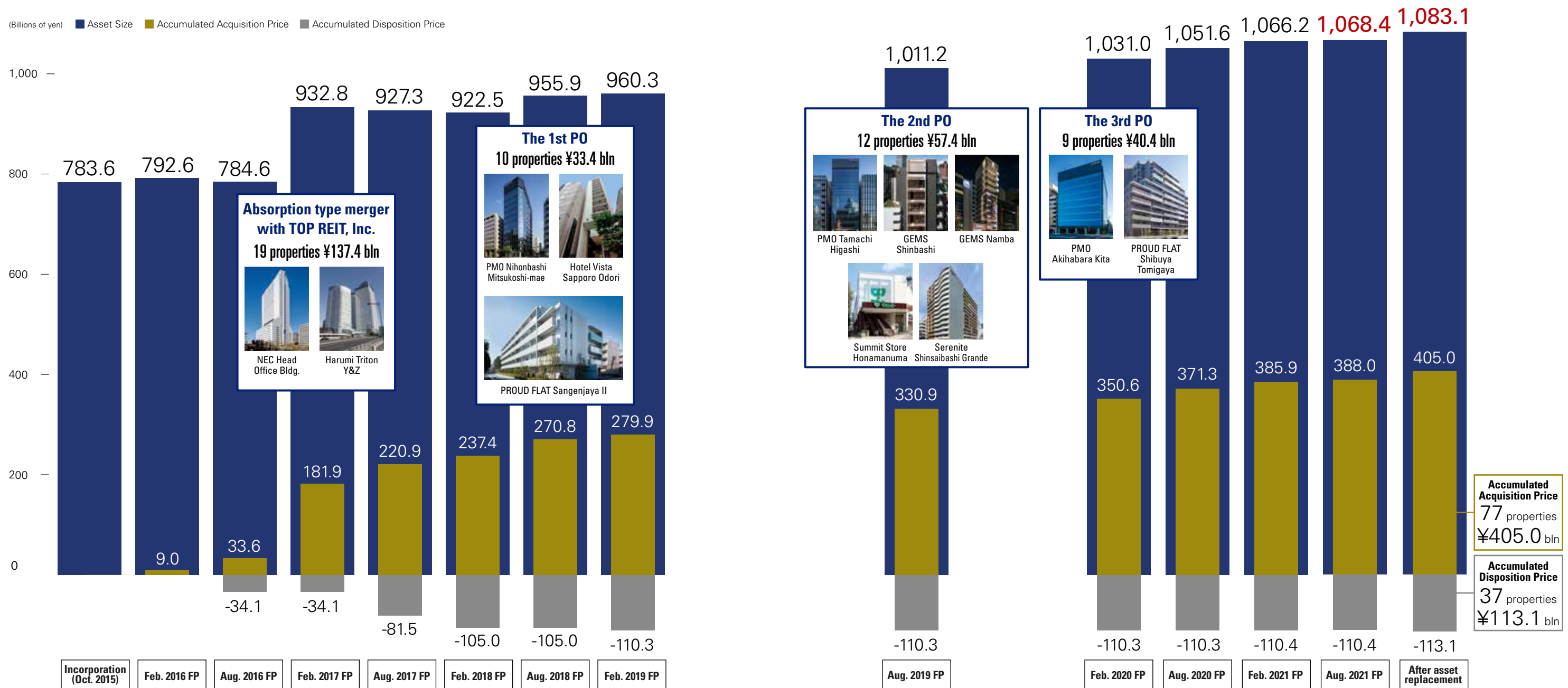
mainly developed by the Sponsor

Disposition of less competitive properties

due to building age, etc.

	Aug. 2021 FP	After asset replacement (Note 2)
Number of properties	299	299
Ratio of top 10 properties	22.2%	22.1%
Ratio of Greater Tokyo area	82.8%	83.2%
Average building age	19.8 years	19.8 years (25.6 years without SPR) (Note 3)
DPU (Note 1)	¥3,288 (+23.8%)	

(Billions of yen) ■ Asset Size ■ Accumulated Acquisition Price ■ Accumulated Disposition Price



(Note 1) Distributions for February 2016 FP are calculated on a six-month basis for 152 operating days. (Note 2) As of January 6, 2022. (Note 3) It is an average building age without taking into account the effect of property acquisition and disposition from the original portfolio at incorporation until January 6, 2022.

External Growth

Conducted asset replacement between a local office building and a relatively recently built logistics facility in the Greater Tokyo area that was developed by sponsors.



Landport Ome III (Logistics)	
Anticipated acquisition price	¥17,000 million
Appraisal value	¥18,300 million
Location	Ome, Tokyo
NOI yield (after depreciation)	4.5% (3.7%)
Asset age (as of date of acquisition)	1.1 years

NMF Utsunomiya Building (Office)	
Scheduled transfer price	¥2,720 million
Appraisal value	¥2,390 million
Notional book value	¥2,445 million
NOI yield (after depreciation)	5.6% (2.9%)
Asset age (as of date of disposition)	21.8 years

External Growth Policy

Continued selective investment with a focus on sponsor-developed properties and aimed for distribution growth and improved portfolio quality through appropriate sales.

Acquisitions

Selective investments based on profitability and competitiveness even in a rising market, with a focus on sponsor-developed properties
(Decisions in the retail and hotel sector were made with particular care to consider the impact of the COVID-19 pandemic)

<Quality of sponsor-developed properties (Note1)> ■ Sponsor-developed properties ■ Entire portfolio

(1) Ratio of Greater Tokyo area (2) Average building age

PMO Akihabara Kita PROUD FLAT Shibuya Tomigaya

Disposition

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

Distribution growth (Consider returning gain on sale, if any, through distributions) × **Improvement of portfolio quality**

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

(Reference) Properties Acquired in Aug. 2021 (12th) and Feb. 2022 (13th) FP

Landport Ome III Anticipated acquisition price ¥17.0 bln NOI yield 4.5% Building age 1.1 years



Favorable location allowing for wide area delivery to the entire Tokyo metropolitan area

Located in approximately 2.9 km from the Ome Interchange on the Ken-O Expressway and close to National Route 16, allowing for wide-area delivery to the entire Tokyo metropolitan area.

24 hours a day, 365 days a year operation with favorable employment environment

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

A "category-wide multi-function" logistic facility

A logistics facility that pursues optimization and efficiency by adopting a category-wide multi-function that adds functions specific to the target tenant's industry needs. Furthermore, environmentally friendly LED lighting is adopted in the whole building.



Universal CityWalk Osaka (Additional stake acquisition of land)



Acquisition price	¥2,139 mln
Appraisal value	¥2,210 mln
Acquisition date	Jul 30, 2021
Location	Osaka, Osaka
Total land area	8,788.67 m²

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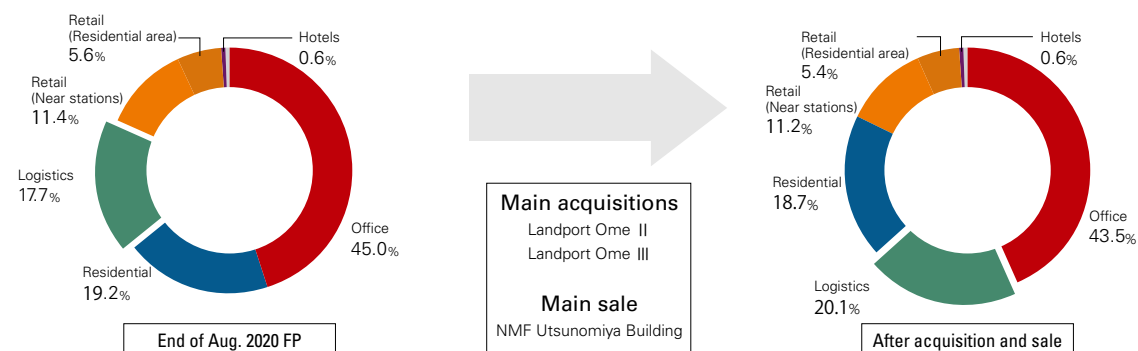
Effect of Asset Replacement

(1) Accumulation of cash flow through acquisition of a new property

(Achieved external growth while maintaining LTV acquisition capacity through disposition and cash reserves)

(2) Improvement of portfolio quality

- Grew logistics portfolio ratio to second largest (over 20%) through ongoing acquisition of logistics facility
- Improved profitability (NOI yield after depreciation (Note 1): asset to be disposed 2.9% ⇒ asset to be acquired 3.7%)
- Improved NAV (Note 2) (NAV per unit: +¥231/unit)
- Improved Greater Tokyo area ratio (82.8% ⇒ 83.2%)
- Improved asset age, after completion of replacement (20.2 years ⇒ 19.8 years)
- Improved green certification ratio (Note 3) for materiality (56.3% ⇒ 57.8%)



(3) Distributions increased by returning gain on sale to unitholders (Feb. 2022 FP: +¥34/unit)

(Note 1) NOI yield for the asset to be acquired is calculated based on the anticipated acquisition price, and NOI yield for the asset to be disposed is calculated based on the scheduled transfer price.

(Note 2) NAV for the asset to be acquired is calculated based on unrealized gain calculated from notional book value and appraisal value at the time of acquisition, and NAV for the asset to be disposed is calculated based on unrealized gain calculated from notional book value and appraisal value at the time of sale.

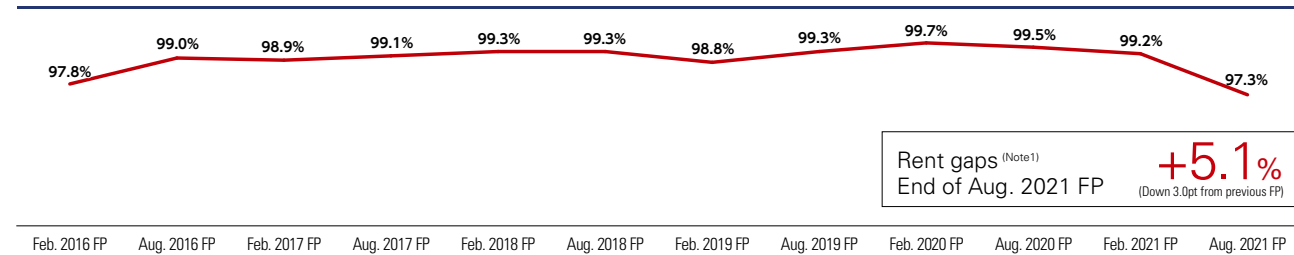
(Note 3) The green certification ratio refers to the percentage of properties with three stars or more for DBJ Green Building Certification, three stars or more for BELS Certification, and B+ or higher for CASBEE for Real Estate.

Internal Growth -Management Status-

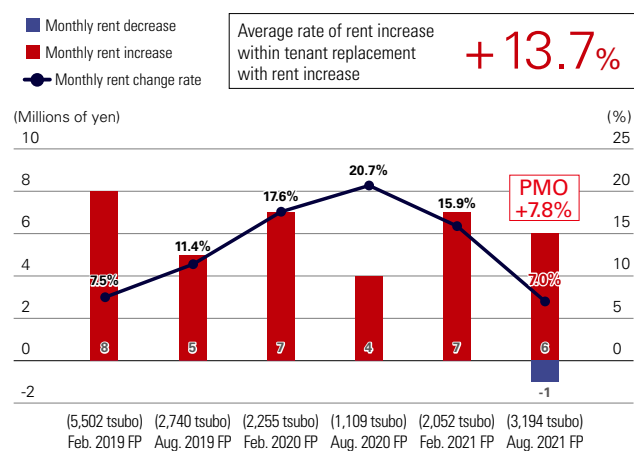
Office

Despite reduced occupancy rates during the declarations of states of emergency, continued to raise rent levels by taking advantage of the rent gap.

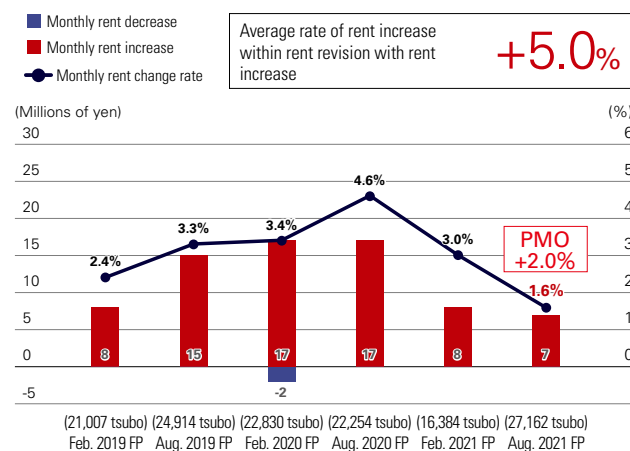
Changes in period-average occupancy rates



Amount of change in monthly rent and rate of change in monthly rent upon tenant replacement (Note2)



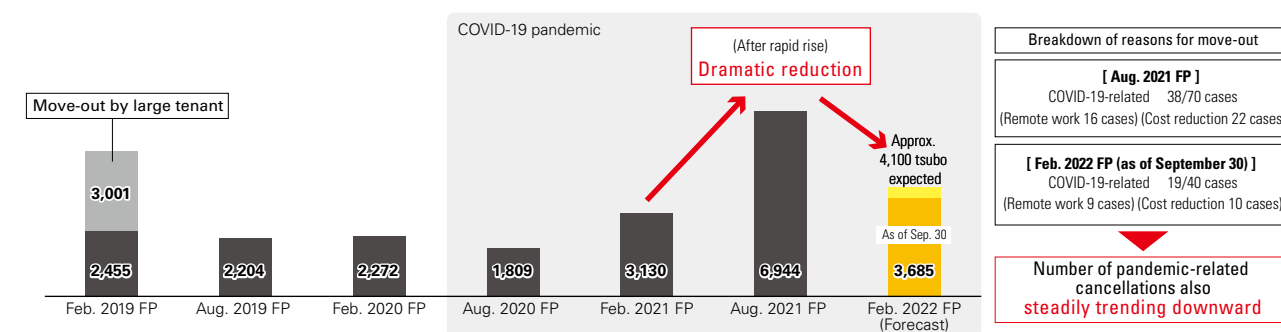
Amount of change in monthly rent and rate of change in monthly rent upon rent revision (Note2)



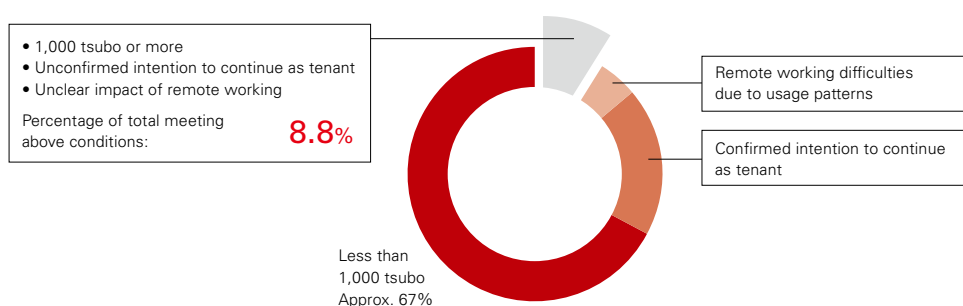
(Note1) It is calculated subject to the properties held by NMF excluding the properties which the entire building leased to one tenant. (Note2) Figures in parentheses are the floor area upon tenant replacement and the floor area (Tsubo) subject to rent revision. The change in monthly rent is calculated as the weighted average of all subjected area. The same applies to the following investment sectors.

Move-outs: The trend is toward a dramatic reduction in move-out floor area, with limited move-out risk from large-scale sections of concern in the future.

