

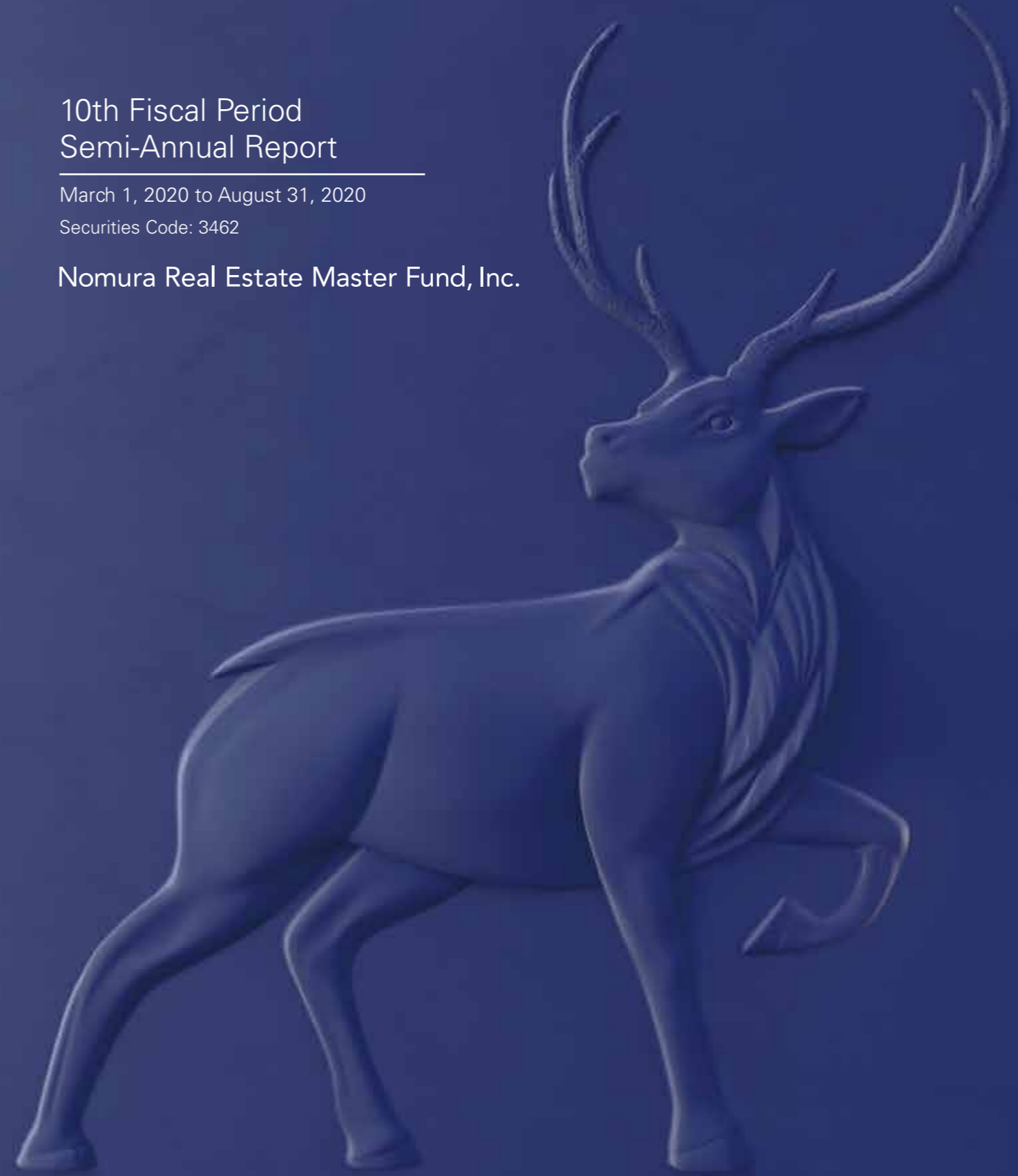


10th Fiscal Period
Semi-Annual Report

March 1, 2020 to August 31, 2020

Securities Code: 3462

Nomura Real Estate Master Fund, Inc.





Office



Residential



Driving the Market as One of Japan's Largest REITs



Logistics



Retail

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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 the tenth fiscal period, we achieved improvement of portfolio quality as well as steady external growth through acquisition of four properties with a total acquisition price of ¥20.6 billion, all of which were relatively new and highly value-added properties developed by the Sponsor, with the funds procured through capital increase under the third public offering conducted in December 2019.

During the tenth fiscal period, not only the J-REIT industry but also overall economic conditions were largely impacted by the COVID-19 pandemic, and we were no exemption.

In consideration of the impact of self-restraint from going out and the request for business closure due to the declaration of a state of emergency issued on April 7, NMF offered rent reduction/exemption and deferment of rent payment as measures to support some of its retail tenants in order to fulfill our social responsibility and achieve improvement of unitholder value over the medium to long term.

On the other hand, even under such a situation, we were able to promote continuous internal growth through increase in newly advertised rents at tenant turnover and successful rent increases upon contract renewal mainly in the office sector and the rental apartment sector.

As a result, at the end of the tenth fiscal period, our portfolio consisted of 298 properties with a total acquisition price of ¥1,051.6 billion. Operating revenues totaled ¥37,577 million, operating profit reached ¥15,212 million, and net income came to ¥12,799 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 ¥218 million for the purpose of leveling the amount of distribution. Accordingly, per-unit distribution for the tenth fiscal period came to ¥3,317, the same as the initial forecast.

In our activities for ESG (Environmental, Social, and Governance) issues, Nomura Real Estate Asset Management Co., Ltd., to which NMF entrusts the management of its assets, announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in July 2020. Furthermore, NMF has been upgraded to AA, the highest ranking among J-REITs as of present, at MSCI ESG Ratings. As such, we continue to act aggressively in this field.

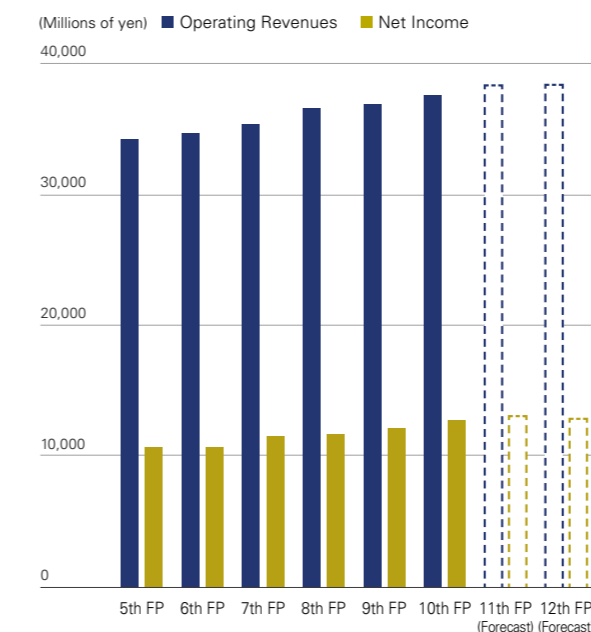
With a careful eye on the impact of COVID-19, we remain strongly committed to enhancing fund performance and managing the fund's assets in an aim to live up to the expectations and trust of our unitholders. We ask for your continued support and encouragement.

PERFORMANCE HIGHLIGHTS

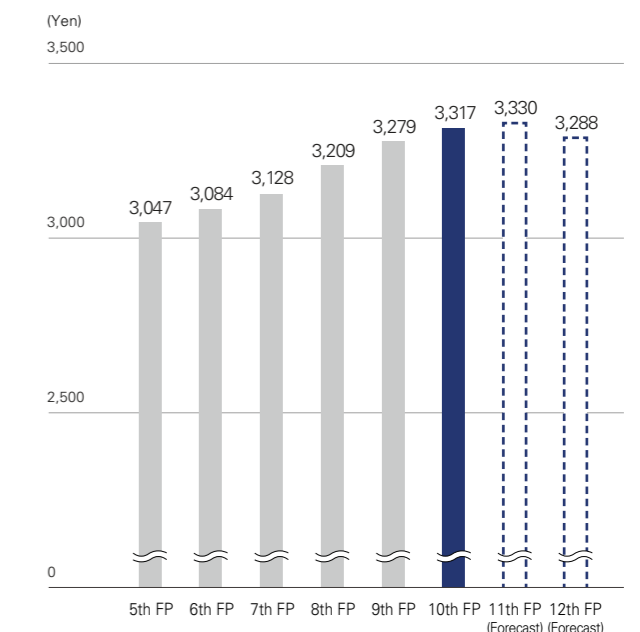
	10th Fiscal Period	11th Fiscal Period (forecast)*	12th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of earnings)	¥3,317	¥3,330	¥3,288
Operating Revenues	¥37,577 million	¥38,347 million	¥38,390 million
Operating Expenses	¥22,364 million	¥22,933 million	¥23,193 million
Net Income	¥12,799 million	¥13,084 million	¥12,881 million
Total Assets	¥1,197,766 million	¥1,195,065 million	¥1,193,597 million

*The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 10th Fiscal Period Ended August 31, 2020," published October 14, 2020. 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 Establishment

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

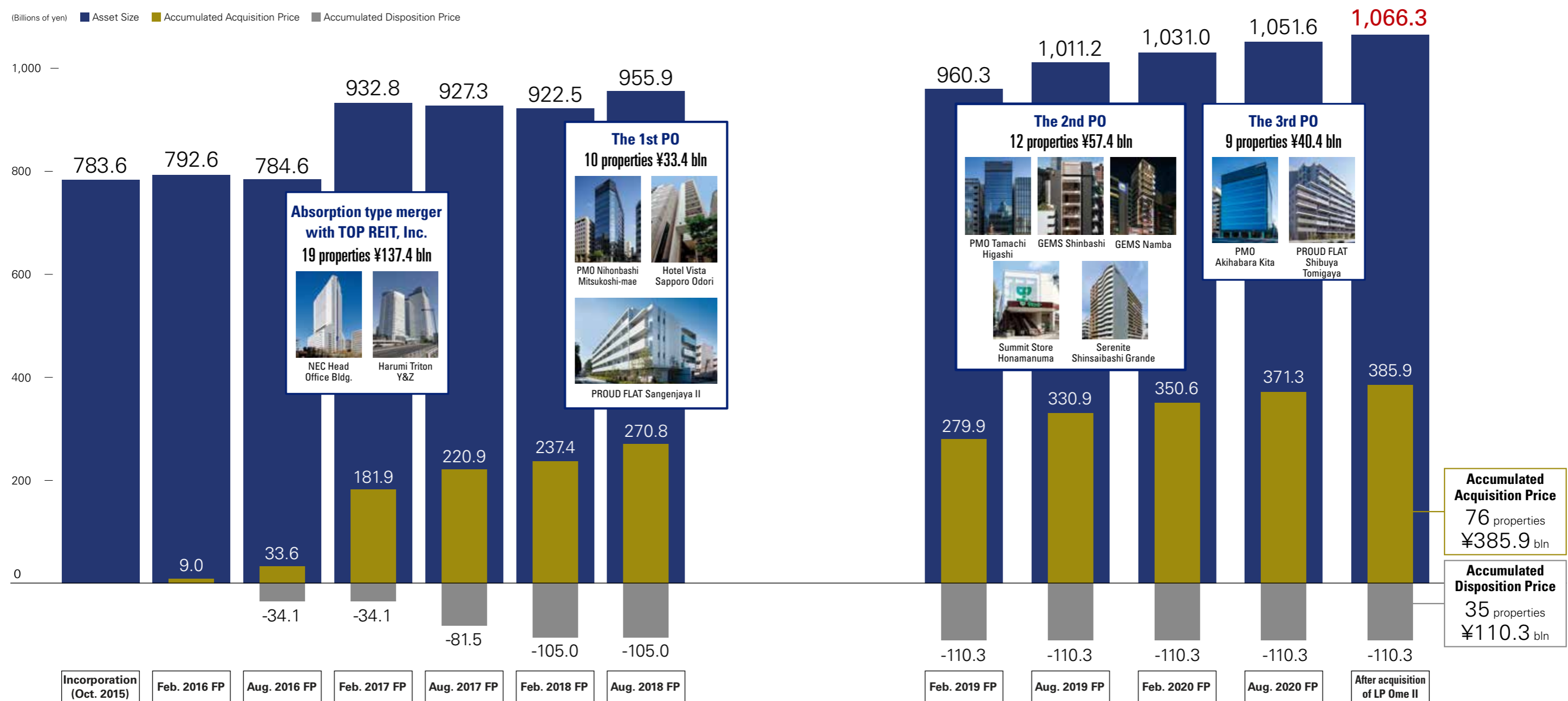
mainly developed by the Sponsor

Disposition of less competitive properties

due to building age, etc.