Changes in move-out floor area (Tsubo)

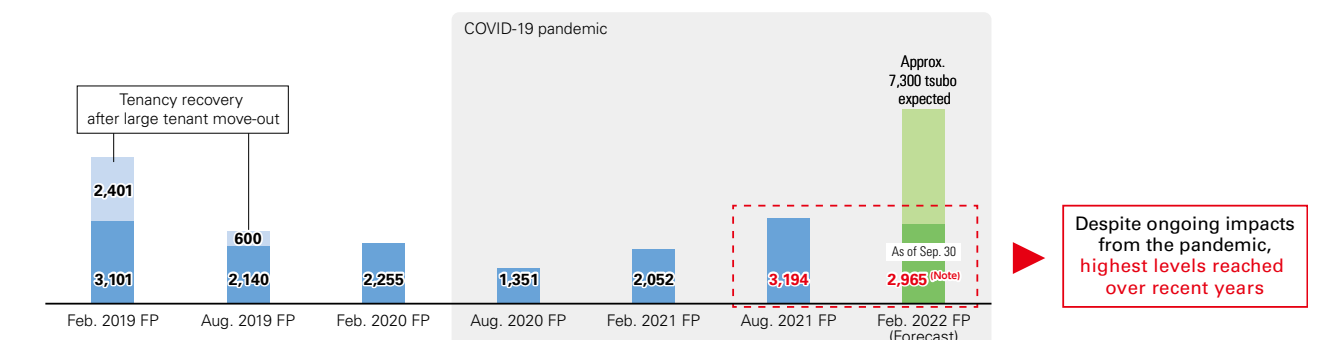


Forecast move-out risks associated with large-scale sections and remote work



Move-ins: Despite ongoing impacts from the pandemic and declarations of states of emergency, new contracts have reached their highest levels over recent years.

Changes in move-in floor area (Tsubo)



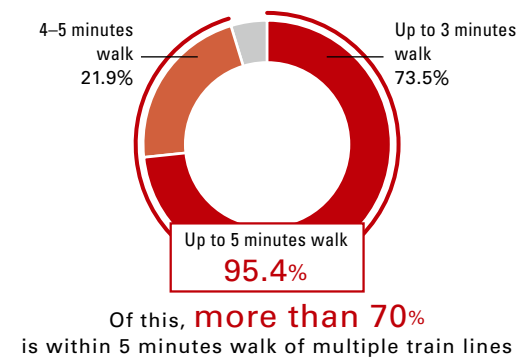
(Note) The figure shows floor area for which is contracted or NMF received applications for occupancy.

Reasons for move-in (Aug. 2021 FP)

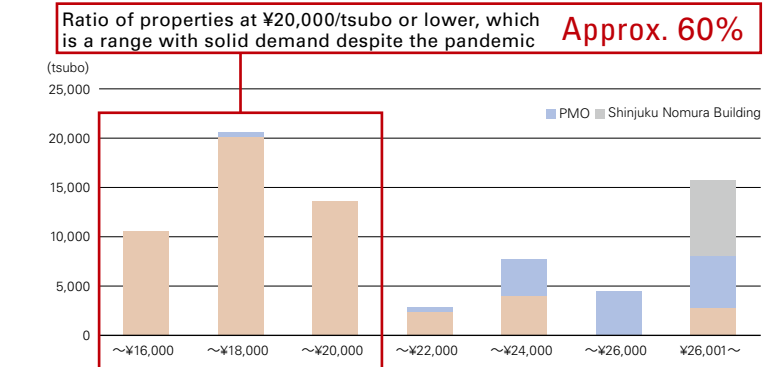
Among new tenants moving in, approximately 85% have positive reasons	Total move-ins for August 2021 FP:	47	3,194 tsubo
	Number of above with positive reasons:	40	2,723 tsubo
	(increased floor area, new facility, improved location and specifications)		
	Number of above with other reasons:	7	470 tsubo

Portfolio was composed mainly of rental properties with high transportation convenience, and solid demand despite the pandemic.

Minutes walk to nearest station (Greater Tokyo area) (Note 1)



Distribution of average rents in Greater Tokyo area (Note 2)



<PMO> Achieved steady contract progress and rent increases against the backdrop of high marketability.

Leasing results for August 2021 FP

New move-ins	975 tsubo
Rent changes rate	+7.8%

Leasing progress for February 2022 FP

New move-ins (planned)	764 tsubo	(As of September 30, including applications completed)
Rent changes rate	+16.1%	(Contracted sections only)

Aiming to improve occupancy rates by meeting the positive needs of tenants, which are increasing, and through property competitiveness and flexible leasing. (Period-average occupancy rate for August 2021 FP: 97.3% (actual) => Expected rate for February 2022 FP: 97.4% (end of period occupancy rate: 98.3%)) (Note 3) Aiming to achieve positive growth for average rents as well by taking advantage of the rent gap.

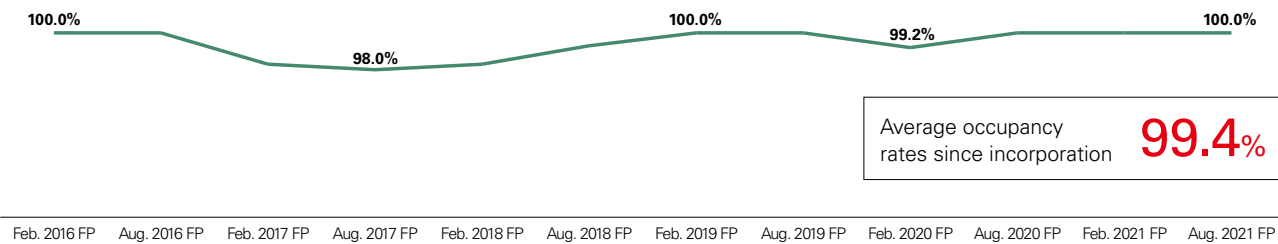
(Note 1) Calculated based on the ratio of leasable area. (Note 2) Total leasable areas shown are based on average price per tsubo ranges of owned properties. (Note 3) Period-average occupancy rate is calculated based on the floor area subject to move-ins and move-outs assumed in the earning forecast.

Internal Growth -Management Status-

Logistics

Achieved continuous high occupancy, and rent increases when re-contracting, against the backdrop of active logistics demand even during the pandemic.

Changes in period-average occupancy rates



Leasing progress for sections with expired leases

Sections with expired leases for August 2021 FP: 18,273 tsubo

100% contracted

Sections with expired leases for February 2022 FP: 15,970 tsubo

100% contracted or under offer

Examples of rent increases when contracting

▶ Tenant with expired lease during August 2021 FP
Landport Kashiwa Shonan I: Approx. 14,800 tsubo

Of two tenants with leases expiring, re-contracted to lease one building with one tenant after improving economic conditions.

Rent increase rate: **+6.8%**

* Comparison of nominal average rents without consideration of shortened rent-free periods



▶ Tenant with expired lease during February 2022 FP
Landport Itabashi: Approx. 4,600 tsubo

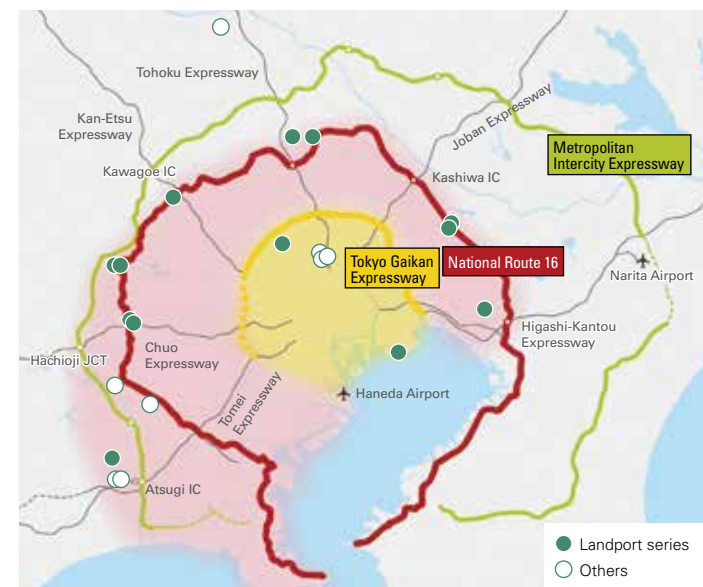
Re-contracted with one tenant with a lease expiring after improving economic conditions.

Rent increase rate: **+4.0%**



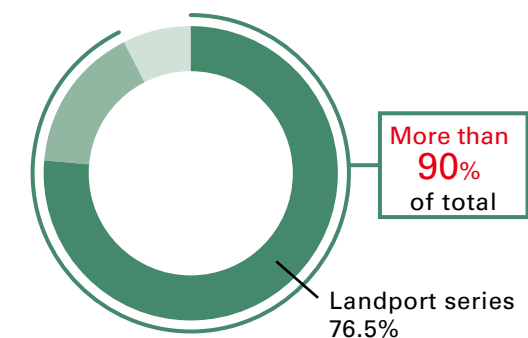
Logistics portfolio map (Greater Tokyo area)

Logistics portfolio is generally distributed along National Route 16 and the Tokyo Outer Ring Road, which are areas of solid demand



(Note) Properties with total floor space of 10,000 m² or more, distance between pillars of 10 m or more, ceiling height of 5.5 m or more for the majority of floors, and floor weight capacity of 1.5 t/m² or more.

Ratio of advanced logistics facilities (Acquisition price base)



Changes in vacancy rates by area on the market

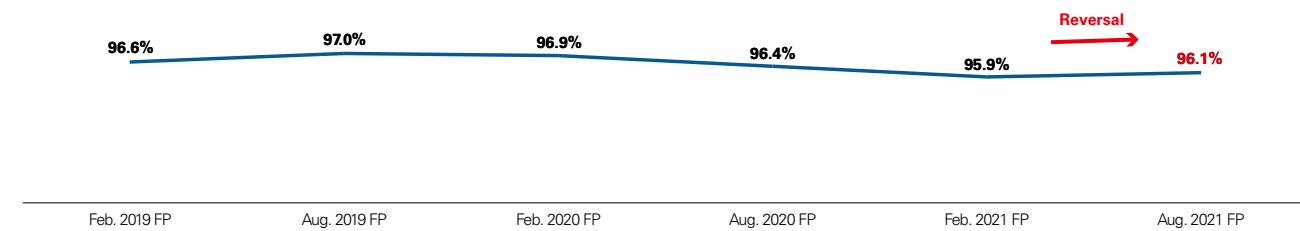
Area	Mar. 2017	Mar. 2018	Mar. 2019	Mar. 2020	Mar. 2021
Tokyo Outer Ring Road area	2.6%	2.5%	0.7%	0.4%	1.6%
National Route 16 area	4.1%	4.4%	4.0%	0.3%	0.0%
Metropolitan Intercity Expressway area	19.8%	18.9%	12.2%	0.6%	3.1%

Source: "Japan Logistics MarketView" published by CBRE

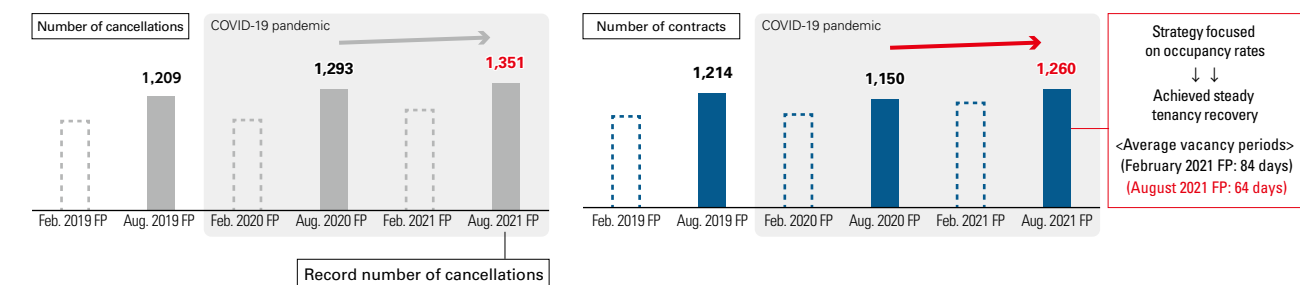
Residential

Despite increased number of cancellations, occupancy rates increased through a flexible leasing strategy, and positive rent growth was achieved in total for tenant replacements and renewals.

Changes in period-average occupancy rates

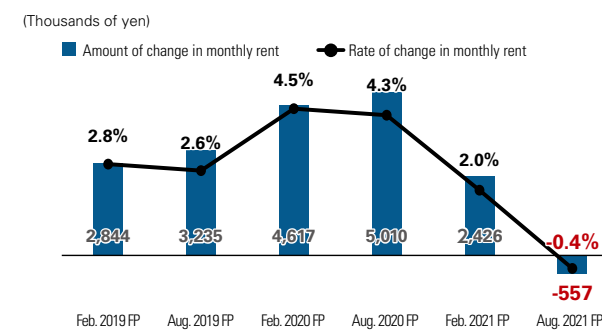


Changes in number of lease cancellations (Note)

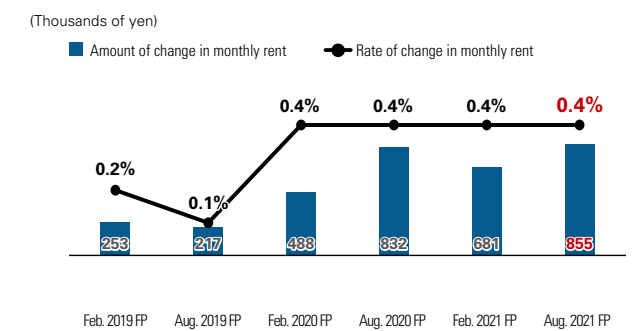


(Note) The number of contracts and cancellations is affected by the seasons, so figures are for August FP each year.

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



Rate of change in monthly rent at renewals



Succeeded in lifting the occupancy rates for single-type properties in central Tokyo (Note), which was a priority issue. Continued to raise rents at replacements for family-type properties and in areas that were relatively strong outside the 23 wards of Tokyo.

Single-type property occupancy rates and rent increase rates at replacements in the 23 wards within Tokyo

Area	Feb. 2018, 2019, 2020 FP average	Feb. 2021 FP Period-average	Aug. 2021 FP Period-average	Occupancy rate difference	August 2021 FP replacement rent increase rate
5 central wards of Tokyo	97.9%	94.8%	95.8%	+1.0%	-0.3%
Jonan area	97.4%	95.5%	96.2%	+0.7%	-0.7%
Other wards	97.5%	96.4%	96.2%	-0.2%	+0.4%

Through leasing strategy focused on occupancy rates: Increased occupancy rates dramatically

Despite targeting both rents and occupancy rates, occupancy rates declined due to the spreading impact of COVID-19.

For single-type properties, switched to a focus on occupancy rates in the other wards as well, while aiming to maximize cash flow.

(Period-average occupancy rate for August 2021 FP: 96.1% (actual) ⇒ Expected rate for February 2022 FP: 96.2% (forecast)

(Note) Properties with average area per dwelling of less than 30 m².

Internal Growth -Management Status-

Retail

Despite ongoing impact of the sale of tenants, there was only limited impact on retail sector revenue.

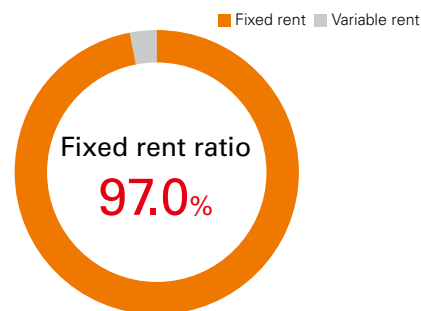
Sales status for each facility type

- Sales of facilities located in residential areas remained as strong as previously.
- Sales of retail facilities near stations stagnated (mainly restaurant tenants) due to the prolonged request for shortened operating hours, etc.

<Sales status (Change from same month of 2019)>

	Kinds	Year 2021 (change from the results of 2019)						Major Tenant
		Mar.	Apr.	May	Jun.	Jul.	Aug.	
Summit Store Honamanuma	residential areas	113%	119%	138%	136%	132%	135%	Food supermarket
Summit Store Mukodaicho (only summit)	residential areas	95%	98%	101%	97%	108%	110%	Food supermarket
Recipe SHIMOKITA	near stations	89%	95%	98%	85%	88%	91%	Retail/Services
nORBESA	near stations	57%	56%	40%	33%	61%	33%	Restaurant/Retail/Services
Universal CityWalk Osaka	near stations	46%	26%	1%	21%	39%	28%	Restaurant/Retail
GEMS total	near stations	43%	40%	33%	31%	34%	27%	Restaurant

Rent composition for overall retail portfolio (Note 1)



The majority was comprised of fixed rents, so rents linked to sales were very limited.

Occupancy rate status (As of August 31, 2021)

Overall retail sector: 97.9%
Retail facilities near stations: 93.7%

Occupancy rates based on fixed rents maintained a high level.

Rent revenue comparison before/after arrival of COVID-19

February 2020 FP (before COVID-19): ¥6,103 million

(Breakdown)
Temporary rent reduction/exemption: -280 (-4.6%) -¥582 million
Variable rent reduction: -151 (-2.5%) (-9.5%)
Cancellations, etc.: -150 (-2.5%)

Excluding temporary rent reductions/exemptions and variable rent reductions, the impact of cancellations was very limited.

August 2021 FP: ¥5,520 million (Note 2)

(Note 1) Calculated based on rents in February 2020 FP.
(Note 2) Based on 50 properties owned as of February 2020 FP.

Succeeded in attracting tenants that see opportunities in the current market to open stores even during the pandemic.

Achieved good results even for restaurant tenants through property competitiveness and a flexible leasing strategy.

New leasing status (Facilities located near stations)

New contracts for August 2021 FP increased by five contracts period-to-period by attracting services tenants.

	February 2021 FP	August 2021 FP
Number of new contracts	3 cases	8 cases (+5 cases)
Offices: 1		Services: 4
Retail: 1		Retail: 2
Restaurants: 1		Restaurants: 2

Example of leasing with services tenant with strong performance



nORBESA F3 68.57 tsubo Restaurant tenant
Services tenant (beauty salon)
Rate of rent increase upon tenant replacement: +4.7%

Trends among restaurant tenants (E.g., GEMS Ichigaya, expiration of fixed term lease)



(Status of negotiations with tenants whose fixed term lease expires)
Planned fixed term lease expirations for February 2022 FP

8 floors in total

Intention to re-contract (rent deferral planned) + Move-in demand from companies related to re-contracting tenant

7 floors in total

(Left: Background to tenant intention)

Property has high competitive advantage

- Located with good access: 3 minutes walk to Ichigaya Station, 5 minutes walk to Kojimachi Station
- High visibility, located on a corner block on Nippon TV Dori

Temporary rent reduction to cover impact of pandemic

- Rent deferral represents a rent reduction for the time being. Economic support (rent-free, interior furnishings, etc.) proposed

Hotels

Completed rebranding, etc. with a focus on stable operations and securing revenue after the end of the pandemic.

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

Changed operator and rebranded, and reopened on July 5, 2021



Tenant	GREENS Co., LTD.
Contract period	10 years (fixed-term)
Monthly rent	First 1-2 years: fixed rent
	From 3rd year: fixed rent + variable rent(GOP-linked)
	The rent level is expected to be the same as or above the previous level after demand recovers to pre-pandemic levels.

Hotel Vista Sapporo Odori

Progress of the civil rehabilitation

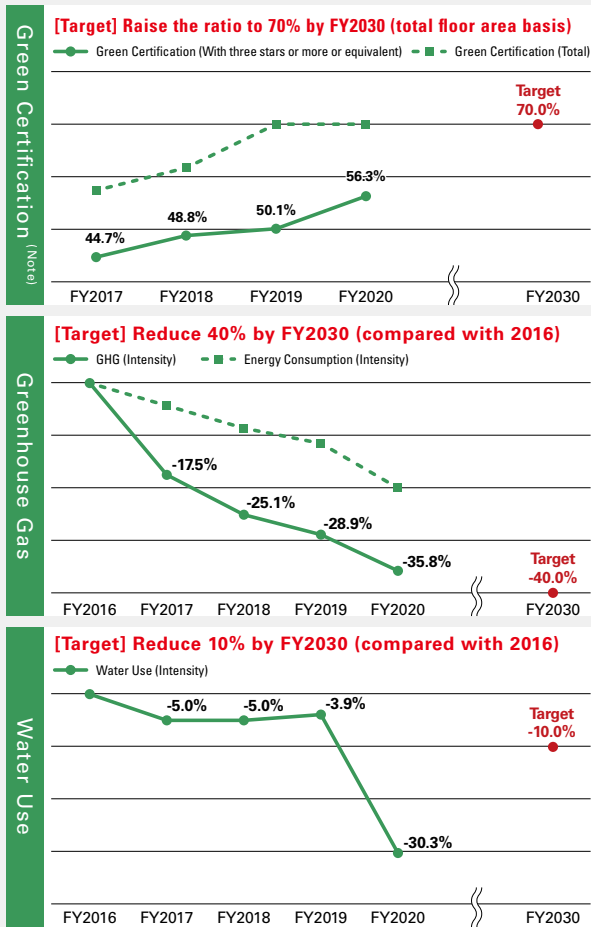
- Secured approval of rehabilitation schedule on September 14, 2021 (effective).
- Plan to complete repayment of rehabilitation receivables, and complete all proceedings, by October 31, 2021.

Operator	VISTA HOTEL MANAGEMENT CO., Ltd.
Monthly rent	fixed rent + variable rent (GOP-linked)
	While implementing a stepped rent reduction for a certain period, lowered variable rent interest rate in anticipation of recovery after return of demand.

ESG Measures

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

ESG Measures (E: Environment)



Implemented a variety of capital investments in owned properties to reduce their environmental impact
(The examples below are from the 12th FP)

- (1) Saving Energy with LED Lighting**
 - NRE Yotsubashi Building
 - PMO Higashi-nihonbashi
 - NRE Nishi-Umeda Building
 - Kawaguchi Logistics Center A Tower
 - Landport Hachioji
 - Yokosuka More's City
 - PRIME URBAN Shinagawa Nishi
 - PRIME URBAN Toyosu

<Energy reduction by work in the 12th FP>
-446 MWh/year (approx.-39.0%)
- (2) Saving Energy by Upgrading Air-Conditioners**
 - NMF Shinjuku EAST Building
 - NMF Hakata Ekimae Building
 - Kawaguchi Ryoke Logistics Center
 - Yokosuka More's City

<Energy reduction by work in the 12th FP>
-854 MWh/year (approx.-13.9%)
- (3) Saving Water by Upgrading Toilets**
 - NRE Osaka Building

<Water use reduction by work in the 12th FP>
-4,262 KL/year (approx.-54.0%)

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

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

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

ESG Measures (S: Society)

Measures to improve tenant satisfaction
Offered new services for residents at owned residential properties
Bicycle sharing --- Improves transportation convenience and addresses lack of exercise from working from home.
Mobile stores --- Provides quality foodstuff, meals, etc. close to home to help residents enrich their time at home.



Provided venue for workplace vaccinations against COVID-19
Nomura Real Estate Holdings, Inc. provided a venue for workplace vaccinations for Group directors, employees, Shinjuku Nomura Building tenants, and their families, at Nomura Conference Plaza on the second floor of the building.



Initiatives for resilience against natural disasters
System for distributing information on estimated seismic intensity
Based on the seismic intensity information provided by National Research Institute for Earth Science and Disaster Resilience, NMF can utilize a 250 meter mesh to estimate seismic intensity in each area where owned properties are located and distribute that information, together with information of estimated damage to NMF properties, by email.
Understanding the status of individual properties at an early stage enables rapid first response.



System for distributing emails warning of risk of flood inundation
Based on rainfall information, altitude data and drainage capacity information gathered from government institutions by CTI Engineering Co., Ltd., together with positional information on NMF owned properties, NMF can predict flood inundation and distribute risk information by email.
Understanding the status of individual properties at an early stage enables rapid first response.



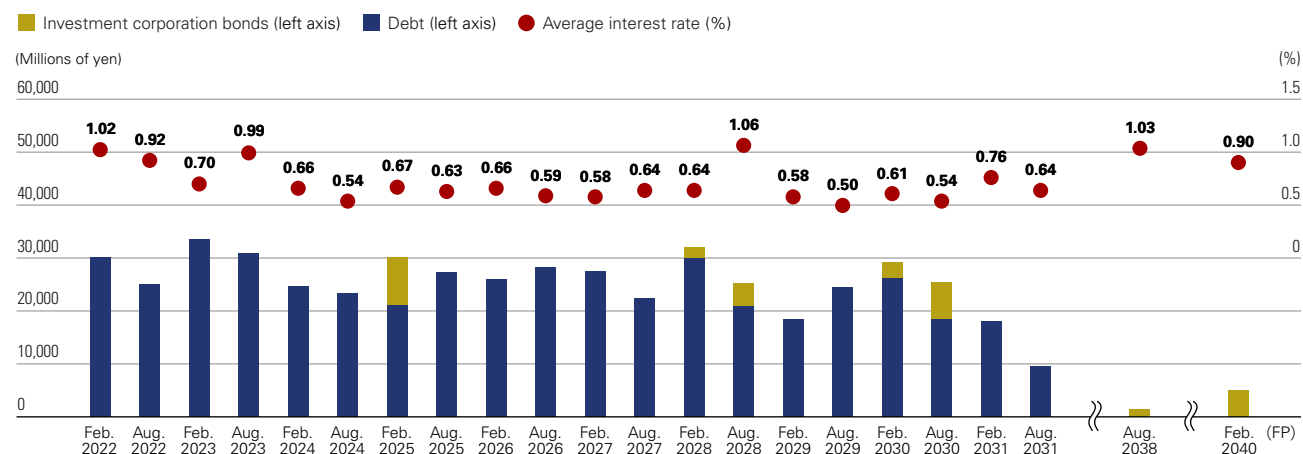
Financing Status

Pursuing low interest rates and prolonged borrowing periods through refinancing.

Status of Interest-Bearing Debt (As of end of fiscal period)

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

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



Refinancing during August 2021 FP

Repayment Overview (Note 1)	
Total amount of repayment	¥28,650 million
Average interest rate	1.19%
Average remaining duration	6.7 years

Refinancing Overview (Note 2)	
Total amount of refinancing	¥28,650 million
Average interest rate	0.49%
Average remaining duration	8.1 years

Scheduled Repayment during February 2022 FP

Scheduled Repayment (Note 3)	
Total amount of repayment	¥30,025 million
Average interest rate	1.02%
Average remaining duration	6.6 years

(Note1) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate at the time of repayment. Excluding ¥42.8 million in contractual repayment.

(Note2) Average interest rate and average remaining duration are those at the time of refinancing.

(Note3) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate as of the end of August 2021. Excluding ¥42.8 million in contractual repayment.

Credit Ratings

Credit Rating Agency	Rating Description
Japan Credit Rating Agency, Ltd. (JCR)	Long-term issuer rating: AA
Rating and Investment Information, Inc. (R&I)	Issuer rating: AA-

Financial Statement Highlights

Revenues decreased due to COVID-19, but distributions were achieved as forecast as a result of external and internal growth, reversal of internal reserves, etc.

DPU for Aug. 2021 FP is ¥3,288, down ¥42 (-1.3%) from the Feb. 2021 FP results

(Millions of yen)

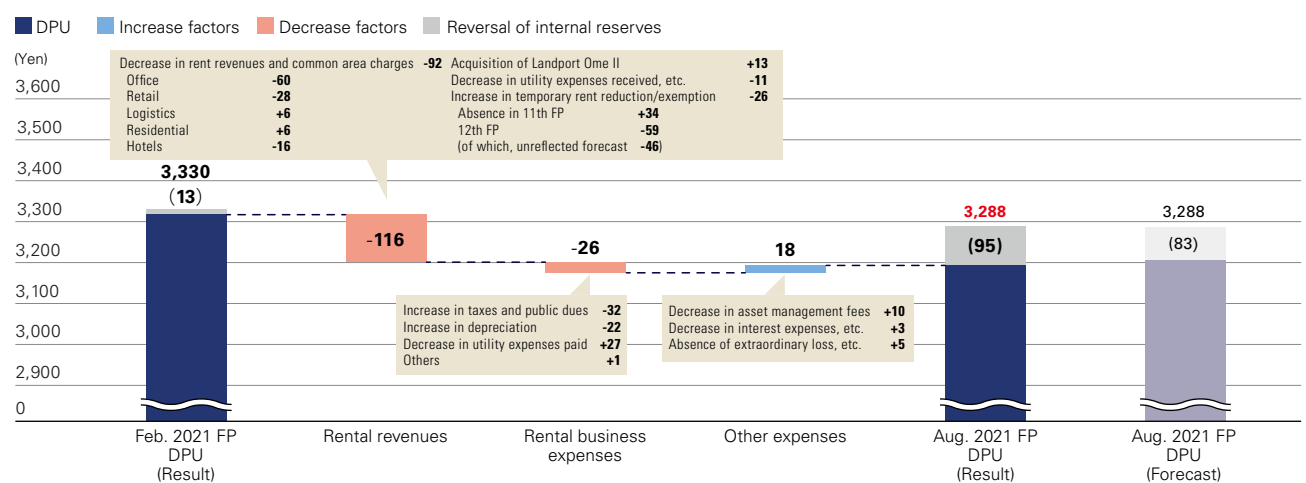
	Ended Feb. 28, 2021 (11th FP)	Ended Aug. 31, 2021 (12th FP)	Differences (B) - (A)
Operating Revenue	38,064	37,519	-545
Rental revenues	35,172	34,679	-493
Other rental revenues	2,892	2,839	-52
Operating Expenses	22,693	22,777	84
Rental business expenses	15,973	16,097	123
Repair expenses	1,510	1,531	20
Tax and public dues	3,110	3,263	153
Depreciation and amortization	5,482	5,586	103
Others	5,869	5,715	-154
Loss on sales of real estate	6	-	-6
Asset management fees	3,441	3,394	-47
Amortization of goodwill	2,622	2,622	-
Other operating expenses	649	663	14
Operating Income	15,370	14,741	-629
Non-operating Revenues	2	4	1
Non-operating Expenses	2,324	2,310	-14
Interest Expenses and other financial costs	2,312	2,297	-14
Other non-operating expenses	12	12	-0
Ordinary Income	13,048	12,435	-613
Extraordinary Loss	-31	-	31
Net Income	13,016	12,434	-582
(Net Income excluding realized gain)	(13,022)	(12,434)	(-588)
Distribution of Earnings a	13,018	12,433	-584
Distribution in Excess of Earnings b	2,682	3,069	386
Total Distributions a+b	15,701	15,503	-198
Internal Reserves	-62	-447	-384
(Total Internal Reserves)	(3,138)	(2,691)	(-447)
			(Yen)
DPU	3,330	3,288	-42
Distributions of earnings per unit	2,761	2,637	-124
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	374	387	13
Distributions in excess of retained earnings per unit [other distributions in excess of earnings]	195	264	69
			(Millions of yen)
Total Assets	1,196,357	1,192,507	-3,850
Interest-bearing debt	517,841	517,798	-42
LTV	43.3%	43.4%	0.1%
Market capitalization	752,074	800,169	48,095
NOI	27,573	27,008	-565
FFO	21,167	20,651	-515

Main Factors Accounting for Differences Between the 11th Results and the 12th Results

(Millions of yen)

Operating Revenue	-545
Rental revenues	-493
Rent and common area charges (of which, absence of rent reduction/exemption in 11th FP +159, rent reduction/exemption in 12th FP -280)	-556
Impact of acquisition	63
Other rental revenues	-52
Increase in utility expenses received	-217
Increase in cancellation penalty fee, etc.	165
Operating Expense	84
Rental Business Expenses	123
Decrease in utility expenses paid	-129
Increase in depreciation	103
Increase in taxes and public dues	153
Increase in other expenses	-3
Asset management fees/Other operating expenses	-39
Non-operating Expenses	-14
Interest Expenses and other financial costs	-14
Extraordinary gain and loss	31
Absence of extraordinary loss in 11th FP	31
Net Income	-582
Absence of 11th FP's reversal of internal reserves	-62
12th FP's reversal of internal reserves (assuming earnings forecast announced April 2021)	393
(partial cover of temporary rent reduction/exemption for restaurant tenants)	53