Aug. 2020 FP	After acquiring Landport Ome II (Note 2)
298	299
22.3%	22.0%
82.7%	83.0%
19.1 years	18.9 years
¥3,317 (+24.9%)	(24.3 years without SPR) (Note 3)

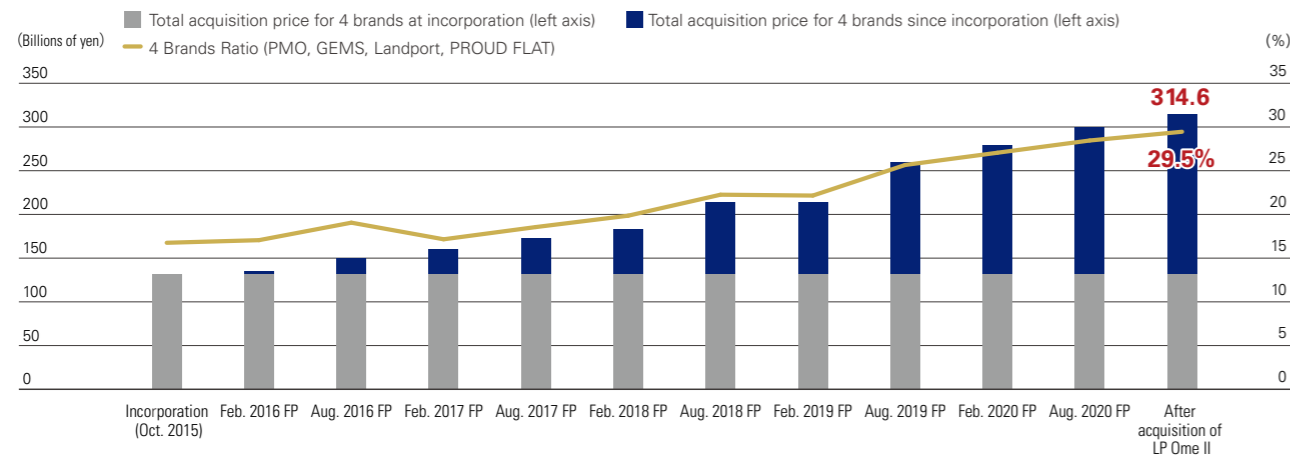
(Billions of yen) ■ Asset Size ■ Accumulated Acquisition Price ■ Accumulated Disposition Price



(Note 1) Distributions for February 2016 (the 1st) FP are calculated on a six-month basis for 152 operating days. (Note 2) As of October 1st, 2020. (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 October 31st, 2020.

External Growth

Acquisition Track Records of Sponsor-developed Properties



Properties Acquired in August 2020 (10th) FP

Of the properties acquired through the third public offering (9 properties), acquired 4 properties for ¥20.6 billion in August 2020 FP.

Office

PMO Hamamatsucho



Good location a 1-minute walk from station in the Hamamatsucho area where redevelopment is underway



Acquisition date	March 25, 2020
Acquisition price	¥4,380 million
Appraisal value	¥4,830 million
Appraisal NOI yield	3.7%
Completion	November 2018

Residential

PROUD FLAT Togoshi-Koen



Good location a 2-minute walk from station in Togoshi-koen, a historic town in the Jonan area. Received GOOD DESIGN AWARD FY2019



Acquisition date	March 10, 2020
Acquisition price	¥2,580 million
Appraisal value	¥2,630 million
Appraisal NOI yield	4.3%
Completion	November 2018

Retail

GEMS Sangenjaya



Located in Sangenjaya where stable demand for restaurants can be expected on both weekdays and weekends



Acquisition date	March 25, 2020
Acquisition price	¥1,815 million
Appraisal value	¥1,840 million
Appraisal NOI yield	4.0%
Completion	April 2018

Logistics

Landport Higashi-Narashino

High-performance logistics facility satisfying every need of "logistics function, location, security, and employment environment"



Acquisition date	March 2, 2020	Appraisal NOI yield	5.7%
Acquisition price	¥11,872 million	Type	Multi-tenant
Appraisal value	¥15,700 million	Completion	July 2019

Properties Acquired in February 2021 (11th) FP (Landport Ome II)

Acquired a logistics facility from which stable revenues can be expected even amid the COVID-19 crisis, expanding logistics to occupy the second-largest portfolio share after office.

Landport Ome II Acquisition price ¥14.6 bln NOI yield 4.6% Building age 0.6 yrs



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

Located in approximately 2.4 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

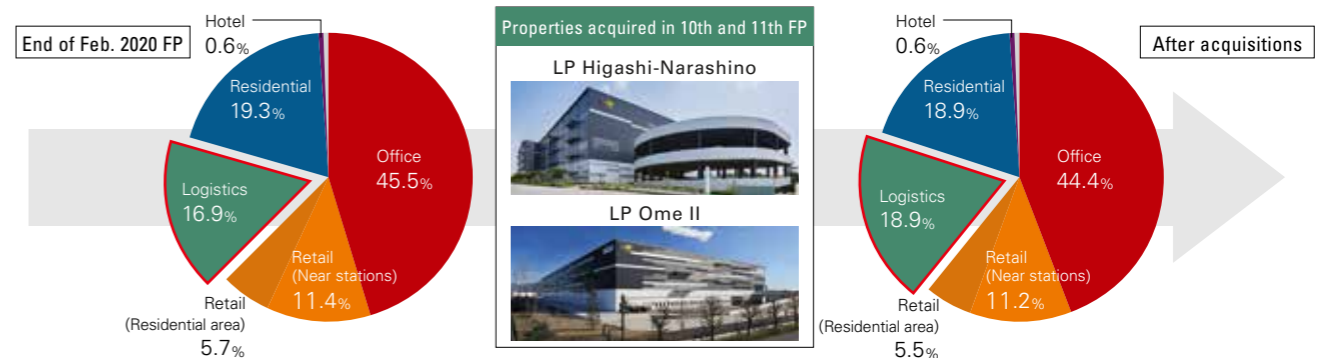
Located in the Nishi-Tokyo Industrial Park, which is a 10-minute walk from Ozaku Station on the JR Ome Line, the nearest station, so it can operate 24 hours a day, 365 days a year and allows tenants to maintain a favorable employment environment.

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.

Acquisition price	¥14,620 million	Location	Ome, Tokyo
Appraisal value	¥15,100 million	Total floor	63,879.98 m ²
Acquisition date	October 1, 2020	Completion	February 2020

Logistics portfolio status



External Growth Policy Going Forward

Selective investment upon careful assessment of the impact of COVID-19. Continue to promote property replacement and other growth strategies not involving capital increase.

Investment Policy

Selective investment in prime properties upon taking into account also the medium- to long-term outlook for the impact of COVID-19

Analyze and examine with particular care in the case of the sectors (retail and hotel) that have been significantly affected even in the short term

Growth Strategies

Given the current investment unit price level, promote growth strategies not involving capital increase

Replacement of properties

Consider property replacements of properties deemed to be difficult to maintain competitiveness over the medium to long term in terms of location, specifications, building age and profitability by sale in combination with acquisition of prime new assets

Utilization of borrowing capacity

Borrowing capacity up to target maximum LTV on normalized basis (45%): Approx. **¥38.0 billion**

Utilization of free cash flow (including reinvestment of security deposits)

Implement the most effective measure upon verifying the impact on distributions, investment unit valuation, etc. based on real estate market conditions, investment unit price level, etc.

- (Options) **(1) Acquisition of prime assets** → Acquisition of Landport Ome II
(2) Purchase or retirement of own investment units
(3) Repayment of existing borrowings

Impact of COVID-19

(1) Impact on Each Sector

Concerning the impact on operating status of each sector, although the office and residential sectors had limited impact, temporary rent reductions and other impacts have been seen among retail tenants. As for the office sector, while downtime for new leases and rent revision negotiations have prolonged, and cancellation has occurred centering on small-size sections due to the impact of COVID-19, rent increase upon tenant replacement and rent revision against the backdrop of the gap between the rent of owned properties and the market rent has continued. For retail tenants and hotels, we took measures such as deferment of rent payments to support the tenants. Responses to retail tenants are detailed in (3) below. As for the residential sector, although the occupancy rate was slightly lower compared to the usual year with fewer new applications received mainly during the state of emergency, rent increase upon tenant replacement and contract renewal has continued as is the case with the office sector. Concerning the logistics sector, there was no impact on its operating status and rent increase upon tenant replacement and contract renewal has continued. It sufficiently demonstrated a role as a stable sector even under the COVID-19 crisis along with retail facilities in residential areas and residential properties.

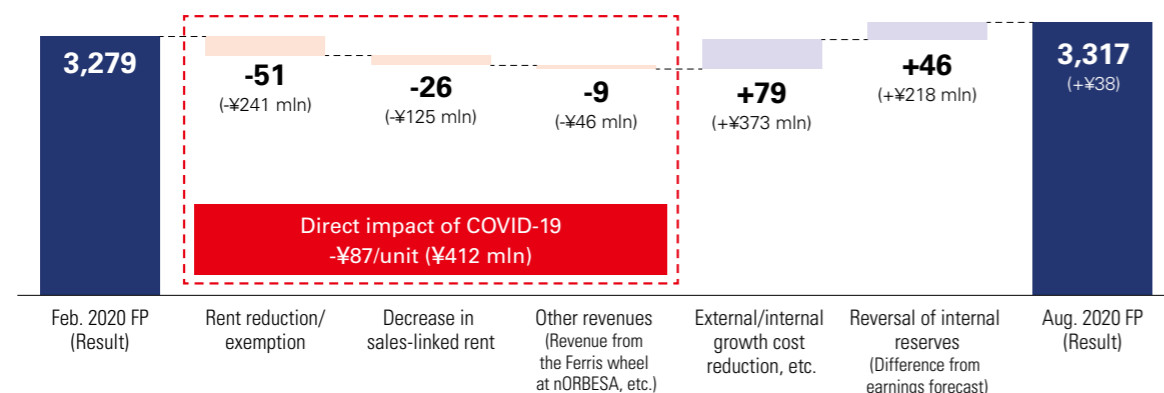
Sector	Revenue ratio ^(Note)	Operating status including the impact of COVID-19
Office	46.9%	<ul style="list-style-type: none"> Prolonged downtime for new leases and rent revision negotiations, as well as cancellation against the background of poor business performance, introduction of remote work, etc. at some of companies with little leased area. Rent increase upon tenant replacement and rent revision against the background of rent gap has continued.
Retail Facilities (Near stations)	11.4%	<ul style="list-style-type: none"> Supported some tenants who were requested by the government to close or shorten operating hours through temporary deferment of rent payment or rent reduction/exemption. Decrease in sales-linked rent and cancellations by some tenants due to a drop in sales.
Retail Facilities (Residential Areas)	6.6%	<ul style="list-style-type: none"> No impact at present.
Residential	18.3%	<ul style="list-style-type: none"> The number of new contracts decreased for both individuals and corporations in April and May. Although the number recovered to the level of the usual year in July and after, occupancy rates were lower than the usual year. Rent increase upon tenant replacement and contract renewal has continued.
Logistics	16.1%	<ul style="list-style-type: none"> No impact at present. Rent increase upon tenant replacement and contract renewal has continued.
Hotels	0.4%	<ul style="list-style-type: none"> Decrease in sales-linked rent due to a plunge in accommodation demand in line with the international travel restrictions, self-imposed stay-at-home, etc. Supported tenants through temporary deferment of rent payment.

(Note) Calculated based on rental revenues for the 9th FP (Feb. 2020 FP).

(2) Impact on Distribution for the Fiscal Period Ended August 2020 (10th Fiscal Period)

As a direct impact of COVID-19, revenue decreased by a total of ¥412 million due to the temporary rent reduction/exemption, decrease in sales-linked rent, etc. At the same time, we reduced the impact of COVID-19 with external growth of properties acquired through the third public offering in December 2019, internal growth centering on the office sector and cost reductions and such, and secured per-unit distribution of ¥3,317 as stated in the earnings forecasts by allocating internal reserves to cover the difference from the forecasts.

Direct Impact of COVID-19 on Per-unit Distribution



(3) Responses to Retail Tenants

Retail tenants were greatly affected by the COVID-19 crisis as a result of municipalities requesting specified businesses to close or shorten operating hours in addition to their request for self-imposed stay-at-home. Approximately 70% of tenants in the retail sector were subject to the request for closure, etc., most of them being tenants operating restaurants/service businesses in retail facilities near stations. The following are our policies for responding to tenants based on this situation.

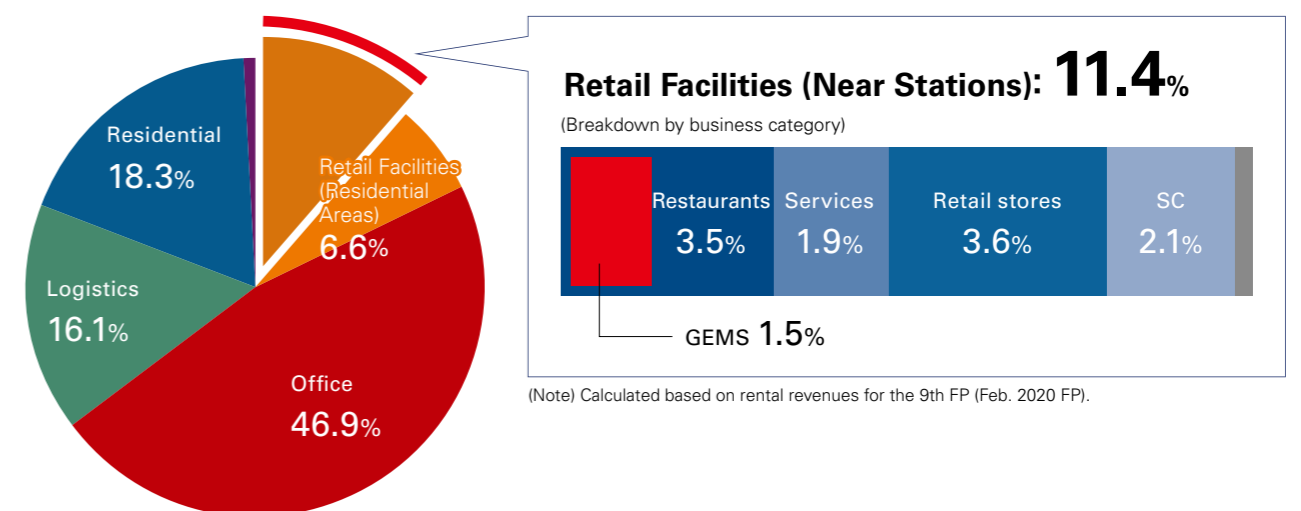
- ▶ Fulfill our social responsibility as the owner of the facilities to prevent the spread of COVID-19
- ▶ Avoid tenant move-outs and replacements in the COVID-19 crisis by strengthening relationship with tenants

Based on the belief that these measures will result in stable management over the medium to long term and lead to securement of unitholder value, we allowed for temporary deferment of rent payments and partial rent reductions/exemptions during the requested period for closure/shortened hours, as economic support for tenants subject to such requests.

Status of tenants	Policy on tenant response	Details of tenant response																																
<p>Sales deteriorated significantly centering on tenants in restaurant/service businesses as a result of direct requests from municipalities to close or shorten operating hours in addition to their request for self-imposed stay-at-home.</p> <p><Requested period for closure/shortened hours></p> <table border="1"> <tr> <td></td> <td>Apr.</td> <td>May</td> <td>Jun.</td> <td>Jul.</td> <td>Aug.</td> <td>Sep.</td> </tr> <tr> <td>Tokyo</td> <td>→</td> <td>→</td> <td></td> <td></td> <td>→</td> <td></td> </tr> <tr> <td>Kanagawa</td> <td>→</td> <td>→</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Osaka</td> <td>→</td> <td></td> <td></td> <td></td> <td>→</td> <td></td> </tr> </table> <p>Total number of tenants (or the number of sections) 300</p> <p>Of which, the number of tenants/sections subject to the closure/shortened-hour 215</p>		Apr.	May	Jun.	Jul.	Aug.	Sep.	Tokyo	→	→			→		Kanagawa	→	→					Osaka	→				→		<p>(1) Fulfill social responsibility to prevent the spread of infection (Avoid onset of infection at owned properties)</p> <p>(2) Through the reinforcement of relationships with tenants, avoid tenant replacement under the COVID-19 crisis (Avoid prolonged downtime and decrease of rent)</p>	<p>(1) Requested the subject tenants to follow the request for closure/shorter operating hours.</p> <p>(2) Provided economic support keeping in mind tenant attributes (status of sales, size of business), difficulty of replacement, etc.</p> <p>Temporary deferment of rent payment: 83 tenants</p> <p>Verified the feasibility of collection keeping in mind security deposits received, etc.</p> <p>Temporary partial rent reduction/exemption 178 tenants</p> <p>Subject tenants: A portion of tenants who are subject to the request for closure/shortened hours</p> <p>Subject period: Requested period for closure/shortened hours</p> <p>Status of temporary rent reduction/exemption implemented</p> <table border="1"> <tr> <td>Aug. 2020 FP</td> <td>Feb. 2021 FP</td> </tr> <tr> <td>¥214 million</td> <td>¥11 million</td> </tr> </table> <p>*In addition to the above, temporary rent reduction/exemption of ¥26 million in the Aug. 2020 FP and ¥1 million in the Feb. 2021 FP has been implemented for retail tenants in office and residential properties.</p>	Aug. 2020 FP	Feb. 2021 FP	¥214 million	¥11 million
	Apr.	May	Jun.	Jul.	Aug.	Sep.																												
Tokyo	→	→			→																													
Kanagawa	→	→																																
Osaka	→				→																													
Aug. 2020 FP	Feb. 2021 FP																																	
¥214 million	¥11 million																																	

Stable management and securement of unitholders' interest over the medium to long term

Tenant Categories^(Note)



(Note) Calculated based on rental revenues for the 9th FP (Feb. 2020 FP).

Internal Growth -Management Status-

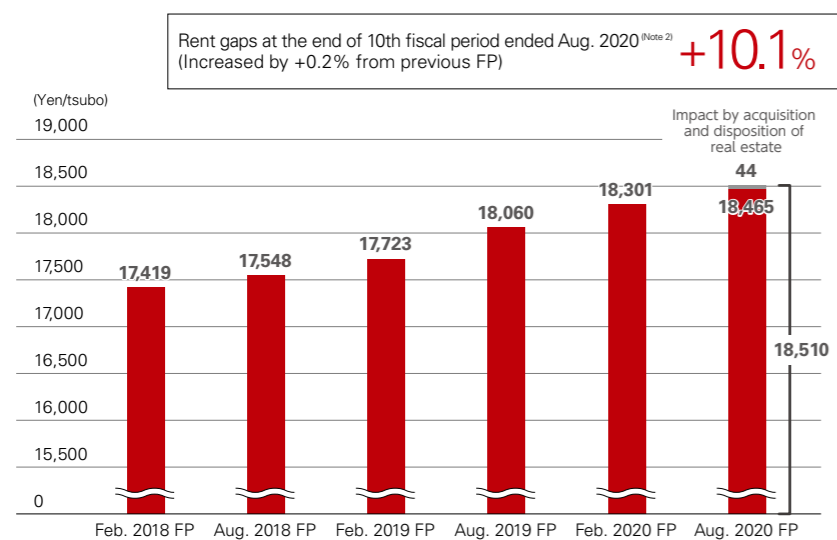
Office

Strong trend of rent increase backed by rent gaps continued even amid the COVID-19 crisis.

Asset Management Topics in August 2020 FP

- The rate of rent increase upon tenant replacement: **+20.7%** (The rate of rent increase within tenant replacement with rent increase: +24.2%)
- The rate of rent increase upon rent revision: **+4.6%** (The rate of rent increase within rent revision with rent increase: +6.8%)
- The rent gap ^(Note 1) as of August 31, 2020: **+10.1%** (Increased by +0.2% from previous FP)

Average Rent ^(Note 1)



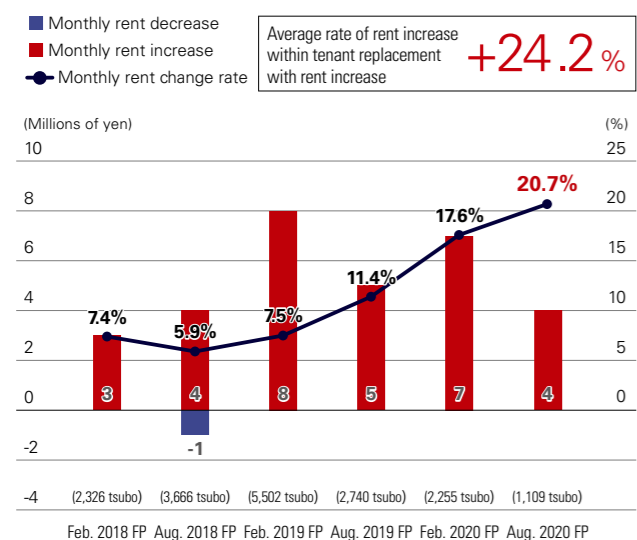
The rate of rent increase upon rent revision only at PMOs (contract renewal included)

+6.7%

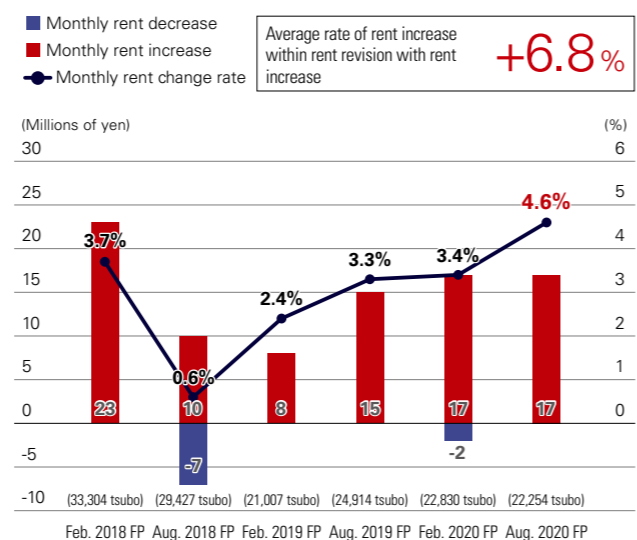
Rent revision in PMO



Amount and Rate of Change in Monthly Rent upon Tenant Replacement ^(Note 2)



Amount and Rate of Change in Monthly Rent upon Rent Revision ^(Note 2)

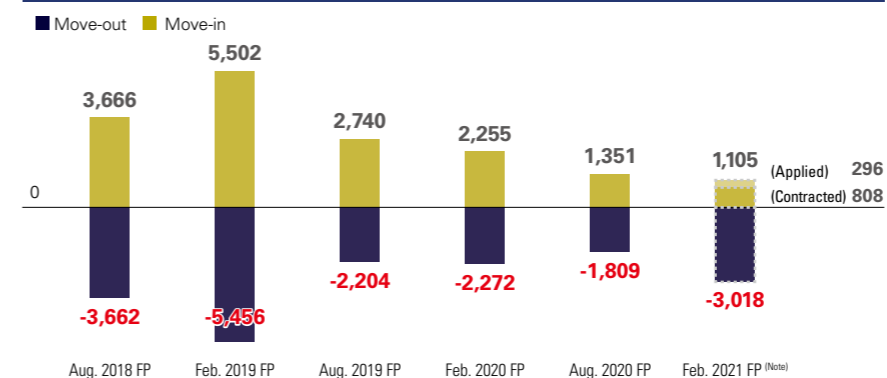


(Note 1) It is calculated for the properties held by NMF excluding the properties for which the entire building is leased to one tenant.
(Note 2) Figures in parentheses are the floor area upon tenant replacement and the floor area (Tsubo) subject to rent revision. The change in monthly rent is calculated as the weighted average of all subjected area. The same applies to the following investment sectors.