Main Factors in Change of DPU (yen/unit)



Market Review

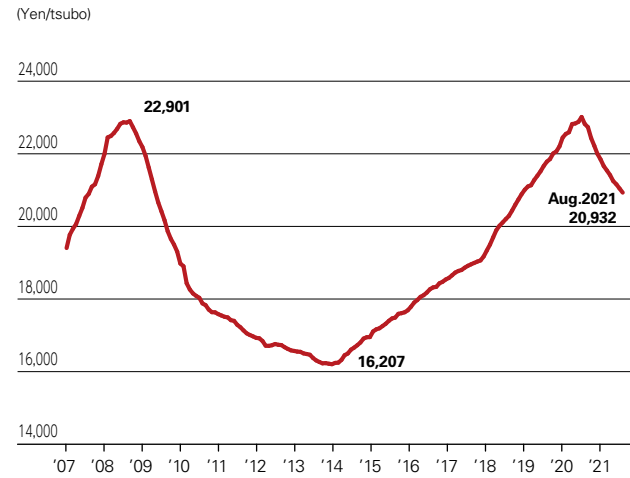
Office

Vacancy Rate (Tokyo Central Five Wards)



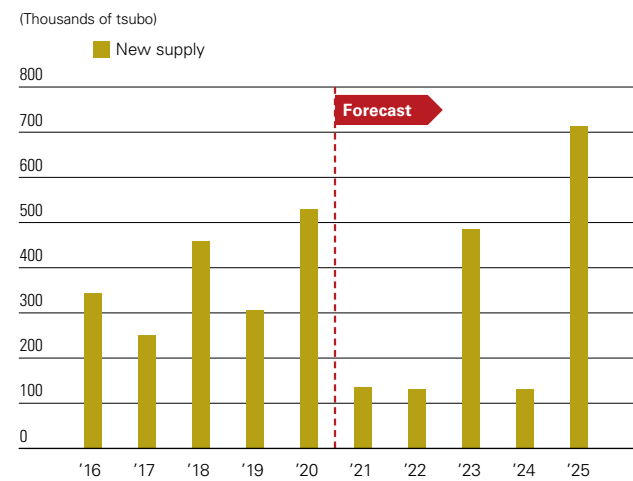
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Average Monthly Rent (Tokyo Central Five Wards)



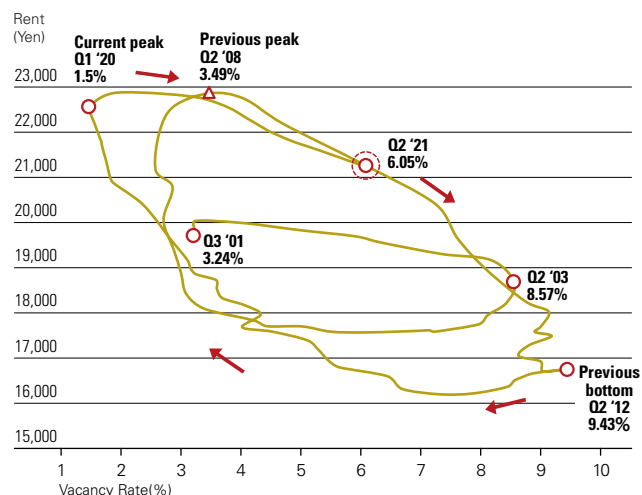
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Supply of Office Buildings (Tokyo Central Five Wards)



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

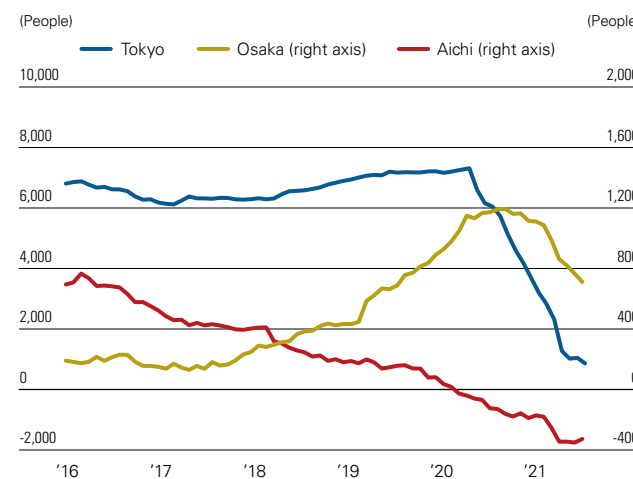
Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



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

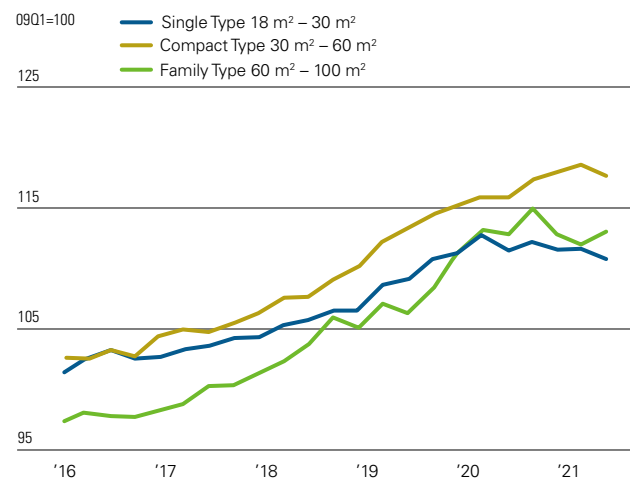
Residential

Net Population Inflow (12-month moving average)



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

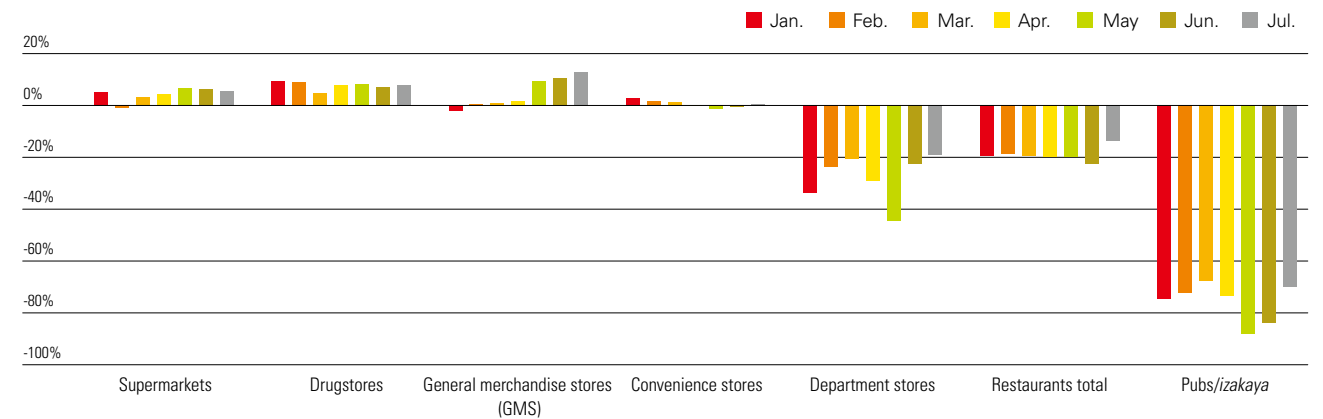
Rental Condominium Rent Index (Tokyo's 23 Wards)



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

Retail

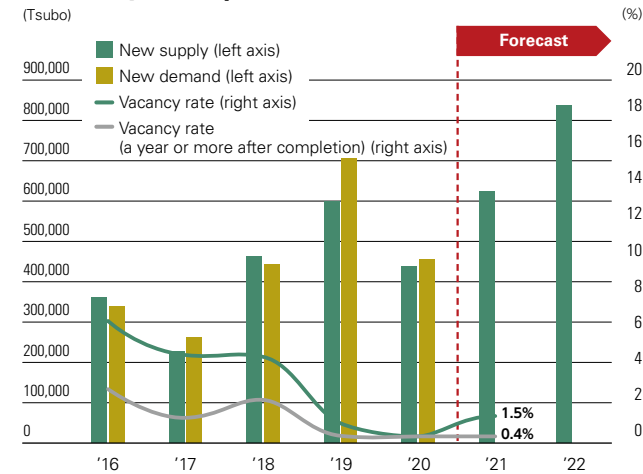
Retail and Restaurant Sales Volume by Store Type Year-on-Year Change (2019 to 2021)



Source: Prepared by NREAM based on data from the Ministry of Economy, Trade and Industry and various organizations in the respective industries
Note: The figures represent change from the same month in 2019 in nationwide sales, partially including preliminary figures. Drugstores, restaurants total, and pubs/izakaya are on an all-shops basis. All others are on an existing-shop basis.

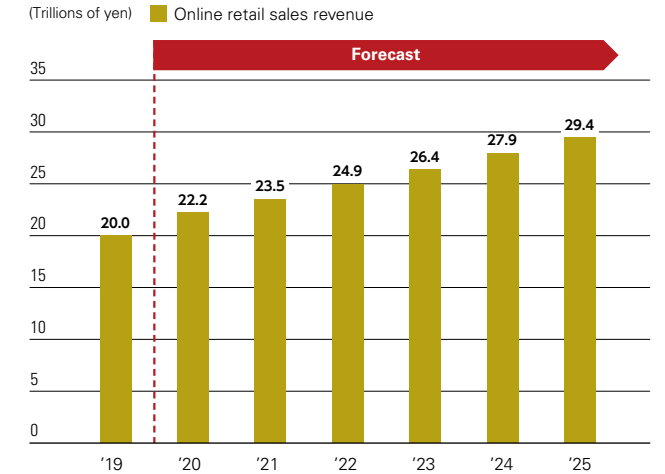
Logistics

Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area as of June 30, 2021



Source: Prepared by NREAM based on data from CBRE

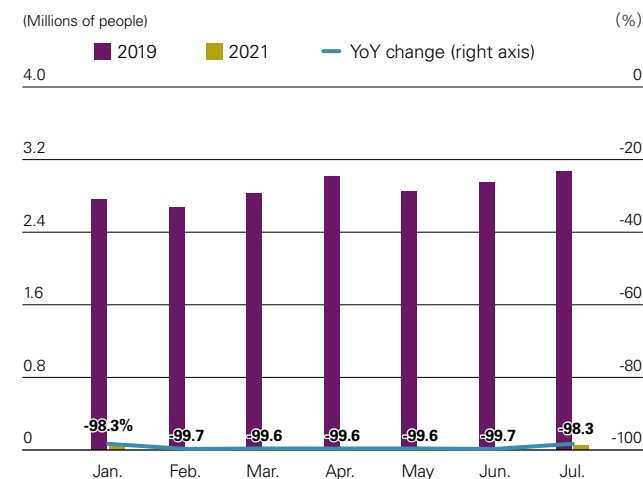
Japanese Ecommerce (B2C) Market



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

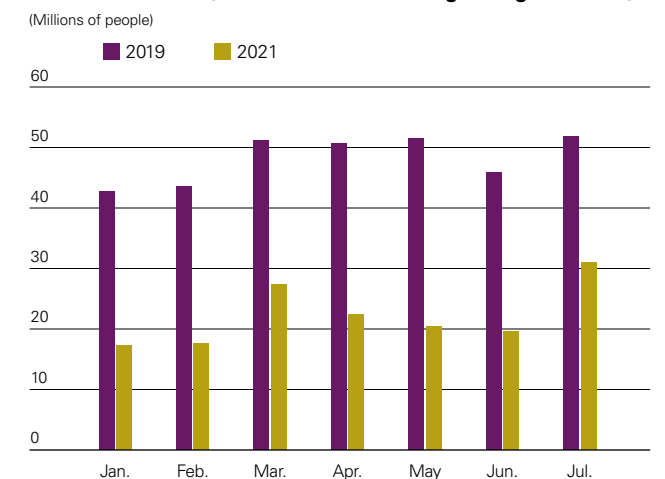
Hotels

Foreign Visitor Arrivals Year-on-Year Comparison of 2019 and 2021



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

Total Number of Overnight Guests Year-on-Year Comparison of 2019 and 2021 (Nationwide, including foreign visitors)



Source: Prepared by NREAM based on data from the Japan Tourism Agency
Note: Preliminary figures are included.

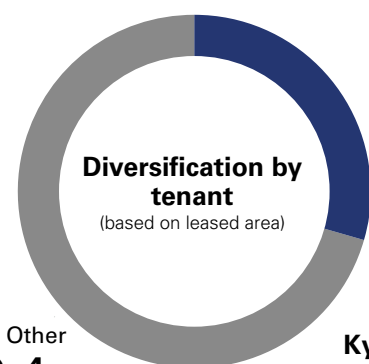
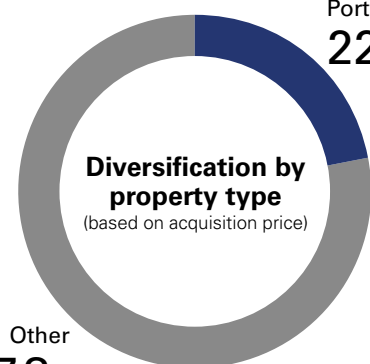
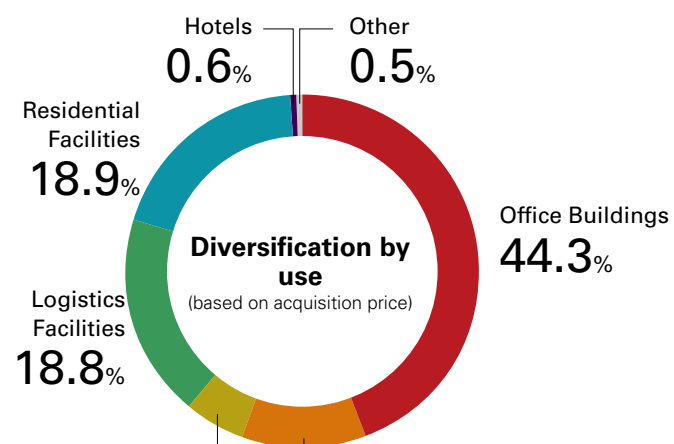
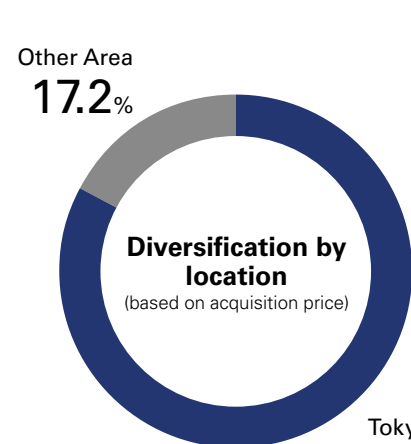
Portfolio Analysis (As of Aug. 31, 2021)