Recognition of Leasing Market Environment (comparison with 2008 global financial crisis, etc.)

- (1) Economic trends: Background to the economic downturn, support through fiscal and monetary policies, etc. differ considerably from those of the 2008 global financial crisis, and recovery is assumed to be relatively speedy.
- (2) Supply-demand environment: No movements of excessive rent rise like those seen prior to the 2008 global financial crisis, and volume of office supply ahead also limited.
- (3) Increase in remote work: Certain degree of impact likely, but the thinking of "offices are unnecessary" is fading.

Change in Floor Area from Move-ins and Move-outs (tsubo)



<Feb. 2021 FP> Progress on tenant replacement

Floor area subject to move-out (scheduled): **3,018** tsubo
 Floor area subject to move-in (scheduled): **1,105** tsubo
 (Breakdown) Contracted: 808 tsubo
 Applied: 296 tsubo ^(Note 2)

The rate of rent increase **+22.1%**
 (Greater Tokyo: +11.9%)
 (Regional areas: +69.9%)

(Note 1) As of September 30, 2020.
(Note 2) The figure shows floor area for which NMF received applications for occupancy.

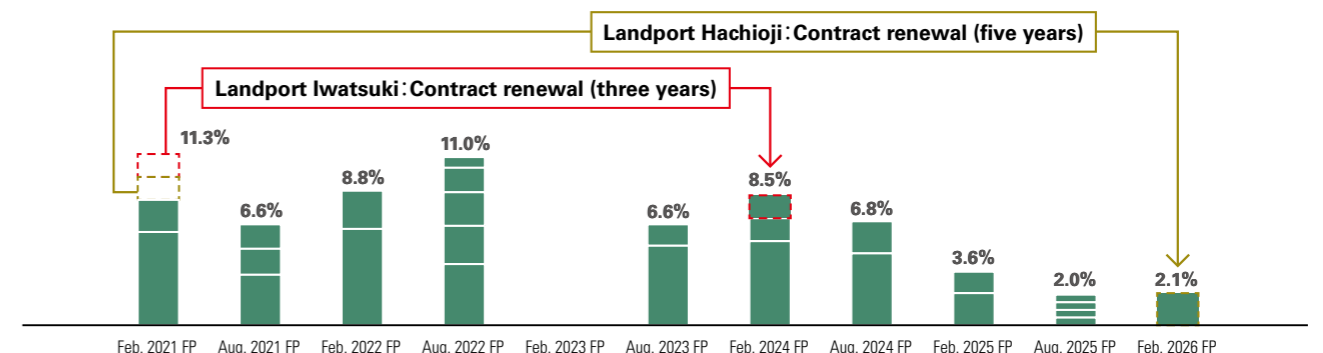
Logistics

With no impact of the COVID-19 crisis seen, continued to achieve upside potential while generating stable revenues backed by long-term fixed agreements.

Asset Management Topics in August 2020 FP

- Landport Iwatsuki: Extended contract period
 For the half of the sections (3,580 tsubo) under short-term agreement (6 months), **re-contracted with contract period extended to 3 years** with same tenant
 Contracted rent: **+5.6% compared with previous tenant**
- Landport Hachioji: Contracted with each tenant
 - Conclusion of green lease agreement in line with LED installment work **Achieved rent increase through green lease agreement** with 3 tenants (3,781 tsubo) **(+6.5% compared with previous tenant)**
 - Re-contracted with large tenant **Re-contracted for long term of 5 years** with large tenant (4,652 tsubo) whose fixed-term lease was due to mature in February 2021 FP

Lease Maturities (rent basis)



Internal Growth -Management Status-

Retail

Temporary rent decrease, decrease in sales-linked rent, and other impact on retail properties in station areas. Stable revenues underpinning retail properties in residential areas.

Asset Management Topics in August 2020 FP

Retail properties in station areas

Sales fell mainly at restaurant tenants due to self-restraint from going out, etc.

Sales (change from same month of previous year)

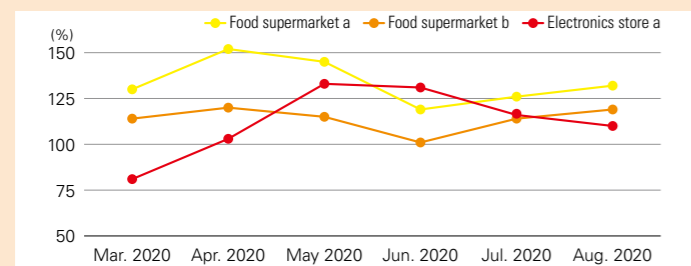
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
9 GEMSs	60.5%	9.5%	15.5%	42.1%	47.5%	44.9%	—
UCW	2.8%	0.8%	0.7%	24.1%	27.2%	27.3%	39.0%

→ Business support through sales promotions, coupled with economic support, served to avoid move-outs and replacements

Retail properties in residential areas

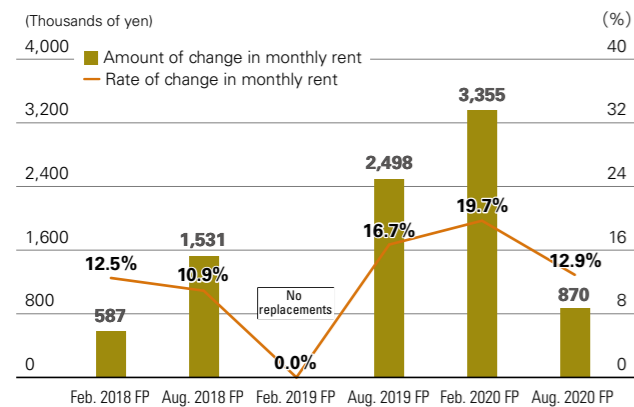
Food supermarket tenants and specialist stores (electronics store, etc.) performing well in sales due to special demand attributable to COVID-19

(Reference) 10th FP sales (change from same month of previous year) (Note)

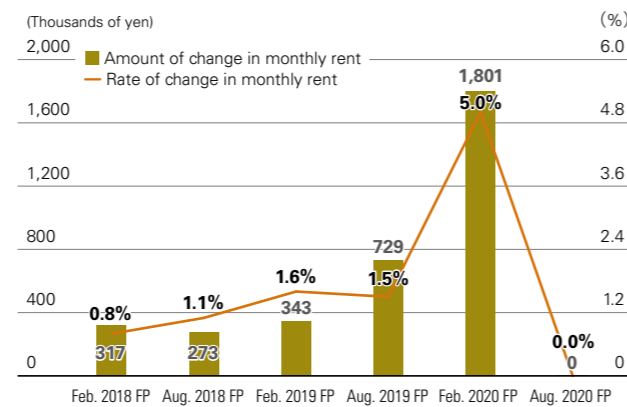


(Note) Compiled based on tenants for which March to August 2020 sales data are available as of October 14, 2020.

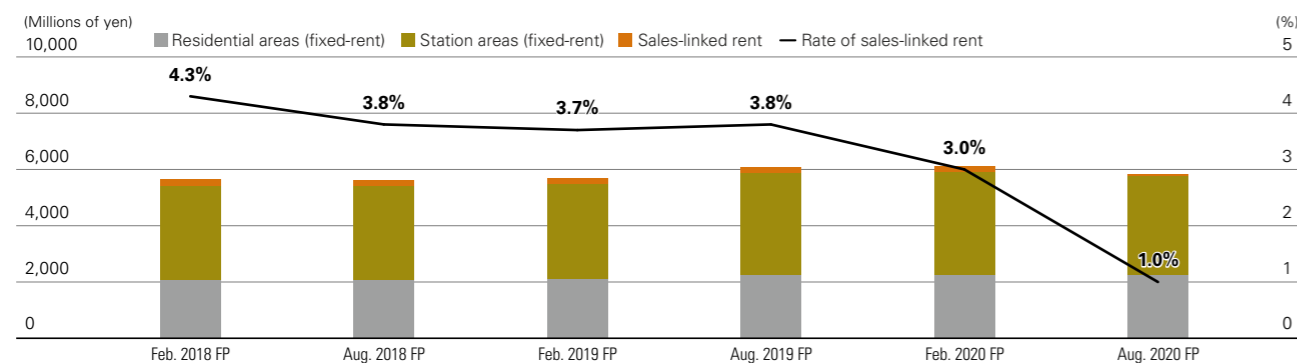
Amount and Rate of Change in Monthly Rent upon Tenant Replacement (retail properties in station areas)



Amount and Rate of Change in Monthly Rent upon Rent Revision (retail properties in station area)



Rent Revenue Breakdown (overall retail)



GEMS

Management status

Sales (change from same month of previous year)

	2020					
	Mar.	Apr.	May	Jun.	Jul.	Aug.
9 GEMSs	60.5%	9.5%	15.5%	42.1%	47.5%	44.9%

Policy going forward

Support for recovery in sales through additional sales promotions
Consider and implement effective measures to boost sales by raising sales promotion budget, also for the purpose of strengthening tenant relations

Sales promotion expenses: **¥4,370 thousand/property** (usually ¥2,500 thousand/property)

- (Sales promotion examples)
- Discount coupons at owners' expense
 - Support introduction of takeaways/deliveries, etc.

Strengthening of leasing structure

Strengthen leasing and other management structure in collaboration with the Nomura Real Estate Group

Universal City Walk Osaka

Management status

Sales (change from same month of previous year)

	2020						
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
UCW	2.8%	0.8%	0.7%	24.1%	27.2%	27.3%	39.0%
USJ							

<Sales in first week of October>
(Weekdays) **39.1%** (Weekends) **52.5%**

Policy going forward

Implement effective sales promotions in tandem with USJ's introduction of new content and holding of events to restore customer count and boost sales

<Upcoming USJ events>

- STAND BY ME Doraemon 2 XR Ride (from August 2020)
- Halloween and Christmas events
- World's first "SUPER NINTENDO WORLD" opening in Spring 2021

Nakaza Cui-daore Building

Renewal schedule

Given the leasing environment, etc. amid the COVID-19 crisis, postponed renewal period (was set to reopen in Spring 2021)

Policy going forward

- Negotiate extending contracts with existing tenants to maximize cash flows during period of postponement
- Invite event tenants to small-scale roadside sections
- Consider revising MD/concept for after COVID-19

Residential

Temporary decrease in applications due to COVID-19, but trend of rent increase continued through tenant replacement. Demand from both individuals and corporations now trending toward recovery.

Asset Management Topics in August 2020 FP

Change in monthly rent due to move-ins and move-outs or contract renewal

- Change in monthly rent due to move-ins and move-outs
865 out of 1,149 units (75.3%) replaced with increased rent
Change in monthly rent **+4.3% (+¥5,010 thousand/month)**
- Change in monthly rent due to contract renewals
330 out of 2,082 units (15.9%) renewed contract with increased rent
Change in monthly rent **+0.4% (+¥832 thousand/month)**

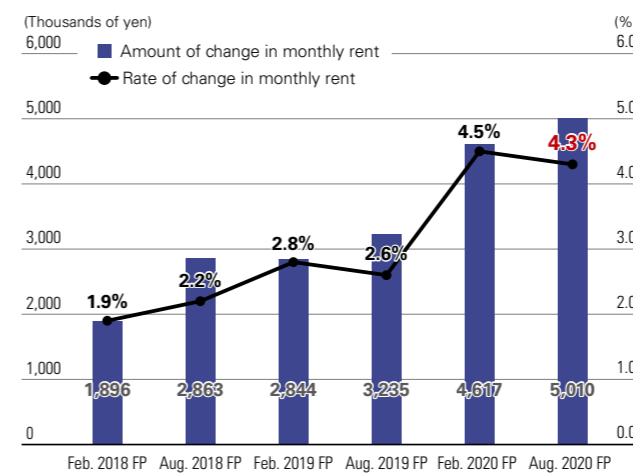
Achieved internal growth through strategic leasing capturing area characteristics

Strategic leasing to corporate customers in the Tozai Line area (10 properties) resulted in rent increase.