NUMBER OF PROPERTIES

ASSET SIZE

OCCUPANCY RATE

299 properties ¥1,068,409 million 98.1%

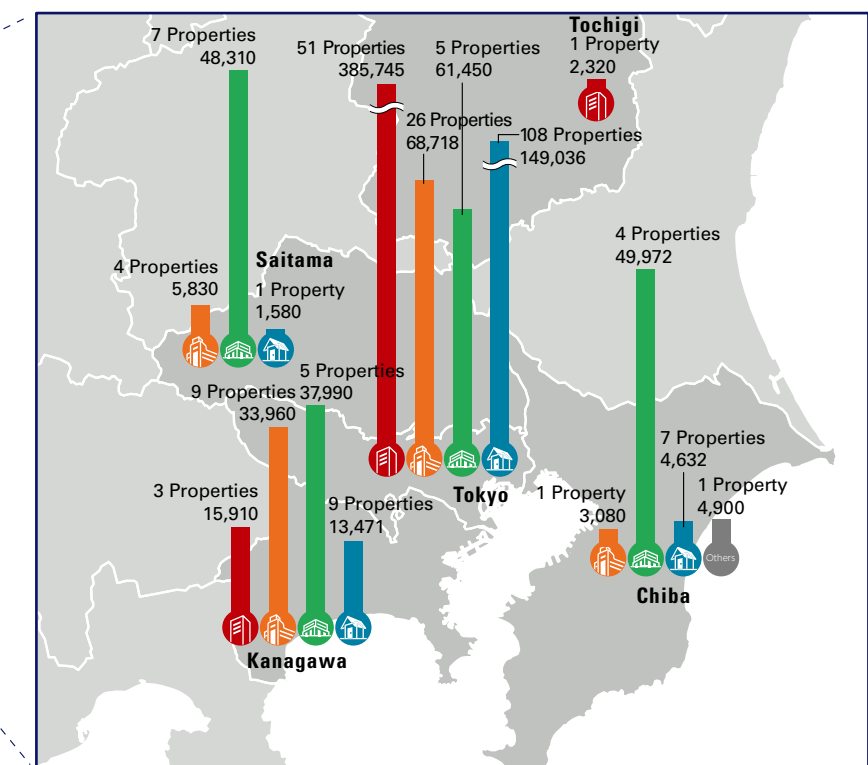


Portfolio Distribution (Property locations in Japan, millions of yen)



- Office
- Residential
- Retail
- Hotels
- Logistics
- Others

	Tokyo Area	Other Areas
Office	54 Properties	14 Properties
Retail	40 Properties	11 Properties
Logistics	21 Properties	1 Property
Residential	125 Properties	30 Properties
Other	1 Property	2 Properties
Total	241 Properties	58 Properties



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

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

Portfolio Gallery




Office

TOP 3 Properties (Acquisition price)

<p>1</p> <p>NEC Head Office Building</p> <p>Location: Minato Ward, Tokyo Acquisition price: ¥44,100 million Total floor area: 144,476.05 m²</p> 	<p>2</p> <p>Shinjuku Nomura Building</p> <p>Location: Shinjuku Ward, Tokyo Acquisition price: ¥43,900 million Total floor area: 117,258.88 m²</p> 	<p>3</p> <p>Kojimachi Millennium Garden</p> <p>Location: Chiyoda Ward, Tokyo Acquisition price: ¥26,700 million Total floor area: 16,050.53 m²</p> 
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Retail

TOP 3 Properties (Acquisition price)

<p>1</p> <p>Universal CityWalk Osaka</p> <p>Location: Osaka City, Osaka Acquisition price: ¥17,639 million Total floor area: 17,769.42 m² (latest figure)</p>  <p><small>Universal elements and all related indicia TM & © 2019 Universal Studios. All rights reserved. CR19-3956</small></p>	<p>2</p> <p>Yokosuka More's City</p> <p>Location: Yokosuka City, Kanagawa Acquisition price: ¥13,640 million Total floor area: 40,030.08 m² (latest figure)</p> 	<p>3</p> <p>Nakaza Cui-daore Building</p> <p>Location: Osaka City, Osaka Acquisition price: ¥11,600 million Total floor area: 8,280.08 m²</p> 
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PMO Higashi-Shinbashi
Location: Minato Ward, Tokyo
Total floor area: 3,430.06 m²



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



PMO Hatchobori III
Location: Chuo Ward, Tokyo
Total floor area: 2,051.35 m²



GEMS Shinbashi
Location: Minato Ward, Tokyo
Total floor area: 1,478.44 m²



Recipe SHIMOKITA
Location: Setagaya Ward, Tokyo
Total floor area: 8,552.53 m²



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



NRE Shibuya Dogenzaka Building
Location: Shibuya Ward, Tokyo
Total floor area: 4,463.86 m²



NRE Nishi-Umeda Building
Location: Osaka City, Osaka
Total floor area: 8,036.71 m²



NMF Nagoya Fushimi Building
Location: Nagoya City, Aichi
Total floor area: 4,954.83 m²



Summit Store Honamanuma
Location: Sugunami Ward, Tokyo
Total floor area: 2,014.36 m²



MEL Building
Location: Sendai City, Miyagi
Total floor area: 1,756.32 m²






Izumiya Senrioka
Location: Suita City, Osaka
Total floor area: 24,399.12 m²



Portfolio Gallery




Logistics

TOP 3 Properties (Acquisition price)

<p>1 Landport Urayasu Location: Urayasu City, Chiba Acquisition price: ¥17,400 million Total floor area: 71,570.64 m²</p> 	<p>2 Landport Itabashi Location: Itabashi Ward, Tokyo Acquisition price: ¥15,710 million Total floor area: 53,561.44 m²</p> 	<p>3 Landport Ome II Location: Ome City, Tokyo Acquisition price: ¥14,620 million Total floor area: 63,879.98 m²</p> 
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Residential

TOP 3 Properties (Acquisition price)

<p>1 Fukasawa House Towers H&I Location: Setagaya Ward, Tokyo Acquisition price: ¥7,140 million Total floor area: 12,135.36 m²</p> 	<p>2 Serenite Shinsaibashi Grande Location: Osaka City, Osaka Acquisition price: ¥5,567 million Total floor area: 7,794.23 m²</p> 	<p>3 PRIME URBAN Toyosu Location: Koto Ward, Tokyo Acquisition price: ¥5,290 million Total floor area: 9,630.96 m²</p> 
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Landport Higashi-Narashino

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



Landport Ome I

Location: Ome City, Tokyo
 Total floor area: 57,721.34 m²



Landport Iwatsuki

Location: Saitama City, Saitama
 Total floor area: 24,177.15 m²



PROUD FLAT Shibuya Tomigaya

Location: Shibuya Ward, Tokyo
 Total floor area: 5,079.46 m²



PROUD FLAT Asakusabashi III

Location: Taito Ward, Tokyo
 Total floor area: 1,575.38 m²



PROUD FLAT Shirokane Takanawa

Location: Minato Ward, Tokyo
 Total floor area: 3,620.46 m²



Hanyu Logistics Center

Location: Hanyu City, Saitama
 Total floor area: 24,888.67 m²



Atsugi Minami Logistics Center A Tower

Location: Atsugi City, Kanagawa
 Total floor area: 9,788.62 m²



Hirakata Kuzuha Logistics Center

Location: Hirakata City, Osaka
 Total floor area: 19,628.03 m²



PRIME URBAN Meguro Ohashi Hills

Location: Meguro Ward, Tokyo
 Total floor area: 3,658.54 m²



PRIME URBAN Sapporo Riverfront

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



PRIME URBAN Izumi

Location: Nagoya City, Aichi
 Total floor area: 9,636.50 m²



Distribution Policy

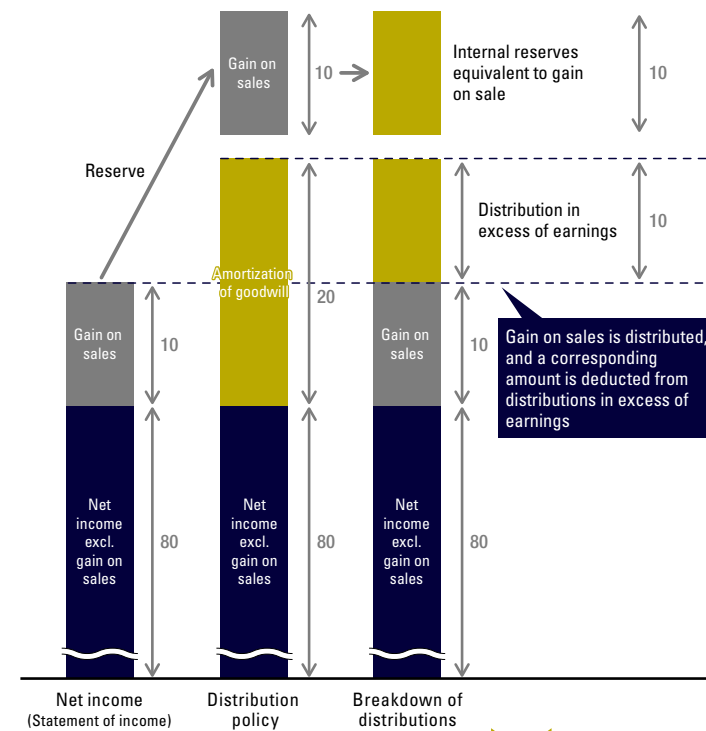
Basic Distribution Policy

Net income + amortization of goodwill



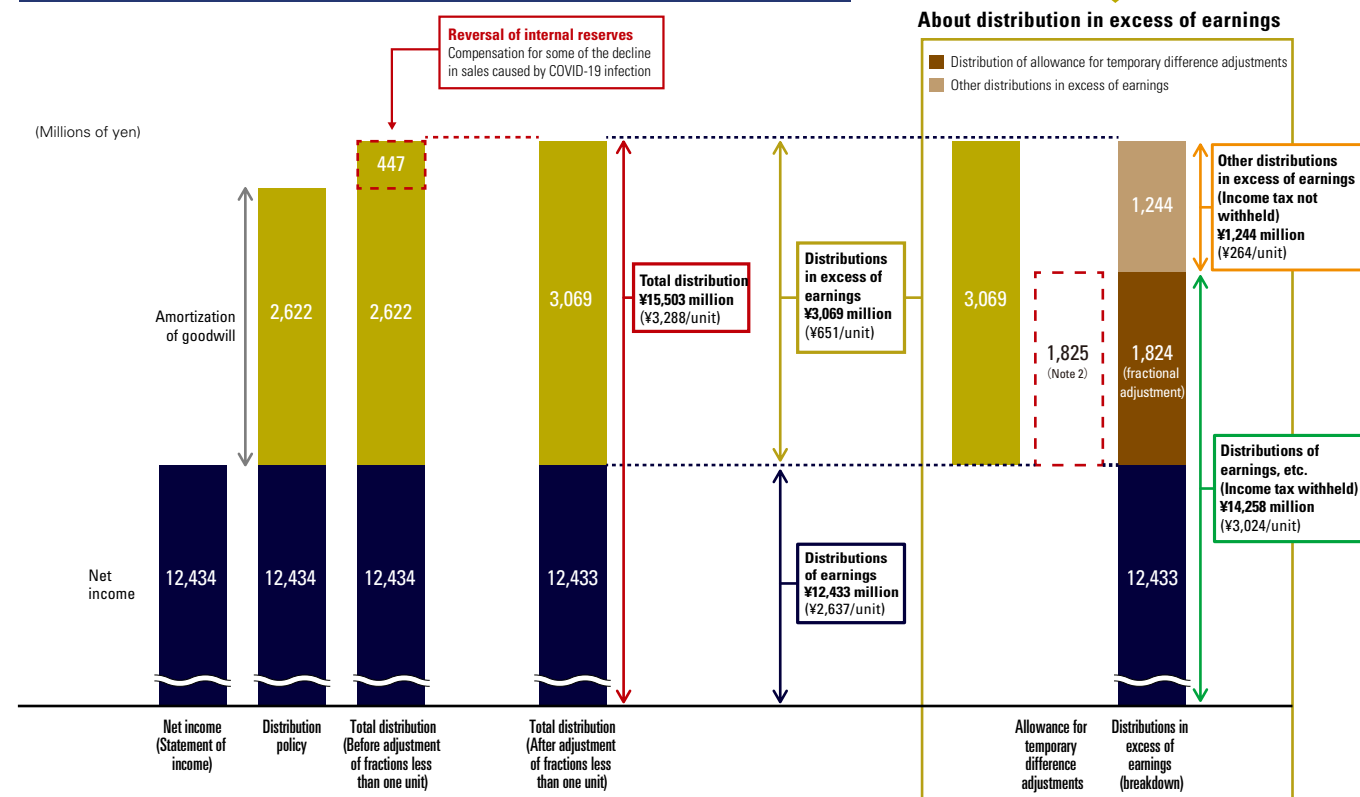
Distribution Policy for Periods with Gain on Sales

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



*Figures shown above are for illustrative purposes only

Distributions in Excess of Earnings in the 12th Fiscal Period

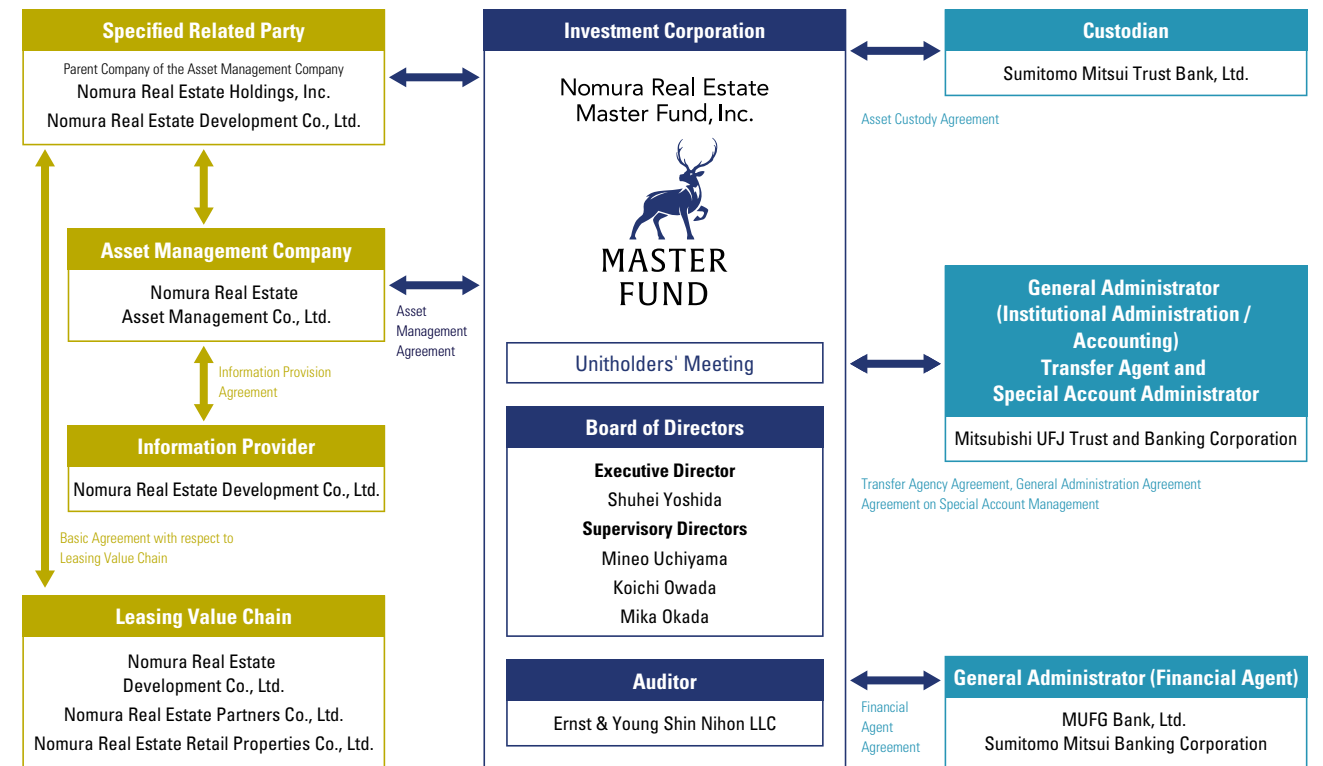


(Note 1) When there is a gain on sales, NMF's policy is, in principle, to set aside an amount equivalent to the gain that is not more than the amount of amortization of goodwill as retained earnings within the scope that will not be subject to income tax.