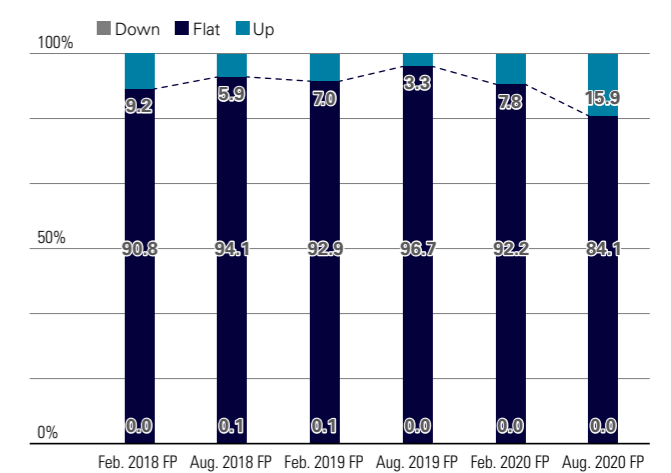
Monthly rent **+9.0% (+¥596 thousand/month)**

Name of property	Number of units moved-in/out	Change in rent	Change in rent
PRIME URBAN Gyotoku II	18	¥245,000	19.6%
PRIME URBAN Gyotoku I	4	¥41,000	15.1%
PRIME URBAN Gyotoku III	19	¥157,000	11.4%
PRIME URBAN Urayasu	2	¥16,000	11.0%

Amount of Change in Monthly Rent at Move-ins and Move-outs



Rate of Change in Monthly Rent at Renewals



ESG Measures

As a result of proactive promotion of ESG measures, NMF obtained the highest rating among J-REITs (AA) under the MSCI ESG Ratings

Obtained highest rating among J-REITs (AA) under the MSCI ESG Ratings

The rating was upgraded from A to AA (the highest among J-REITs), as promotion for acquiring green certification, diversity of NMF's board of directors (appointment of female Supervisory Director), etc. were recognized. Furthermore, NMF has been continuously included in the MSCI Japan ESG Select Leader's Index.



2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

What Is the MSCI Japan ESG Select Leaders Index?

The MSCI Japan ESG Select Leaders Index is an index consisting of stocks of companies with relatively high ESG ratings selected from various industries among the top 700 Japanese stocks by market capitalization, excluding those having serious scandals. The index has been selected by the Government Pension Investment Fund ("GPIF") as one of their ESG indices for making investment based on ESG measures.

AUM of GPIF: ¥1,306.1 billion (as of March 31, 2020) (Note)

Support for TCFD (Task Force on Climate-related Financial Disclosures) Recommendations

In July 2020, Nomura Real Estate Asset Management Co., Ltd., the asset management company of NMF, declared its support of the recommendations of the TCFD and decided to participate in the TCFD Consortium, a group of domestic companies that supports TCFD recommendations.



What Is TCFD?

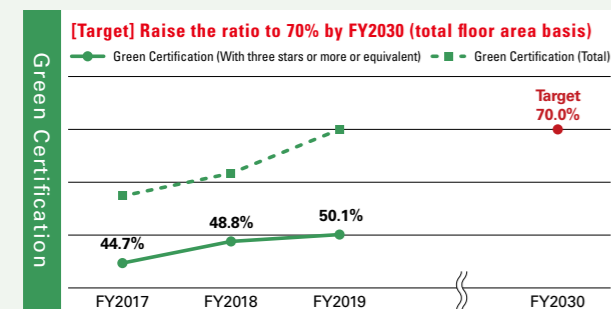
TCFD refers to the "Task Force on Climate-related Financial Disclosures" launched by the Financial Stability Board ("FSB") for the purpose of discussing the disclosures of climate-related financial information and the responses by financial institutions. TCFD identifies climate change as a serious risk to the global economy and encourages companies and organizations to understand and disclose four core elements regarding climate-related risks and opportunities, "Governance," "Strategy," "Metrics and Targets," and "Risk Management," in its recommendations.

Number of institutions supporting TCFD:

1,433 (of which, 306 are Japanese institutions) (As of September 28, 2020)

(Note) Reference: GPIF's "FY2019 ESG Report."

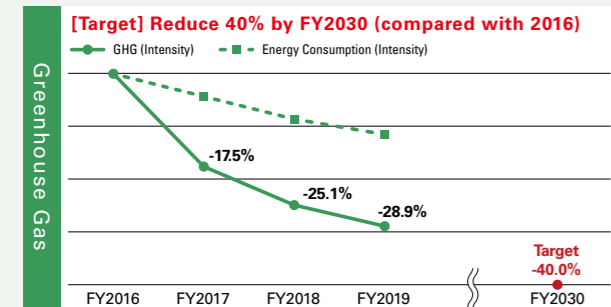
ESG Measures (E: Environment)



Realized reduction of both electricity consumption and CO₂ by switching electric power companies

By fielding quotes from different electric power companies, "the most suitable electric power supplier" was selected to reduce both electricity consumption (costs) and CO₂ emissions.

Target properties: 86 properties (42 offices, 16 retail, 7 logistics, 21 residential)
 Reduction of electricity consumption costs (assumed): -¥114 million/year (-8.5%)
 Reduction of CO₂ emissions (assumed): -3,011 t/year (-4.5%)
 → Gradual transition starting in 10th FP, with full switch by 13th FP



Implemented a variety of capital investments in owned properties to reduce their environmental impact (The examples below are from the 10th FP)

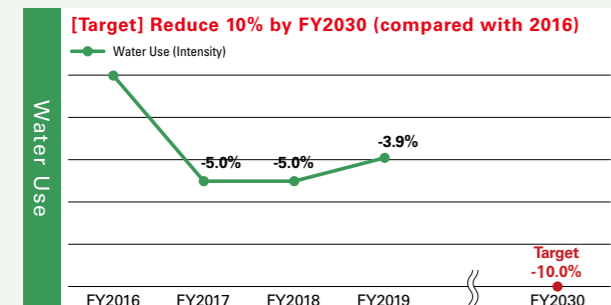
- (1) Saving Energy with LED Lighting
 - Shinjuku Nomura Building
 - Kojimachi Millennium Garden
 - NMF Shiba Building
 - Sagamihara Tana Logistics Center
 - Landport Itabashi
 - Universal CityWalk Osaka
 - PROUD FLAT Monzen Nakacho I
 - PRIME URBAN Shibaura LOFT, others

<Energy reduction by work in the 10th FP>
 -2,887 Mwh/year (approx. -61.6%)



- (2) Saving Energy by Upgrading Air-Conditioners
 - Nishi Shinjuku Showa Building
 - NMF Yokohama Nishiguchi Building
 - Landport Atsugi
 - Atsugi Minami Logistics Center A Tower, others

<Energy reduction by work in the 10th FP>
 -443 Mwh/year (approx. -15.3%)



(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 Prevent the Spread of COVID-19

Measures at owned properties

- Installation of alcohol-based hand sanitizer and thermometers
- Ventilation by leaving entrances and exits open at stores
- Secure social distancing by installing footprints
- Take temperature of each tenant, and other measures

Measures of Asset Management Company

- Installation of alcohol-based hand sanitizer
- Installation of partitions in conference rooms, etc.
- Encourage employees to work from home and practice staggered commuting
- Establish an online conference system
- Take temperature of visitors, and other measures



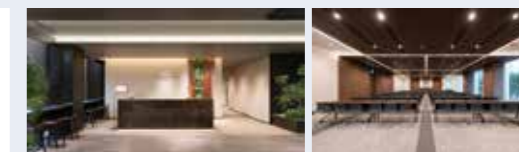
Improved tenant convenience by opening the Nomura Conference Plaza Shinjuku

Nomura Conference Plaza Shinjuku, which was operating on the 48th floor of Shinjuku Nomura Building, reopened on October 5, 2020, after relocating to the 2nd floor of the same building to improve convenience.

<Key points of the renovation>

- Direct access from the entrance hall
- Functional conference room that has the capacity to accommodate large numbers of people and is also versatile
- Installation of cutting-edge audio-visual equipment with simultaneous interpretation, etc.

Contributes to increased satisfaction of tenants and other users
 In the event of a disaster, it can also be utilized as an emergency headquarters

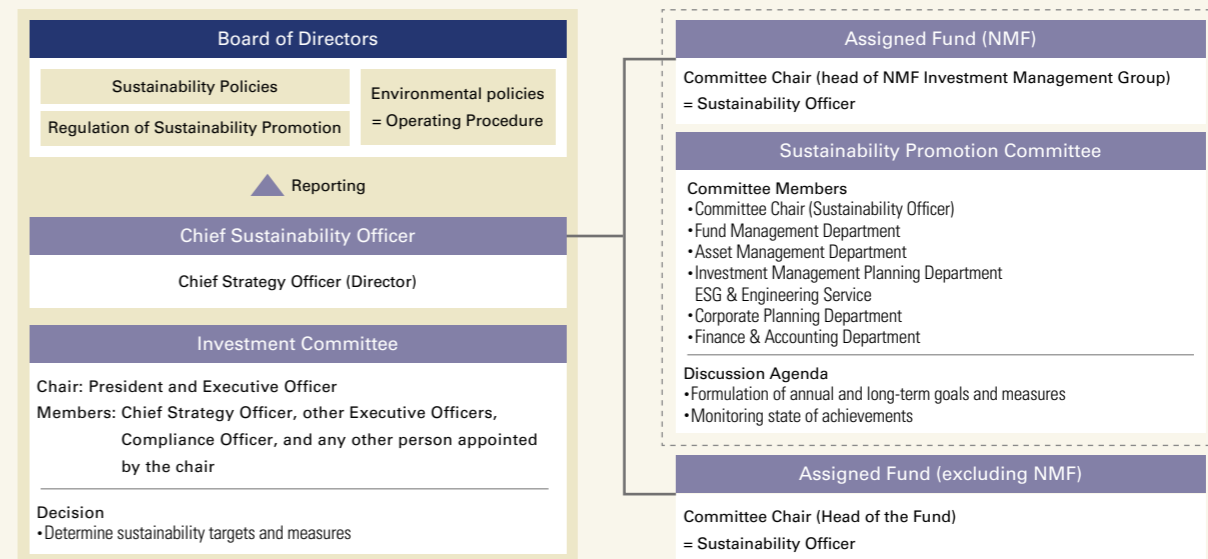


ESG Measures (G: Governance)

Workable sustainability promotion system

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

- Board of Directors:** Meets once a year, in principle
Approval of policies and rules, etc., monitoring and supervision of the status of sustainability promotion
- Investment Committee:** Meets twice a year (decisions on goals and measures), in principle
Decision-making body for sustainability (goals, measures, etc.)
- Sustainability Promotion Committee:** Meets once a quarter, in principle
Formulates sustainability goals and measures and monitors achievement status



Third-party certification that evaluates the effectiveness of the sustainability promotion system

[Scope of certification and registration]
 Investment and management of office buildings and residential properties

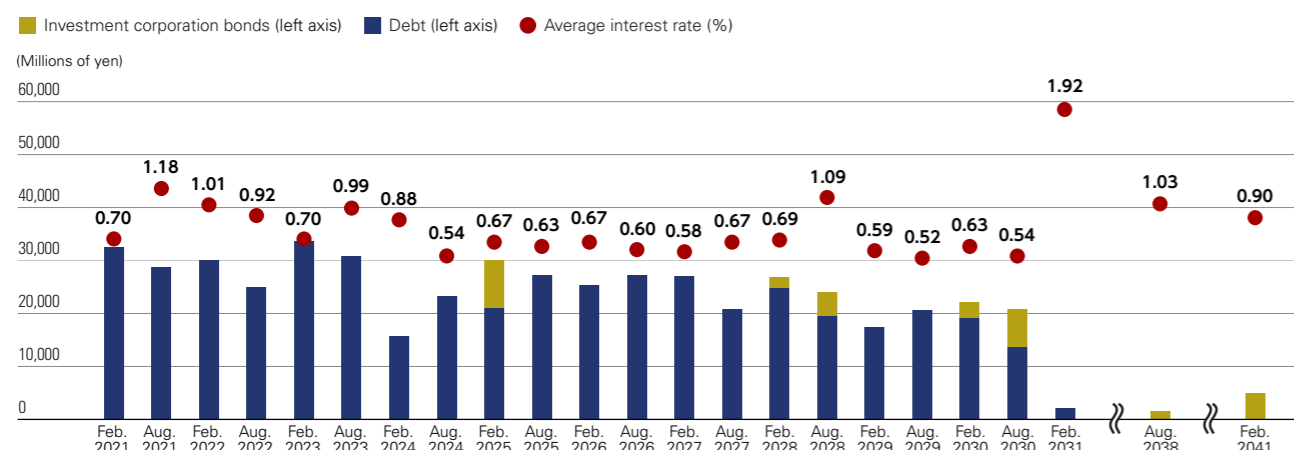
Financing Status

Pursuing low interest rates and prolonged borrowing periods through refinancing.