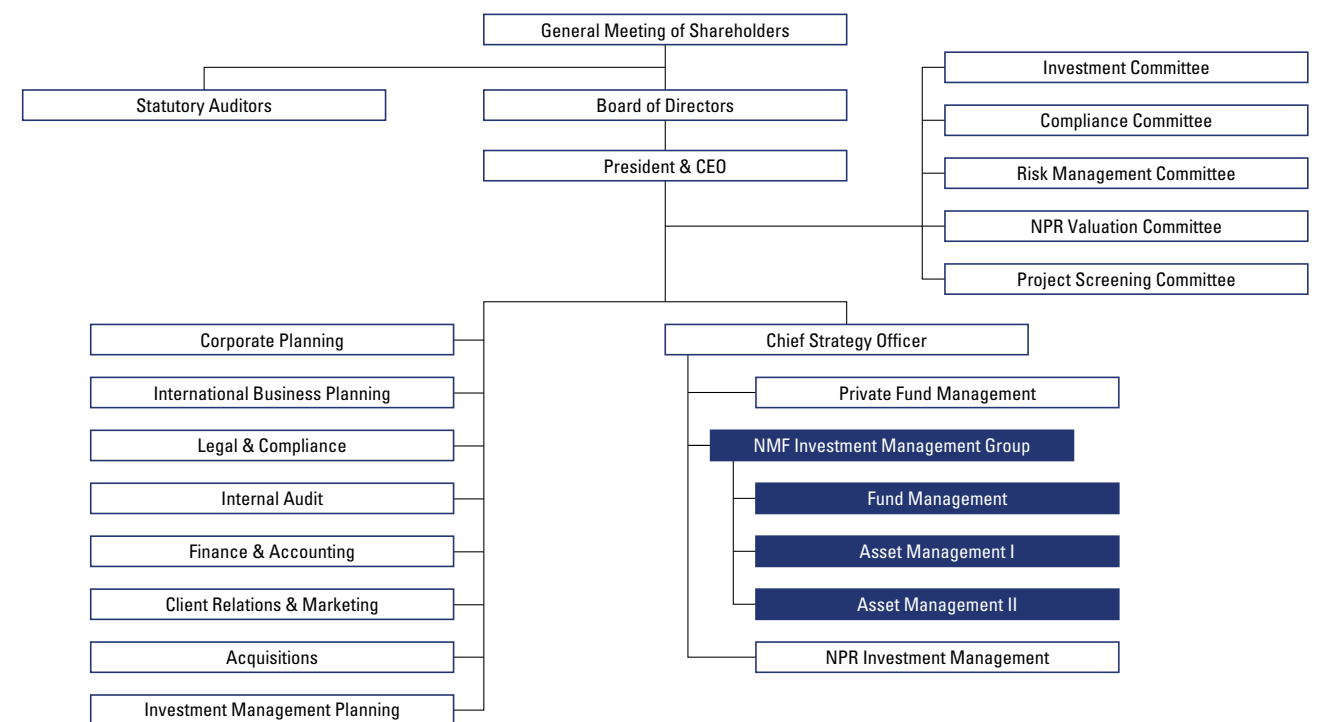
(Note 2) The amount is obtained by deducting underdepreciation, etc. (provision deduction items) attributable to the difference between depreciation in tax and accounting treatments from amortization of goodwill, etc. (provision addition items).

Structure and Organization

Structure of NMF

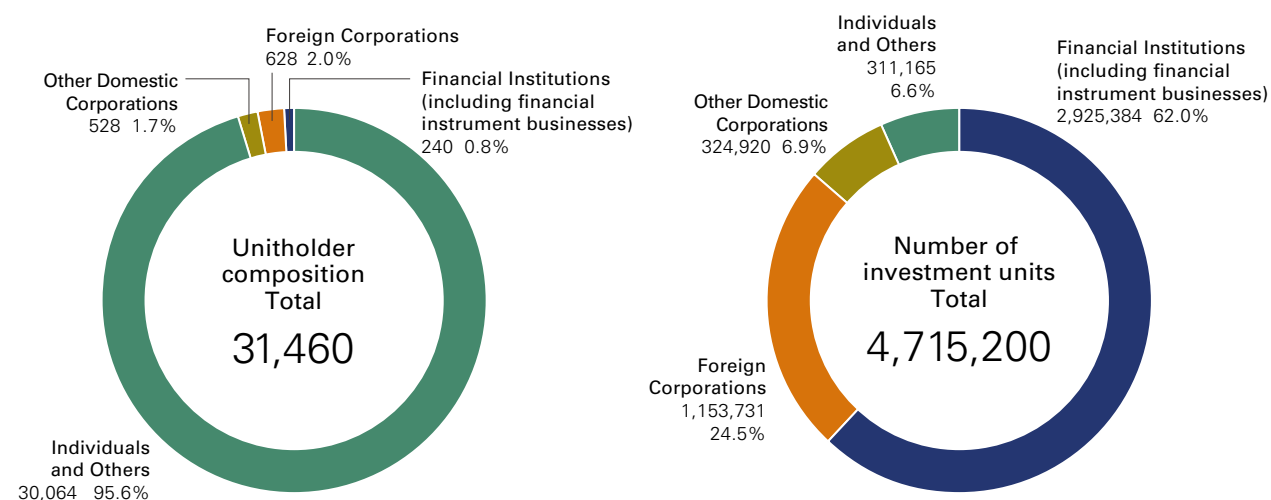


Organization of NREAM

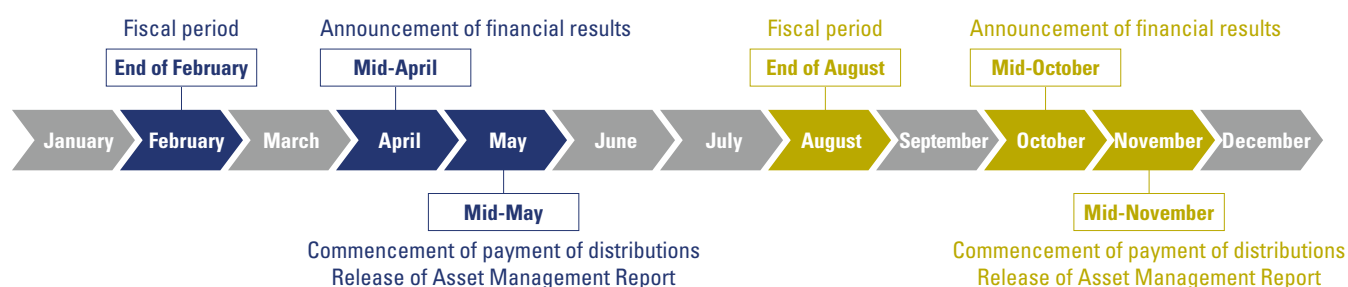


Investor Information

Composition of Unitholders



IR Calendar



Unitholder Information

The Process for Changing Your Address and Other Information

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

Distributions

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

Important Reminders for Unitholders

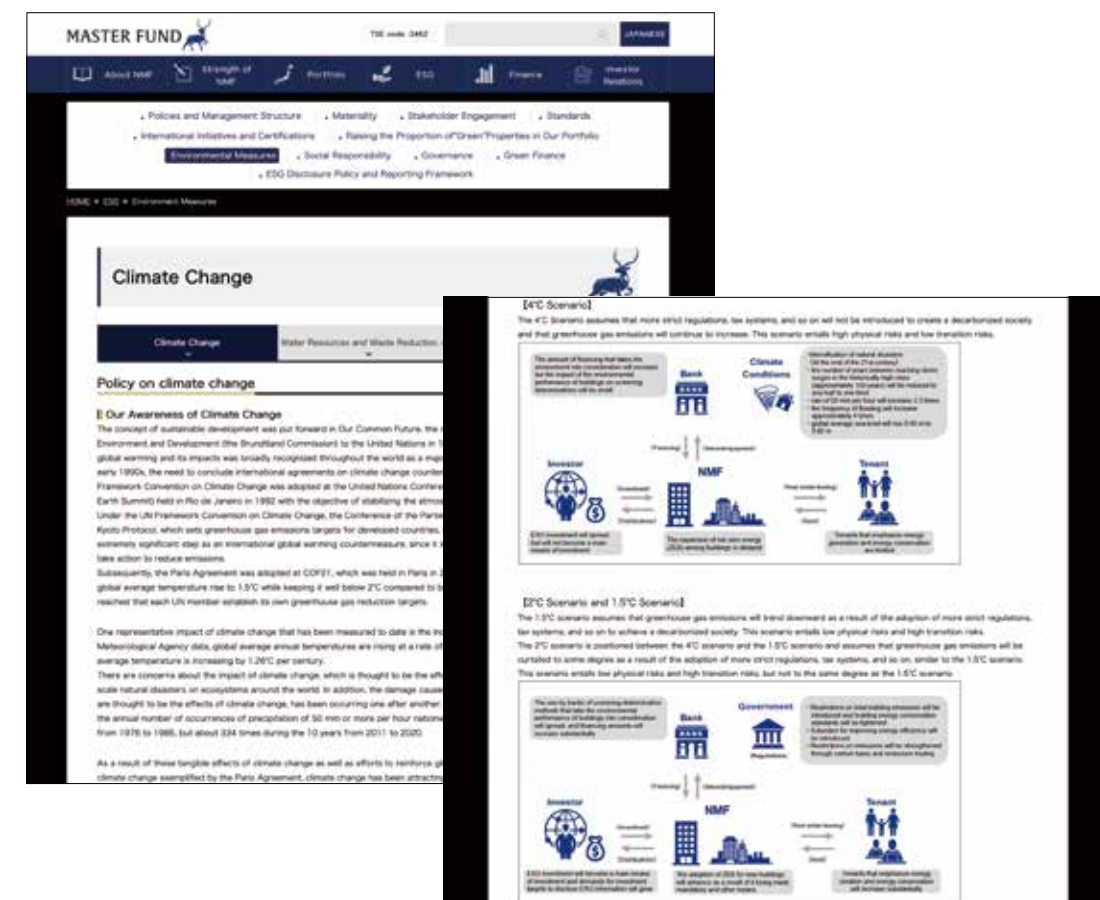
Closing dates	The last days of February and August of every year
General meeting of unitholders	At least once every two years in principle
Unitholder record date for voting eligibility	The last day of February 2017, and then the last day of February every second year or a date announced in advance
Distribution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

IR ACTIVITIES

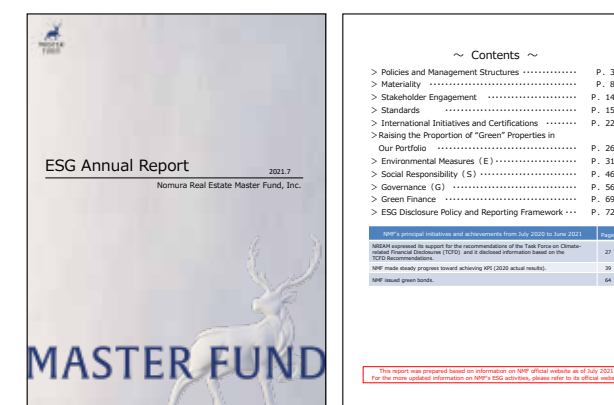
Nomura Real Estate Master Fund, Inc. - IR Activities

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

Official Website



ESG Annual Report



IR Activities

- IR tour of the financial results on Feb.2021 period for domestic institutional investors (Conducted by telephone conference)
- One-on-one IR meetings with overseas investors in North America, Europe and in Asia (Conducted by telephone conference)

BALANCE SHEET

Thousands of Yen

	As of February 28, 2021	As of August 31, 2021
ASSETS		
Current Assets:		
Cash and bank deposits	63,840,679	63,111,539
Rental receivables	848,941	722,315
Other current assets	1,368,039	1,282,492
Total current assets	66,057,659	65,116,347
Property and Equipment:		
Land	733,890,292	736,068,822
Buildings and structures	360,001,455	362,880,018
Machinery and equipment	1,868,183	2,017,603
Tools, furniture and fixtures	1,573,678	1,658,047
Leased assets	4,752	4,752
Construction in progress	56,913	124,467
Subtotal	1,097,395,275	1,102,753,711
Less accumulated depreciation	(57,435,192)	(63,009,077)
Net property and equipment	1,039,960,082	1,039,744,634
Investments and Other Assets:		
Goodwill	77,720,251	75,098,009
Leasehold rights	8,957,761	8,957,374
Intangible assets	60,632	51,714
Long-term prepaid expenses	1,976,031	1,979,162
Long-term deposits	542,235	478,665
Security deposits	925,784	925,784
Derivative assets	—	6,336
Deferred investment corporation bond issuance costs	157,524	149,540
Total investments and other assets	90,340,222	87,646,588
Total Assets	1,196,357,965	1,192,507,570

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

Thousands of Yen

	As of February 28, 2021	As of August 31, 2021
LIABILITIES		
Current Liabilities:		
Trade accounts payable	2,482,387	2,588,017
Current portion of long-term debt	58,760,600	55,090,600
Lease obligations	871	871
Other accounts payable	3,432,497	2,763,065
Accrued expenses	314,504	357,458
Accrued income taxes	1,028	1,125
Accrued consumption taxes	552,992	957,285
Rent received in advance	5,641,129	5,655,117
Unearned revenue	94,952	60,233
Provision for loss on disaster	31,000	30,450
Derivatives liabilities	106,143	61,671
Other current liabilities	18,807	11,188
Total current liabilities	71,436,916	67,577,084
Long-term Liabilities:		
Investment corporation bonds	32,000,000	32,000,000
Long-term debt	427,081,000	430,708,200
Lease obligations	2,904	2,468
Long-term advances received	34,401	14,854
Security deposits from tenants	42,542,701	42,161,565
Derivatives liabilities	245,210	141,998
Total long-term liabilities	501,906,216	505,029,087
Total Liabilities	573,343,133	572,606,171
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	244,606,999	244,739,887
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(14,994,380)	(16,624,976)
Other deductions from capital surplus	(13,763,038)	(14,815,391)
Total deductions from capital surplus	(28,757,419)	(31,440,368)
Net capital surplus	365,255,539	362,572,590
Retained earnings	13,503,646	12,786,253
Total surplus	378,759,186	375,358,843
Total unitholders' equity	623,366,185	620,098,731
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(351,354)	(197,332)
Total valuation and translation adjustments	(351,354)	(197,332)
Total Net Assets	623,014,831	619,901,398
Total Liabilities and Net Assets	1,196,357,965	1,192,507,570

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

STATEMENT OF INCOME AND RETAINED EARNINGS

	Thousands of Yen	
	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	38,064,606	37,519,267
	38,064,606	37,519,267
Operating Expenses:		
Real estate rental expenses	15,973,489	16,097,387
Asset management fees	3,441,901	3,394,277
Loss on sale of real estate	6,245	—
Asset custody fees	57,100	57,154
Administrative service fees	173,243	178,250
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	419,470	428,539
	22,693,693	22,777,851
Operating Income	15,370,912	14,741,415
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	326	328
Reversal of dividends payable	2,170	3,024
Interest on refund	230	—
Other non-operating revenues	4	1,142
	2,732	4,494
Non-Operating Expenses:		
Interest expense	1,716,238	1,677,807
Interest expenses on investment corporation bonds	170,802	173,528
Amortization of investment corporation bonds issuance costs	7,984	7,984
Loan arrangement fees	425,105	446,432
Other non-operating expenses	4,824	4,824
	2,324,955	2,310,577
Ordinary Income	13,048,689	12,435,333
Extraordinary Losses:		
Loss on disaster	31,000	—
	31,000	—
Income before Income Taxes	13,017,689	12,435,333
Income Taxes:		
Current	1,078	1,171
	1,078	1,171
Net Income	13,016,610	12,434,161
Retained earnings brought forward	487,036	352,091
Retained Earnings at End of Period	13,503,646	12,786,253

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

STATEMENT OF CHANGES IN NET ASSETS

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

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

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

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

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

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

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

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

STATEMENT OF CASH FLOWS

Thousands of Yen

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	13,017,689	12,435,333
Depreciation	5,483,396	5,587,125
Amortization of goodwill	2,622,242	2,622,242
Amortization of investment corporation bonds issuance costs	7,984	7,984
Increase (Decrease) in provision for loss on disaster	27,189	(550)
Interest income	(326)	(328)
Interest expense	1,887,041	1,851,336
Loss on disposal of property and equipment	8,416	15,436
Decrease (Increase) in rental receivables	210,746	97,507
Decrease (Increase) in long-term prepaid expenses	113,980	(3,130)
Decrease (Increase) in long-term deposits	(14,761)	63,569
Increase (Decrease) in trade accounts payable	(54,472)	105,630
Increase (Decrease) in other accounts payable	74,558	(108,257)
Increase (Decrease) in accrued consumption taxes	418,287	404,292
Increase (Decrease) in rent received in advance	56,967	13,987
Decrease in property and equipment in trust due to sales	37,695	—
Other	131,321	32,912
Subtotal	24,027,957	23,125,092
Interest received	326	328
Interest paid	(1,967,252)	(1,862,616)
Income taxes paid	(3,824)	(1,074)
Net cash provided by (used in) operating activities	22,057,206	21,261,729
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(18,027,237)	(5,922,923)
Payments for purchases of leasehold rights and intangible assets	(12,390)	(17,636)
Reimbursement of security deposits to tenants	(980,430)	(1,594,948)
Proceeds from security deposits from tenants	1,307,669	1,284,481
Payments from security deposits	(52)	—
Proceeds from security deposits	10,720	—
Net cash provided by (used in) investing activities	(17,701,720)	(6,251,026)
Cash Flows from Financing Activities		
Proceeds from long-term debt	32,400,000	28,650,000
Repayments of long-term debt	(32,442,800)	(28,692,800)
Distributions to unitholders	(12,795,769)	(13,014,277)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,777,350)	(1,763,205)
Other distributions in excess of net earnings	(1,065,245)	(919,559)
Net cash provided by (used in) financing activities	(15,681,165)	(15,739,842)
Net Increase (Decrease) in Cash and Cash Equivalents	(11,325,679)	(729,140)
Cash and Cash Equivalents at Beginning of Period	75,166,359	63,840,679
Cash and Cash Equivalents at End of Period	63,840,679	63,111,539

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

Property and equipment are stated at cost, which includes the purchase price and related costs for acquisition, less accumulated depreciation.

Depreciation is calculated by the straight-line method over the estimated useful lives of the fixed assets outlined below:

Buildings	3 - 70 years
Structures	5 - 45 years
Machinery and equipment	6 - 17 years
Tools, furniture and fixtures	3 - 20 years

Intangible assets

Intangible assets are amortized by the straight-line method.

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

Long-term prepaid expenses

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

NOTES TO FINANCIAL STATEMENTS

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Investment units issuance expenses

The entire amount is expensed as incurred.

Allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for loss on disaster

The amount that is reasonably estimated at the end of the previous fiscal period under review is recorded to cover expenditures for restoration etc. following the 2021 Fukushima Earthquake.

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for the fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥4,533 thousand for the fiscal period ended February 28, 2021 and are not applicable in the current fiscal period.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

(Accounting standards issued but not yet applied)

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

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

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Impact of applying the new accounting standard.

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

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

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

(1) Overview

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

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

(2) Scheduled date of application

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

(3) Impact of applying the new accounting standard.

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

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

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

	Thousands of Yen	
	As of February 28, 2021	As of August 31, 2021
Cash and bank deposits	63,840,679	63,111,539
Cash and cash equivalents	63,840,679	63,111,539

Important contents of the non-cash transactions:
Not applicable.

5. ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral are as follows:

	Thousands of Yen	
	As of February 28, 2021	As of August 31, 2021
Buildings in trust	3,274,450	3,239,960
Land in trust	6,096,368	6,096,368
Structures in trust	4,438	4,794
Tools, furniture and fixtures in trust	4,095	3,710
Total	9,379,352	9,344,833

The secured liabilities are as follows:

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

6. SCHEDULE OF PROPERTY AND EQUIPMENT

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

	As of February 28, 2021		As of August 31, 2021	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	311,019,052	311,019,052	313,197,582	313,197,582
Buildings and structures	159,563,452		160,252,956	
Accumulated depreciation	(21,135,533)	138,427,919	(23,504,974)	136,747,981
Machinery and equipment	986,902		1,049,441	
Accumulated depreciation	(563,469)	423,433	(594,655)	454,786
Tools, furniture and fixtures	511,319		569,914	
Accumulated depreciation	(210,485)	300,833	(254,552)	315,361
Land in trust	422,871,240	422,871,240	422,871,240	422,871,240
Buildings and structures in trust	200,438,003		202,627,061	
Accumulated depreciation	(34,844,012)	165,593,990	(37,847,583)	164,779,478
Machinery and equipment in trust	881,280		968,161	
Accumulated depreciation	(217,496)	663,784	(263,601)	704,560
Tools, furniture and fixtures in trust	1,062,358		1,088,132	
Accumulated depreciation	(462,875)	599,483	(541,993)	546,139
Lease assets in trust	4,752		4,752	
Accumulated depreciation	(1,320)	3,432	(1,716)	3,036
Construction in progress	56,913	56,913	124,467	124,467
Total	1,039,960,082	1,039,960,082	1,039,744,634	1,039,744,634

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT

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

	As of February 28, 2021		As of August 31, 2021	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from banks due on March 26, 2021	4,670,000	0.24818%	—	—
Unsecured loans from banks due on May 26, 2021	8,000,000	1.56250%	—	—
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	—	—
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	—	—
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	—	—
Unsecured loans from banks due on July 26, 2021	4,180,000	1.23920%	—	—
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	—	—
Unsecured loans from banks due on August 26, 2021	3,600,000	0.81585%	—	—
Unsecured loans from a bank due on November 26, 2021 ^(Note 2)	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from banks due on November 26, 2021 ^(Note 2)	2,000,000	1.11662%	2,000,000	1.11662%
Unsecured loans from banks due on November 26, 2021 ^(Note 2)	4,900,000	0.97410%	4,900,000	0.97410%
Unsecured loans from banks due on December 27, 2021 ^(Note 2)	6,375,000	0.24818%	6,375,000	0.25545%
Unsecured loans from a bank due on January 26, 2022 ^(Note 2)	3,500,000	1.48300%	3,500,000	1.48300%
Unsecured loans from banks due on February 28, 2022 ^(Note 2)	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from a bank due on February 28, 2022 ^(Note 2)	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from banks due on February 28, 2022 ^(Note 2)	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from banks due on May 26, 2022 ^(Note 2)	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from banks due on May 31, 2022 ^(Note 2)	4,500,000	0.82500%	4,500,000	0.82500%
Unsecured loans from banks due on June 27, 2022 ^(Note 2)	4,000,000	0.21818%	4,000,000	0.22545%
Unsecured loans from banks due on August 26, 2022 ^(Note 2)	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on August 26, 2022 ^(Note 2)	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from banks due on August 26, 2022 ^(Note 2)	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022 ^(Note 2)	1,000,000	0.32886%	1,000,000	0.32886%
Unsecured loans from banks due on September 30, 2022	4,000,000	0.76250%	4,000,000	0.76250%
Unsecured loans from banks due on October 26, 2022	3,000,000	0.24818%	3,000,000	0.25545%
Unsecured loans from banks due on November 28, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from banks due on November 28, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023	10,000,000	0.48700%	10,000,000	0.48700%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%

	As of February 28, 2021		As of August 31, 2021	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	500,000	0.41435%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	6,700,000	0.55700%
Unsecured loans from banks due on September 26, 2023	3,000,000	0.24818%	3,000,000	0.25545%
Unsecured loans from banks due on November 27, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from banks due on November 27, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from banks due on November 27, 2023	4,000,000	0.49380%	4,000,000	0.49380%
Unsecured loans from banks due on November 27, 2023	1,500,000	0.47483%	1,500,000	0.47483%
Unsecured loans from banks due on November 27, 2023	1,230,000	0.24818%	1,230,000	0.25545%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from banks due on February 26, 2024	1,300,000	0.53630%	1,300,000	0.53630%
Unsecured loans from a bank due on February 26, 2024	500,000	0.24000%	500,000	0.24000%
Unsecured loans from a bank due on February 26, 2024	1,000,000	0.18500%	1,000,000	0.18500%
Unsecured loans from banks due on February 26, 2024	—	—	4,670,000	0.25545%
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%
Unsecured loans from a bank due on May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	2,700,000	0.49533%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%
Unsecured loans from a bank due on August 26, 2024	1,000,000	0.28624%	1,000,000	0.28624%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on November 26, 2024	2,000,000	0.42630%	2,000,000	0.42630%
Unsecured loans from a bank due on November 26, 2024	800,000	0.21380%	800,000	0.21380%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%
Unsecured loans from banks due on May 26, 2025	2,000,000	0.46301%	2,000,000	0.46301%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.19750%	1,000,000	0.19750%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%

NOTES TO FINANCIAL STATEMENTS

	As of February 28, 2021		As of August 31, 2021			As of February 28, 2021		As of August 31, 2021	
	Amount (Thousands of Yen)	Weighted- average interest rate (Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate (Note 1)		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 November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%	Unsecured loans from a bank due on May 26, 2027	1,400,000	0.32000%	1,400,000	0.32000%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%	Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%	Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%	Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	1,000,000	0.74500%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%	Unsecured loans from a bank due on August 26, 2027	1,000,000	0.51356%	1,000,000	0.51356%
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%	Unsecured loans from banks due on August 26, 2027	1,500,000	0.29000%	1,500,000	0.29000%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%	Unsecured loans from a bank due on August 26, 2027	600,000	0.32630%	600,000	0.32630%
Unsecured loans from banks due on February 26, 2026	800,000	0.37630%	800,000	0.37630%	Unsecured loans from a bank due on August 26, 2027	—	—	1,700,000	0.27130%
Unsecured loans from a bank due on February 26, 2026	500,000	0.39196%	500,000	0.39196%	Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on February 26, 2026	1,500,000	0.17136%	1,500,000	0.17136%	Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%
Unsecured loans from a bank due on February 26, 2026	—	—	500,000	0.21500%	Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	1,800,000	0.75050%
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%	Unsecured loans from banks due on November 26, 2027	1,700,000	0.70750%	1,700,000	0.70750%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%	Unsecured loans from banks due on November 26, 2027	2,500,000	0.52234%	2,500,000	0.52234%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	3,600,000	0.60880%	Unsecured loans from banks due on November 26, 2027	1,000,000	0.31630%	1,000,000	0.31630%
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%	Unsecured loans from a bank due on November 26, 2027	750,000	0.29630%	750,000	0.29630%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.37000%	1,100,000	0.37000%	Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on May 26, 2026	1,500,000	0.25873%	1,500,000	0.25873%	Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	2,355,000	0.76241%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%	Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	1,500,000	0.78296%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%	Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	1,800,000	0.79642%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%	Unsecured loans from a bank due on February 28, 2028	2,650,000	0.54205%	2,650,000	0.54205%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%	Unsecured loans from banks due on February 28, 2028	1,500,000	0.57365%	1,500,000	0.57365%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%	Unsecured loans from banks due on February 28, 2028	1,000,000	0.17813%	1,000,000	0.17813%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	1,000,000	0.64500%	Unsecured loans from a bank due on February 28, 2028	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	1,000,000	0.42118%	Unsecured loans from a bank due on February 28, 2028	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 26, 2026	500,000	0.43627%	500,000	0.43627%	Unsecured loans from a bank due on February 28, 2028	500,000	0.39000%	500,000	0.39000%
Unsecured loans from banks due on August 26, 2026	1,500,000	0.20880%	1,500,000	0.20880%	Unsecured loans from a bank due on February 28, 2028	920,000	0.30000%	920,000	0.30000%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.30116%	1,000,000	0.30116%	Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	5,000,000	0.79880%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%	Unsecured loans from a bank due on May 26, 2028	2,000,000	0.75922%	2,000,000	0.75922%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%	Unsecured loans from a bank due on May 26, 2028	1,550,000	0.55038%	1,550,000	0.55038%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%	Unsecured loans from a bank due on May 26, 2028	500,000	0.54010%	500,000	0.54010%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%	Unsecured loans from banks due on May 26, 2028	2,000,000	0.54750%	2,000,000	0.54750%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%	Unsecured loans from a bank due on May 26, 2028	1,400,000	0.40500%	1,400,000	0.40500%
Unsecured loans from banks due on November 26, 2026	2,000,000	0.60750%	2,000,000	0.60750%	Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	3,600,000	0.84750%
Unsecured loans from banks due on November 26, 2026	1,000,000	0.28000%	1,000,000	0.28000%	Unsecured loans from a bank due on August 28, 2028	500,000	0.61005%	500,000	0.61005%
Unsecured loans from banks due on November 26, 2026	1,200,000	0.30000%	1,200,000	0.30000%	Unsecured loans from banks due on August 28, 2028	1,000,000	0.62163%	1,000,000	0.62163%
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%	Unsecured loans from a bank due on August 28, 2028	500,000	0.62025%	500,000	0.62025%
Unsecured loans from banks due on February 26, 2027	1,500,000	0.46630%	1,500,000	0.46630%	Unsecured loans from a bank due on August 28, 2028	500,000	0.37500%	500,000	0.37500%
Unsecured loans from a bank due on February 26, 2027	500,000	0.44859%	500,000	0.44859%	Unsecured loans from a bank due on August 28, 2028	1,000,000	0.40380%	1,000,000	0.40380%
Unsecured loans from banks due on February 26, 2027	1,000,000	0.48144%	1,000,000	0.48144%	Unsecured loans from a bank due on August 28, 2028	1,260,000	0.45375%	1,260,000	0.45375%
Unsecured loans from a bank due on February 26, 2027	1,500,000	0.28500%	1,500,000	0.28500%	Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	2,000,000	0.81130%
Unsecured loans from a bank due on February 26, 2027	1,000,000	0.28500%	1,000,000	0.28500%	Unsecured loans from banks due on November 27, 2028	3,000,000	0.59375%	3,000,000	0.59375%
Unsecured loans from a bank due on February 26, 2027	300,000	0.16205%	300,000	0.16205%	Unsecured loans from a bank due on November 27, 2028	1,800,000	0.50880%	1,800,000	0.50880%
Unsecured loans from a bank due on February 26, 2027	500,000	0.10094%	500,000	0.10094%	Unsecured loans from a bank due on November 27, 2028	500,000	0.39380%	500,000	0.39380%
Unsecured loans from a bank due on February 26, 2027	500,000	0.35139%	500,000	0.35139%	Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	2,500,000	0.65880%
Unsecured loans from a bank due on February 26, 2027	—	—	500,000	0.24818%	Unsecured loans from banks due on February 26, 2029	1,400,000	0.67098%	1,400,000	0.67098%
Unsecured loans from banks due on March 26, 2027	1,500,000	0.69068%	1,500,000	0.69068%	Unsecured loans from a bank due on February 26, 2029	2,300,000	0.63692%	2,300,000	0.63692%
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%	Unsecured loans from a bank due on February 26, 2029	500,000	0.63692%	500,000	0.63692%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%	Unsecured loans from a bank due on February 26, 2029	3,500,000	0.41815%	3,500,000	0.41815%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	1,800,000	0.70250%	Unsecured loans from a bank due on February 26, 2029	500,000	0.37000%	500,000	0.37000%
					Unsecured loans from a bank due on February 26, 2029	500,000	0.49750%	500,000	0.49750%