Status of Interest-bearing Debt (as of end of fiscal period)

	Feb. 2019 (7th FP)	Aug. 2019 (8th FP)	Feb. 2020 (9th FP)	Aug. 2020 (10th FP)
Total interest-bearing debt	¥497,112 million	¥510,770 million	¥510,727 million	¥517,884 million
Average remaining duration	4.52 years	4.64 years	4.82 years	4.97 years
Average interest rate	0.87%	0.83%	0.82%	0.76%
Ratio of long-term debt	86.9%	86.0%	87.1%	88.2%
Ratio of fixed-rate debt	95.4%	94.1%	95.6%	95.7%
LTV	44.5%	43.9%	42.8%	43.2%

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



New borrowing during August 2020 FP

New Borrowing Overview (Note 1)	
Total amount of new borrowing	¥7,200 mln
Average interest rate	0.51%
Average remaining duration	9.6 years

Refinancing during August 2020 FP

Repayment Overview (Note 2)	
Total amount of repayment	¥33,400 mln
Average interest rate	1.33%
Average remaining duration	7.8 years

Refinancing Overview (Note 3)	
Total amount of refinancing	¥33,400 mln
Average interest rate	0.46%
Average remaining duration	8.9 years

Scheduled repayment during February 2021 FP

Scheduled Repayment (Note 4)	
Total amount of repayment	¥32,400 mln
Average interest rate	0.70%
Average remaining duration	5.6 years

(Note 1) The ¥4,500 million procured under a commitment line agreement on March 25 is the content after extending the borrowing period and fixing the interest rate through the issuance of investment corporation bonds on August 14. Average interest rate and average remaining duration are those at the time of borrowing.
 (Note 2) 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.
 (Note 3) Average interest rate and Average remaining duration are those at the time of refinancing.
 (Note 4) 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 2020. Excluding ¥42.8 million in contractual repayment.

Issuance of Green Bonds

6th Unsecured Investment Corporation Bond (Green Bond)	
Total amount of Issuance	¥7,000 million
Interest rate	0.54%
Payment date	August 14, 2020
Redemption date	August 14, 2030

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-
S&P Global Ratings Japan Inc. (S&P)	Long-term Issuer credit rating: A Short-term Issuer credit rating: A-1

Balance Sheet Highlights

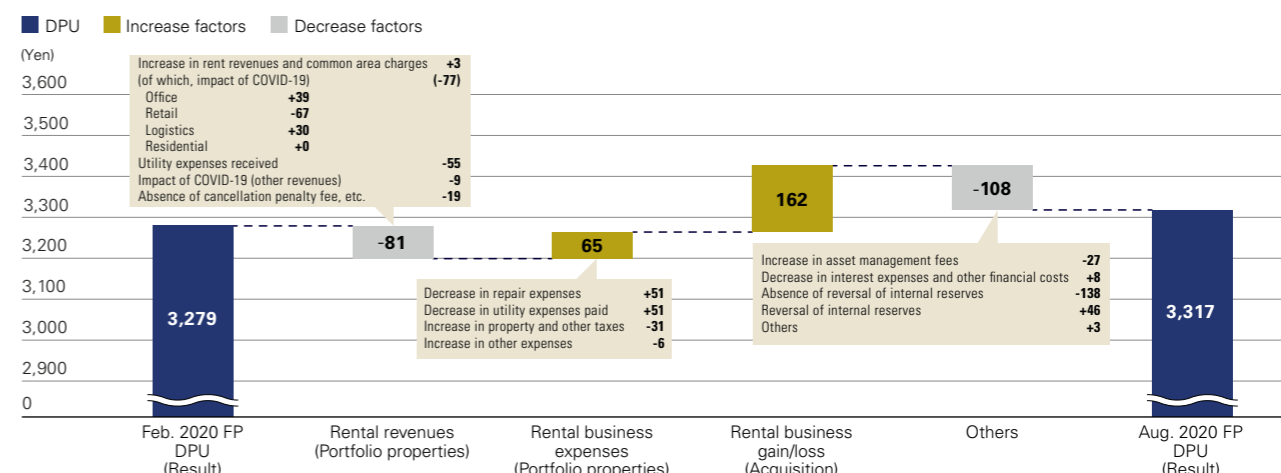
Revenues decreased due to COVID-19, but distributions were achieved as forecast as a result of external and internal growth, reversal of internal reserves, etc. DPU for Aug. 2020 FP is ¥3,317, up ¥38 (+1.2%) from the Feb. 2020 FP results.

	Ended Feb. 29, 2020 (9th FP)	Ended Aug. 31, 2020 (10th FP)	Differences
	Result (A)	Result (B)	(B) - (A)
Operating Revenue	36,927	37,577	650
Rental revenues	33,877	34,884	1,006
Other rental revenues	3,049	2,693	-356
Operating Expenses	22,253	22,364	110
Rental business expenses	15,720	15,678	-42
Repair expenses	1,658	1,418	-239
Tax and public dues	2,976	3,124	148
Depreciation and amortization	5,151	5,369	218
Others	5,934	5,765	-169
Asset management fees	3,291	3,420	129
Amortization of goodwill	2,622	2,622	—
Other operating expenses	619	643	23
Operating Income	14,673	15,212	539
Non-operating Revenues	8	4	-4
Non-operating Expenses	2,506	2,413	-92
Interest Expenses and other financial costs	2,439	2,402	-37
Investment units issuance costs	55	—	-55
Other non-operating expenses	10	11	0
Ordinary Income	12,175	12,803	627
Extraordinary Loss	16	—	-16
Net Income	12,188	12,799	610
Distribution of Earnings a	12,188	12,797	608
Distribution in Excess of Earnings b	3,272	2,843	-429
Total Distributions a+b	15,461	15,640	179
Internal Reserves	-654	-218	436
(Total Internal Reserves)	(3,420)	(3,201)	(-218)
(Yen)			
DPU	3,279	3,317	38
Distributions of earnings per unit	2,585	2,714	129
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	368	377	9
Distributions in excess of retained earnings per unit [other distributions in excess of earnings]	326	226	-100
(Millions of yen)			
Total Assets	1,193,471	1,197,766	4,294
Acquisition Price	1,031,039	1,051,686	20,647
Interest-bearing debt	510,727	517,884	7,157
LTV	42.8%	43.2%	0.4%
Market capitalization	807,713	640,795	-166,918
NOI	26,357	27,268	910
FFO	19,953	20,798	844

Main Factors Accounting for Differences Between the 9th Results and the 10th Results

		(Millions of yen)
Operating Revenue		650
Rental revenues		1,006
Rent and common area charges of portfolio properties (excluding impact of COVID-19)		382
Direct impact of COVID-19 (of which, temporary rent reduction/exemption: -241; decrease in sales-linked rent: -125)		-366
Impact of acquisition		990
Other rental revenues		-356
Decrease in utility expenses received		-245
Direct impact of COVID-19 (revenue from the Ferris wheel at nORBESA, etc.)		-46
Absence of cancellation penalty fee, etc.		-65
Operating Expense		110
Rental Business Expenses		-42
Decrease in utility expenses paid		-223
Rental business expenses of portfolio properties (excluding utility expenses paid)		-65
Impact of acquisition (excluding utility expenses paid)		246
Asset management fees/Other operating expenses		152
Non-operating Expenses		-92
Interest Expenses and other financial costs		-37
Investment units issuance costs		-55
Extraordinary gain and loss		-16
Absence of extraordinary gain on natural disasters		-16
Net Income		610
Absence of 9th FP's reversal of internal reserves		-654
10th FP's reversal of internal reserves (cover part of temporary decrease in revenues attributable to COVID-19)		218

Main Factors in Change of DPU (yen/unit)



Market Review

Office

Vacancy Rate (Tokyo Central Five Wards)



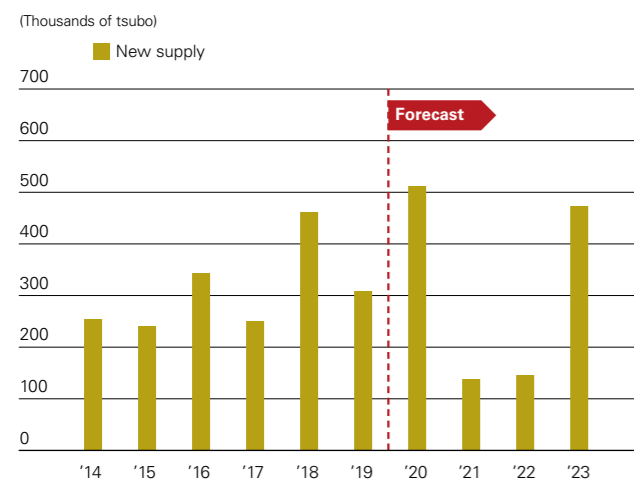
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Average Monthly Rent (Tokyo Central Five Wards)



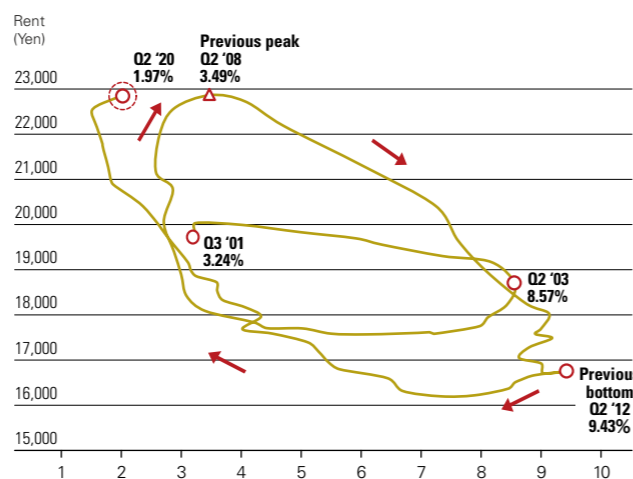
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Supply of Office Buildings (Tokyo Central Five Wards)



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

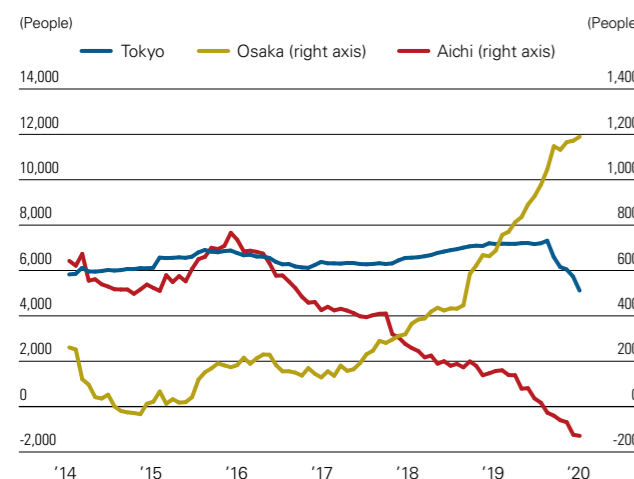
Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