NOTES TO FINANCIAL STATEMENTS

	As of February 28, 2021		As of August 31, 2021	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from banks due on May 28, 2029	5,000,000	0.64000%	5,000,000	0.64000%
Unsecured loans from a bank due on May 28, 2029	800,000	0.55190%	800,000	0.55190%
Unsecured loans from a bank due on May 28, 2029	500,000	0.26451%	500,000	0.26451%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.45875%	1,000,000	0.45875%
Unsecured loans from a bank due on May 28, 2029	1,000,000	0.44880%	1,000,000	0.44880%
Unsecured loans from banks due on May 28, 2029	1,000,000	0.38500%	1,000,000	0.38500%
Unsecured loans from banks due on August 27, 2029	2,000,000	0.46130%	2,000,000	0.46130%
Unsecured loans from banks due on August 27, 2029	3,900,000	0.46130%	3,900,000	0.46130%
Unsecured loans from banks due on August 27, 2029	2,800,000	0.55845%	2,800,000	0.55845%
Unsecured loans from banks due on August 27, 2029	1,600,000	0.48380%	1,600,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	1,500,000	0.48380%	1,500,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	500,000	0.46380%	500,000	0.46380%
Unsecured loans from banks due on August 27, 2029	1,000,000	0.43880%	1,000,000	0.43880%
Unsecured loans from a bank due on August 27, 2029	—	—	1,800,000	0.40500%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	1,200,000	0.59500%	1,200,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	1,000,000	0.59500%	1,000,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	750,000	0.48000%	750,000	0.48000%
Unsecured loans from a bank due on November 26, 2029	500,000	0.59500%	500,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	2,000,000	0.50630%	2,000,000	0.50630%
Unsecured loans from a bank due on November 26, 2029	750,000	0.47380%	750,000	0.47380%
Unsecured loans from banks due on November 26, 2029	4,000,000	0.54904%	4,000,000	0.54904%
Unsecured loans from banks due on February 26, 2030	4,250,000	0.52000%	4,250,000	0.52000%
Unsecured loans from a bank due on February 26, 2030	1,500,000	0.48000%	1,500,000	0.48000%
Unsecured loans from a bank due on February 26, 2030	600,000	0.40915%	600,000	0.40915%
Unsecured loans from a bank due on February 26, 2030	500,000	0.34054%	500,000	0.34054%
Unsecured loans from banks due on February 26, 2030	1,300,000	0.59482%	1,300,000	0.59482%
Unsecured loans from a bank due on February 26, 2030	1,500,000	0.52446%	1,500,000	0.52446%
Unsecured loans from a bank due on February 26, 2030	1,400,000	0.58630%	1,400,000	0.58630%
Unsecured loans from a bank due on February 26, 2030	1,000,000	0.58630%	1,000,000	0.58630%
Unsecured loans from banks due on May 27, 2030	7,000,000	0.54630%	7,000,000	0.54630%
Unsecured loans from a bank due on May 27, 2030	800,000	0.52630%	800,000	0.52630%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.53250%	1,000,000	0.53250%
Unsecured loans from a bank due on May 27, 2030	1,000,000	0.55988%	1,000,000	0.55988%
Unsecured loans from a bank due on May 27, 2030	500,000	0.50485%	500,000	0.50485%
Unsecured loans from a bank due on May 27, 2030	720,000	0.59399%	720,000	0.59399%
Unsecured loans from a bank due on May 27, 2030	—	—	1,430,000	0.45862%
Unsecured loans from banks due on August 26, 2030	2,000,000	0.56500%	2,000,000	0.56500%
Unsecured loans from a bank due on August 26, 2030	1,100,000	0.54500%	1,100,000	0.54500%
Unsecured loans from a bank due on August 26, 2030	300,000	0.54500%	300,000	0.54500%
Unsecured loans from banks due on August 26, 2030	500,000	0.52063%	500,000	0.52063%
Unsecured loans from a bank due on August 26, 2030	1,000,000	0.46000%	1,000,000	0.46000%
Unsecured loans from a bank due on August 26, 2030	—	—	1,000,000	0.56068%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on November 26, 2030	350,000	0.42630%	350,000	0.42630%
Unsecured loans from a bank due on November 26, 2030	500,000	0.53630%	500,000	0.53630%
Unsecured loans from a bank due on November 26, 2030	—	—	2,000,000	0.59763%
Unsecured loans from a bank due on November 26, 2030	—	—	1,000,000	0.59819%
Unsecured loans from a bank due on February 26, 2031	700,000	0.67750%	700,000	0.67750%

	As of February 28, 2021		As of August 31, 2021	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from a bank due on February 26, 2031	2,000,000	0.67750%	2,000,000	0.67750%
Unsecured loans from banks due on February 26, 2031	4,000,000	0.67750%	4,000,000	0.67750%
Unsecured loans from a bank due on February 26, 2031	400,000	0.50000%	400,000	0.50000%
Unsecured loans from a bank due on February 26, 2031	420,000	0.65750%	420,000	0.65750%
Unsecured loans from a bank due on February 26, 2031	—	—	2,750,000	0.50226%
Unsecured loans from a bank due on February 26, 2031	—	—	1,800,000	0.52198%
Unsecured loans from banks due on May 26, 2031	—	—	6,000,000	0.64130%
Unsecured loans from a bank due on May 26, 2031	—	—	3,500,000	0.64242%
Unsecured loans from a bank due on May 26, 2025 ^(Note 3)	668,300	2.17000%	646,900	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 3)	668,300	2.21812%	646,900	2.21812%
Total	485,841,600		485,798,800	

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

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

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

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
As of February 28, 2021	58,760,600	58,615,600	50,765,600	44,435,600	52,694,200
As of August 31, 2021	55,090,600	64,435,600	47,935,600	48,387,000	54,100,000

Note 1: The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended February 28, 2021. The total unused amount of such credit facilities was ¥10,000 million as of February 28, 2021.

Note 2: The Company entered into ¥40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended February 28, 2021. The total unused amount of such credit facilities was ¥40,000 million as of February 28, 2021.

Note 3: The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2021. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2021.

Note 4: The Company entered into ¥40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended August 31, 2021. The total unused amount of such credit facilities was ¥40,000 million as of August 31, 2021.

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8. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

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

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

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
As of February 28, 2021	—	—	—	9,000,000	—
As of August 31, 2021	—	—	—	9,000,000	—

9. UNITHOLDERS' EQUITY

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

10. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

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

1. Reason, related assets and amounts

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

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Deferred gains or losses on hedges

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

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

1. Reason, related assets and amounts

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

NOTES TO FINANCIAL STATEMENTS

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Deferred gains or losses on hedges

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

11. PER UNIT INFORMATION

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

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Net assets per unit	132,129	131,468
Net income per unit	2,760	2,637

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

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

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Net income (Thousands of Yen)	13,016,610	12,434,161
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	13,016,610	12,434,161
Average number of units during the period (Units)	4,715,200	4,715,200

12. RELATED PARTY TRANSACTIONS

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

Parent Company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

13. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 31.46% for the fiscal period ended August 31, 2021. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥15,503,577 thousand for the fiscal period ended August 31, 2021 such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Deferred tax asset:		
Valuation difference on other assets acquired by merger	19,717,747	19,486,187
Deferred gains or losses on hedges	110,536	62,081
Unearned revenue	40,685	23,623
Write-offs for long-term prepaid expenses	3,237	991
Depreciation costs of trust leasehold rights	1,702	1,824
Non-deductible accrued enterprise tax	22	27
Subtotal	19,873,932	19,574,735
Valuation allowance	(19,873,932)	(19,574,735)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

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

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Statutory tax rate	31.46%	31.46%
Deductible cash distributions	(35.72%)	(36.07%)
Valuation of allowance	(2.07%)	(2.02%)
Amortization of goodwill	6.34%	6.63%
Other	0.00%	0.00%
Effective tax rate	0.01%	0.01%

14. FINANCIAL INSTRUMENTS

Overview

(1) Policy for Financial Instruments

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

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

(2) Type and Risk of Financial Instruments and Related Risk Management

Borrowings and investment corporation bonds are primarily used to fund the acquisition of property-related assets as well as the repayment of debts and redemption of investment corporation bonds. The Company is exposed to liquidity risk of being

NOTES TO FINANCIAL STATEMENTS

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

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

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

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "21. Derivatives and Hedge Accounting" below do not represent the market risk involved in these derivative transactions.

Fair Value of Financial Instruments

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

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

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

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

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2021.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	63,111,539	63,111,539	—
(ii) Current portion of long-term debt	(55,090,600)	(55,268,046)	177,446
(iii) Investment corporation bonds	(32,000,000)	(32,632,833)	632,833
(iv) Long-term debt	(430,708,200)	(437,372,030)	6,663,830
(v) Derivative transactions	(199,516)	(199,516)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

(i) Cash and bank deposits

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

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

For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "21. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.

(iii) Investment corporation bonds

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

(v) Derivative transactions

See "21. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of February 28, 2021

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	63,840,679	—	—	—	—	—
Total	63,840,679	—	—	—	—	—

Redemption schedule for cash and bank deposits as of August 31, 2021

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	63,111,539	—	—	—	—	—
Total	63,111,539	—	—	—	—	—

Note 4: Redemption schedule for debt as of February 28, 2021

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

Redemption schedule for debt as of August 31, 2021

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Investment corporation bonds	—	—	—	9,000,000	—	23,000,000
Long-term debt	55,090,600	64,435,600	47,935,600	48,387,000	54,100,000	215,850,000
Total	55,090,600	64,435,600	47,935,600	57,387,000	54,100,000	238,850,000

15. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Carrying value		
Balance at beginning of the period	1,035,946,025	1,048,917,843
Amount of increase (decrease) during the period	12,971,818	(215,834)
Balance at end of the period	1,048,917,843	1,048,702,009
Fair value at end of the period	1,205,558,000	1,218,347,000

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

Note 2: Of the change in investment and rental properties, the increase during the previous period is mainly attributable to the acquisition of Landport Ome II (¥14,888,784 thousand). The decrease during the previous period is mainly attributable to the partial sale of Mitsubishi Motors Katsushika (a part of the land area) (¥37,695 thousand) as well as depreciation expenses (¥5,474,834 thousand). The increase during the current period is mainly attributable to the acquisition of Universal CityWalk Osaka (Land) (¥2,178,530 thousand). The decrease during the current period is mainly attributable to depreciation expenses (¥5,578,207 thousand).

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

The real estate rental revenues and expenses for the fiscal period ended August 31, 2021 are presented in "17. Breakdown of Real Estate Rental Revenues and Expenses."

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16. SEGMENT INFORMATION

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

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

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

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

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

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

17. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

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

Thousands of Yen

	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
Real estate rental revenues	38,064,606	37,519,267
Rental revenues	35,172,568	34,679,385
Rental revenues	32,764,268	32,344,406
Common area charges	2,408,300	2,334,978
Other rental revenues	2,892,037	2,839,881
Parking revenues	631,536	622,960
Incidental income	1,987,428	1,806,838
Other miscellaneous revenues	273,072	410,082
Real estate rental expenses	15,973,489	16,097,387
Property management costs	1,837,680	1,832,875
Property management fees	1,013,518	975,826
Property and other taxes	3,110,231	3,263,841
Utility expenses	1,561,738	1,431,766
Casualty insurance	44,576	54,110
Repairs and maintenance	1,510,977	1,531,578
Land rents	206,564	201,748
Depreciation	5,482,712	5,586,593
Other rental expenses	1,205,488	1,219,046
Real estate rental profits	22,091,116	21,421,880

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

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

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

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

Not applicable.

19. BREAKDOWN OF EXTRAORDINARY LOSS

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

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

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

Not applicable

20. LEASES

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

	Thousands of Yen	
	As of February 28, 2021	As of August 31, 2021
Due within one year	36,123,509	34,049,489
Due after one year	76,658,145	74,520,472
Total	112,781,654	108,569,961

21. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of February 28, 2021

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

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

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

Note 1: Contract amount is based on notional amount.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Derivative transactions as of August 31, 2021

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

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

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount (Note 1)		Fair value (Note 2)
			Due after one year		
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	58,730,000	34,350,000	(199,516) (Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	34,846,900	29,304,100	(531,285) (Note 4)
Total			93,576,900	63,654,100	(730,802)

Note 1: Contract amount is based on notional amount.

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

Note 3: Out of the fair value, (¥2,184 thousand) is booked as "accrued expenses" on the Balance Sheet.

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

22. CASH DISTRIBUTIONS

	Yen	
	For the period from September 1, 2020 to February 28, 2021	For the period from March 1, 2021 to August 31, 2021
1. Retained earnings at end of period	13,503,646,955	12,786,253,162
2. Distributions in excess of retained earnings	2,682,948,800	3,069,595,200
Of which, allowance for temporary difference adjustment	1,763,484,800	1,824,782,400
Of which, other distributions in excess of net income	919,464,000	1,244,812,800
3. Incorporation into unitholders' capital	132,888,372	154,021,761
Of which, reversal of allowance for temporary difference adjustments	132,888,372	154,021,761
4. Distributions	15,701,616,000	15,503,577,600
[Distributions (per unit)]	(3,330)	(3,288)
Of which, distributions of earnings	13,018,667,200	12,433,982,400
[Of which, distributions of earnings (per unit)]	(2,761)	(2,637)
Of which, allowance for temporary difference adjustments	1,763,484,800	1,824,782,400
[Of which, allowance for temporary difference adjustments (per unit)]	(374)	(387)
Of which, other distributions in excess of net income	919,464,000	1,244,812,800
[Of which, other distributions in excess of net income (per unit)]	(195)	(264)
5. Retained earnings carried forward	352,091,383	198,249,001

Calculation method of distribution amount

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

For the fiscal period under review, NMF decided to implement a total of ¥15,503,577,600 in distributions (¥3,288 per investment unit). This figure was arrived at by adding to ¥12,434,161,779 in net income after taxes ¥2,622,242,820 in amortization of goodwill, and by adding ¥447,173,001 in consideration of temporary decrease in operating revenues due to the impact of COVID-19 pandemic on per-unit distribution.

Total distributions comprise distribution of earnings and distribution in excess of net income. Distribution of earnings as stipulated in Article 136, Paragraph 1 of the Investment Trusts Act came to ¥12,433,982,400 (¥2,637 per investment unit).

Distribution in excess of net income comprises a distribution of ¥1,824,782,400 (¥387 per investment unit) as allowance for temporary difference adjustment and ¥1,244,812,800 (¥264 per investment unit) in other distribution in excess of net income.

23. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

1. Reason for provision, related assets and amounts

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

2. Reason for reversal, related assets and amounts

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

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

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

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

NOTES TO FINANCIAL STATEMENTS

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

1. Reason for provision, related assets and amounts

		Thousands of Yen
Related assets, etc.	Reason for provision	Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	2,622,242
Long-term deposits	Shortfall of reserve for repairs	7,161
Increase-subtotal		2,629,404
Buildings, facilities, etc.	Depreciation deficiency equivalent	(741,188)
Unearned revenue	Write-down of loss on interest-rate swap due to merger	(54,234)
Others	—	(9,199)
Decrease-subtotal		(804,622)
Total		1,824,782

2. Reason for reversal, related assets and amounts

		Thousands of Yen
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	— <small>(Note 1)</small>
Deferred gains or losses on hedges	Changes in fair value of derivatives	(154,021)
Total		(154,021)

Note 1: The amount of reversal during the current fiscal period (¥5,440 thousand) is included in "Depreciation deficiency equivalent" on "1. Reasons for provision, related assets and amounts."

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

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

24. SIGNIFICANT SUBSEQUENT EVENTS

Asset Sales

NMF sold the following asset subsequent to the 12th fiscal period (August 31, 2021).

(1) NMF Utsunomiya Building

Type of asset Trust beneficiary interest in mainly real estate

Use: Office

Scheduled contract date: October 14, 2021

Scheduled transfer date: October 29, 2021

Scheduled transfer price: ¥2,720 million

Buyer: A domestic corporation

Impact on 13th fiscal period earnings (Scheduled): ¥162 million

The impact of (1), above, on earnings for the 13th fiscal period (September 1, 2021 to February 28, 2022) will be recorded as gain on sales of real estate under operating revenues.

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc. (the Company), which comprise the balance sheet as at August 31, 2021, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Responsibilities of Management and the Supervisory Director for the Financial Statements

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 29, 2021

Toshihiro Morishige
Designated Engagement Partner
Certified Public Accountant

Hiroto Inoue
Designated Engagement Partner
Certified Public Accountant