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

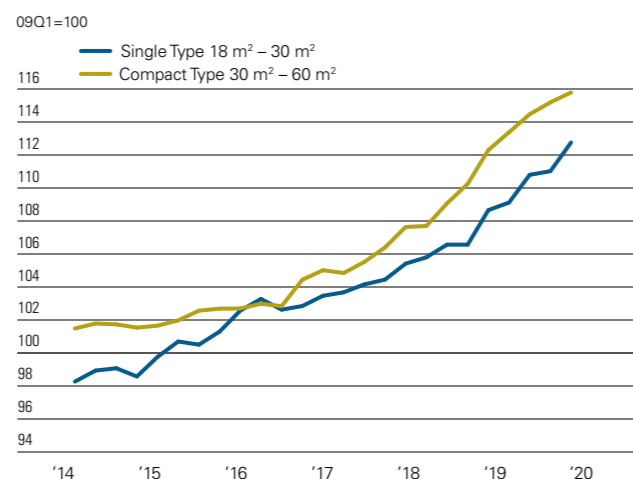
Residential

Net Population Inflow (12-month moving average)



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

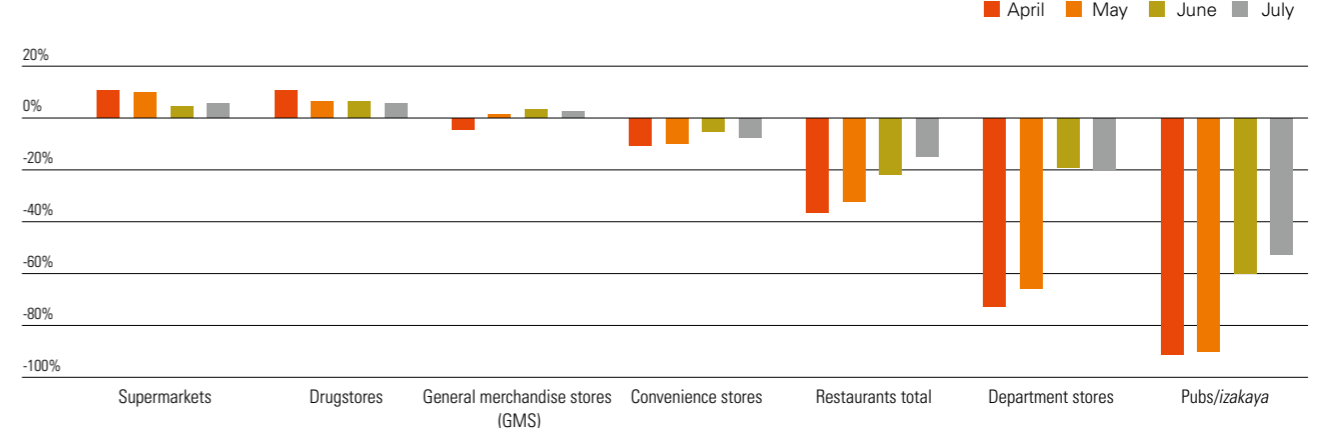
Rental Condominium Rent Index (Tokyo's 23 Wards)



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

Retail

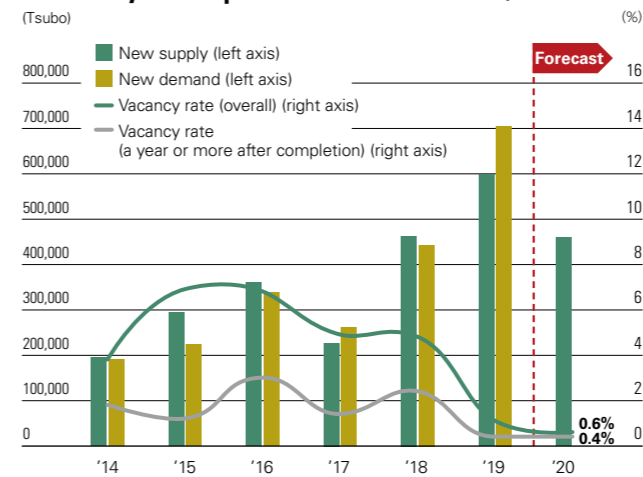
Retail and Restaurant Sales Volume by Store Type Year-on-Year Change (2019 to 2020)



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 year-on-year change in nationwide sales, partially including preliminary figures. Drugstores, restaurants total, and pubs/izakaya are on an all-ops basis. All others are on an existing-shop basis.

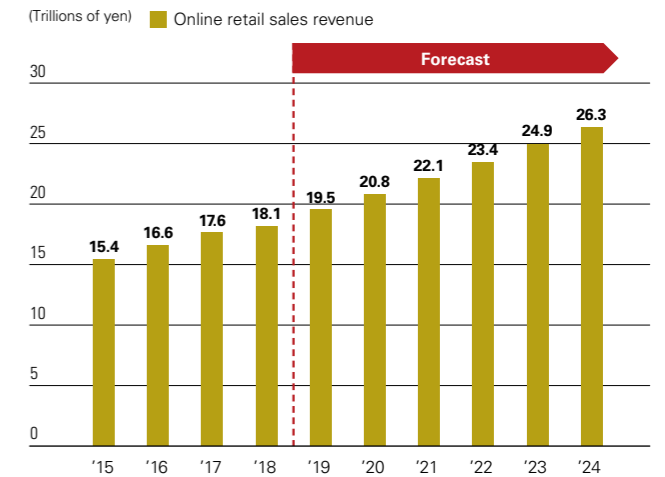
Logistics

Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area as of June 30, 2020



Source: Prepared by NREAM based on data from CBRE

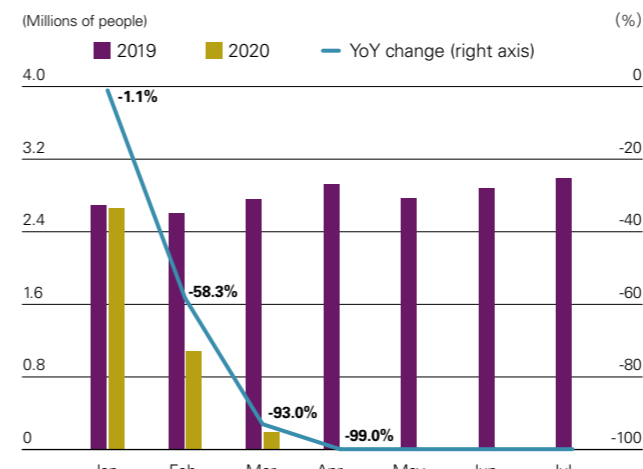
Japanese Ecommerce (B2C) Market



Source: Prepared by NREAM based on data from "IT Navigator 2020" published by Nomura Research Institute, Ltd.
* "Years" show fiscal years

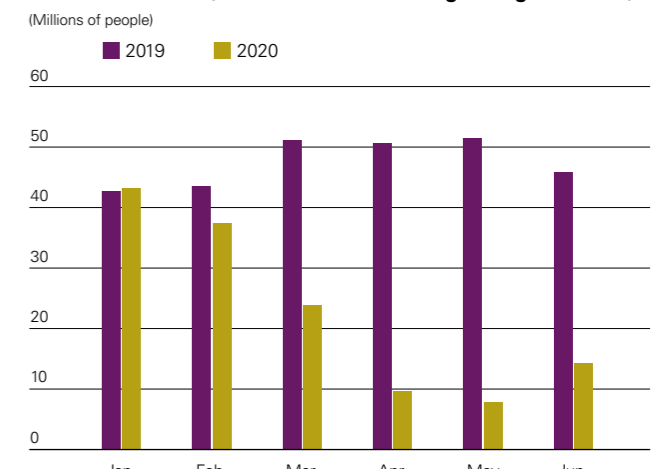
Hotels

Foreign Visitor Arrivals Year-on-Year Comparison of 2019 and 2020



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 2020 (Nationwide, including foreign visitors)



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

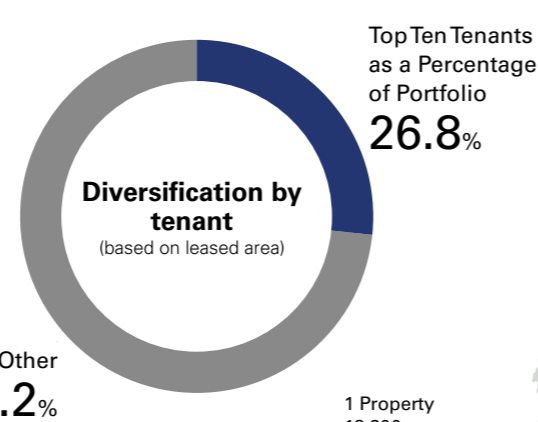
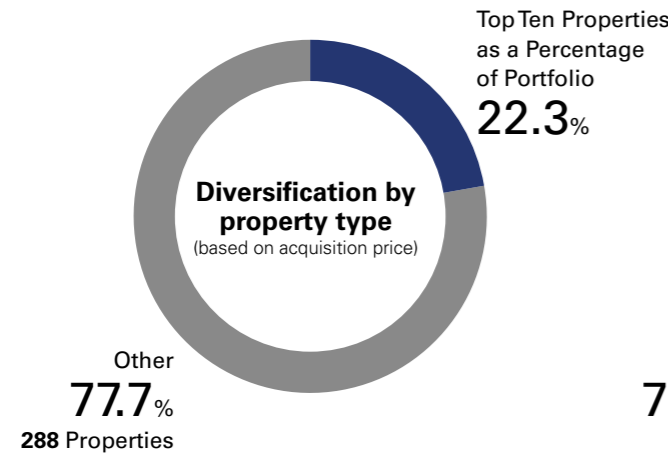
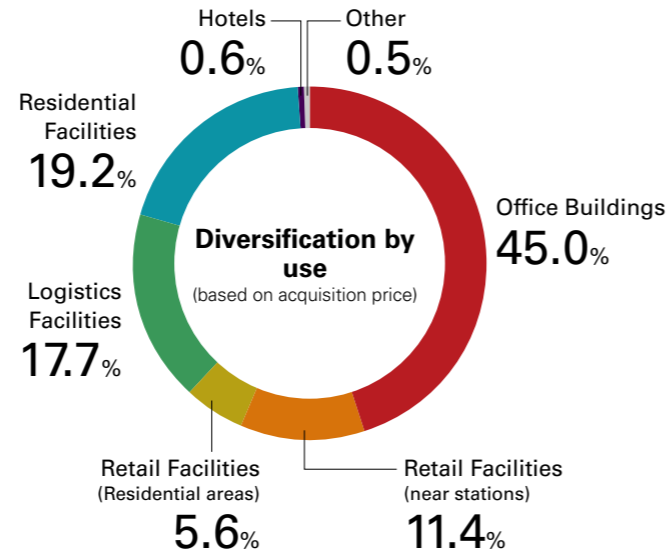
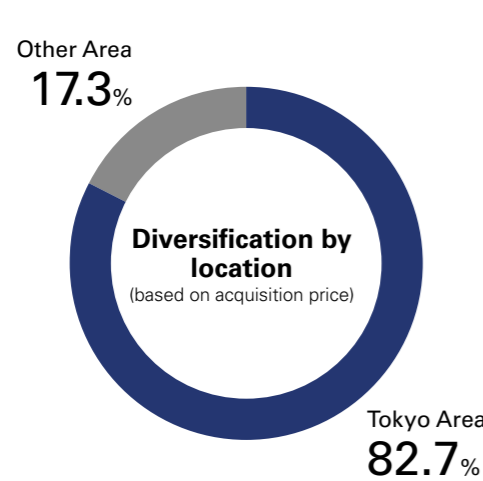
Portfolio Analysis (as of Aug. 31, 2020)

NUMBER OF PROPERTIES

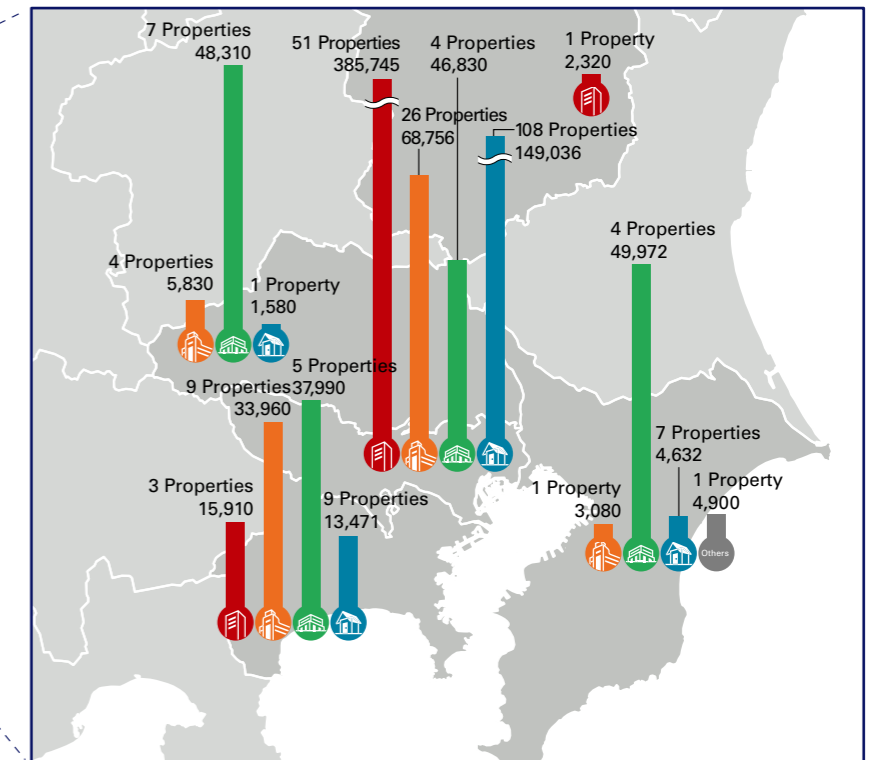
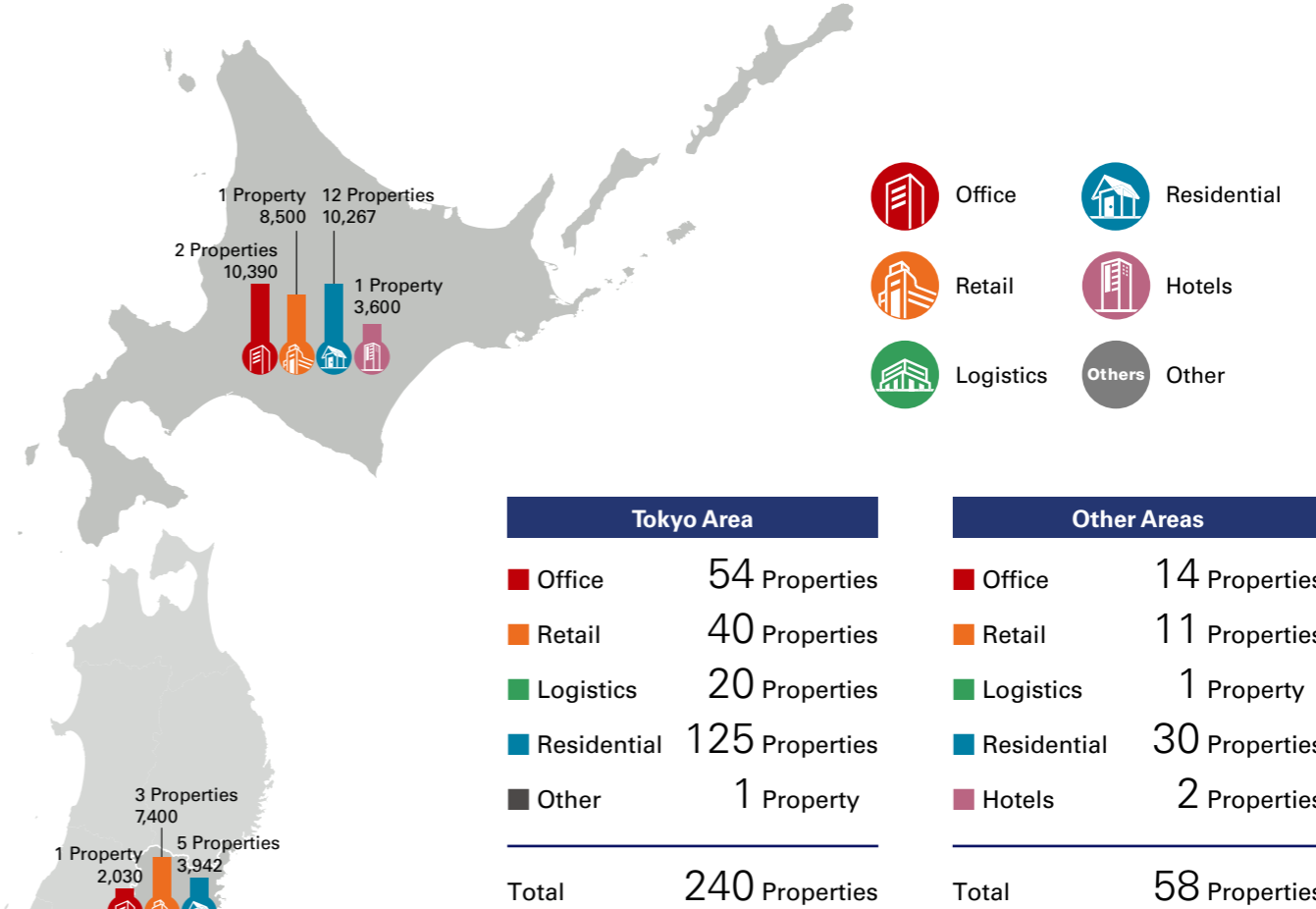
ASSET SIZE

OCCUPANCY RATE

298 properties ¥1,051,686 million 99.1%



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



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.

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: ¥15,500 million Total floor area: 86,888.64 m²</p> 	<p>2</p> <p>Yokosuka More's City</p> <p>Location: Yokosuka City, Kanagawa Acquisition price: ¥13,640 million Total floor area: 43,890.82 m²</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 Hamamatsucho NEW
Location: Minato Ward, Tokyo
Total floor area: 2,872.41 m²



PMO Tamachi
Location: Minato Ward, Tokyo
Total floor area: 5,171.17 m²



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



GEMS Sangenjaya NEW
Location: Setagaya Ward, Tokyo
Total floor area: 1,176.76 m²



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



GEMS Daimon
Location: Minato Ward, Tokyo
Total floor area: 1,387.89 m²



Harumi Island Triton Square Office Tower Z
Location: Chuo Ward, Tokyo
Total floor area: 10,759.81 m²



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



NRE Osaka Building
Location: Osaka City, Osaka
Total floor area: 23,522.82 m²



Musashiurawa Shopping Square
Location: Saitama City, Saitama
Total floor area: 28,930.36 m²



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






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



Portfolio Gallery




Logistics

TOP 3 Properties (acquisition price)

<p>1</p> <p>Landport Urayasu</p> <p>Location: Urayasu City, Chiba Acquisition price: ¥17,400 million Total floor area: 71,570.64 m²</p> 	<p>2</p> <p>Landport Itabashi</p> <p>Location: Itabashi Ward, Tokyo Acquisition price: ¥15,710 million Total floor area: 53,561.44 m²</p> 	<p>3</p> <p>Landport Kawagoe</p> <p>Location: Kawagoe City, Saitama Acquisition price: ¥13,700 million Total floor area: 72,352.88 m²</p> 
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Residential

TOP 3 Properties (acquisition price)

<p>1</p> <p>Fukasawa House Towers H&I</p> <p>Location: Setagaya Ward, Tokyo Acquisition price: ¥7,140 million Total floor area: 12,135.36 m²</p> 	<p>2</p> <p>Serenite Shinsaibashi Grande</p> <p>Location: Osaka City, Osaka Acquisition price: ¥5,567 million Total floor area: 7,794.23 m²</p> 	<p>3</p> <p>PRIME URBAN Toyosu</p> <p>Location: Koto Ward, Tokyo Acquisition price: ¥5,290 million Total floor area: 9,630.96 m²</p> 
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Landport Higashi-Narashino NEW
Location: Narashino City, Chiba
Total floor area: 61,573.49 m²



Landport Hachioji II
Location: Hachioji City, Tokyo
Total floor area: 33,028.63 m²



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



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



PRIME URBAN Kamimaezu
Location: Nagoya City, Aichi
Total floor area: 3,824.15 m²



PRIME URBAN Kachidoki
Location: Chuo Ward, Tokyo
Total floor area: 5,451.41 m²



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



Landport Kasukabe
Location: Kasukabe City, Saitama
Total floor area: 29,553.64 m²



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



PROUD FLAT Kamata
Location: Ota Ward, Tokyo
Total floor area: 1,625.18 m²



PROUD FLAT Kamioooka
Location: Yokohama City, Kanagawa
Total floor area: 5,609.86 m²



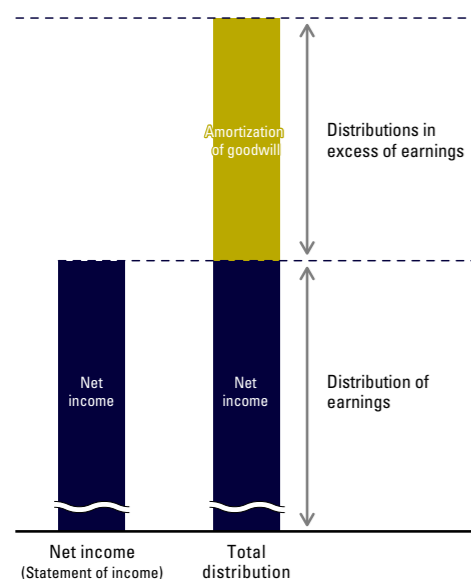
PROUD FLAT Tsurumi II
Location: Yokohama City, Kanagawa
Total floor area: 2,793.02 m²



Distribution Policy

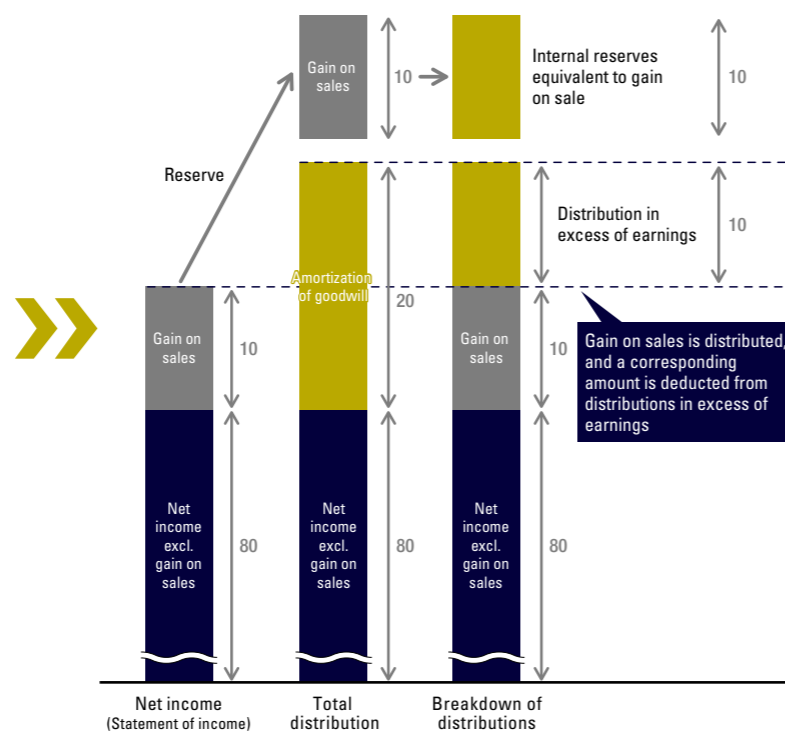
Basic Distribution Policy

Net income + amortization of goodwill



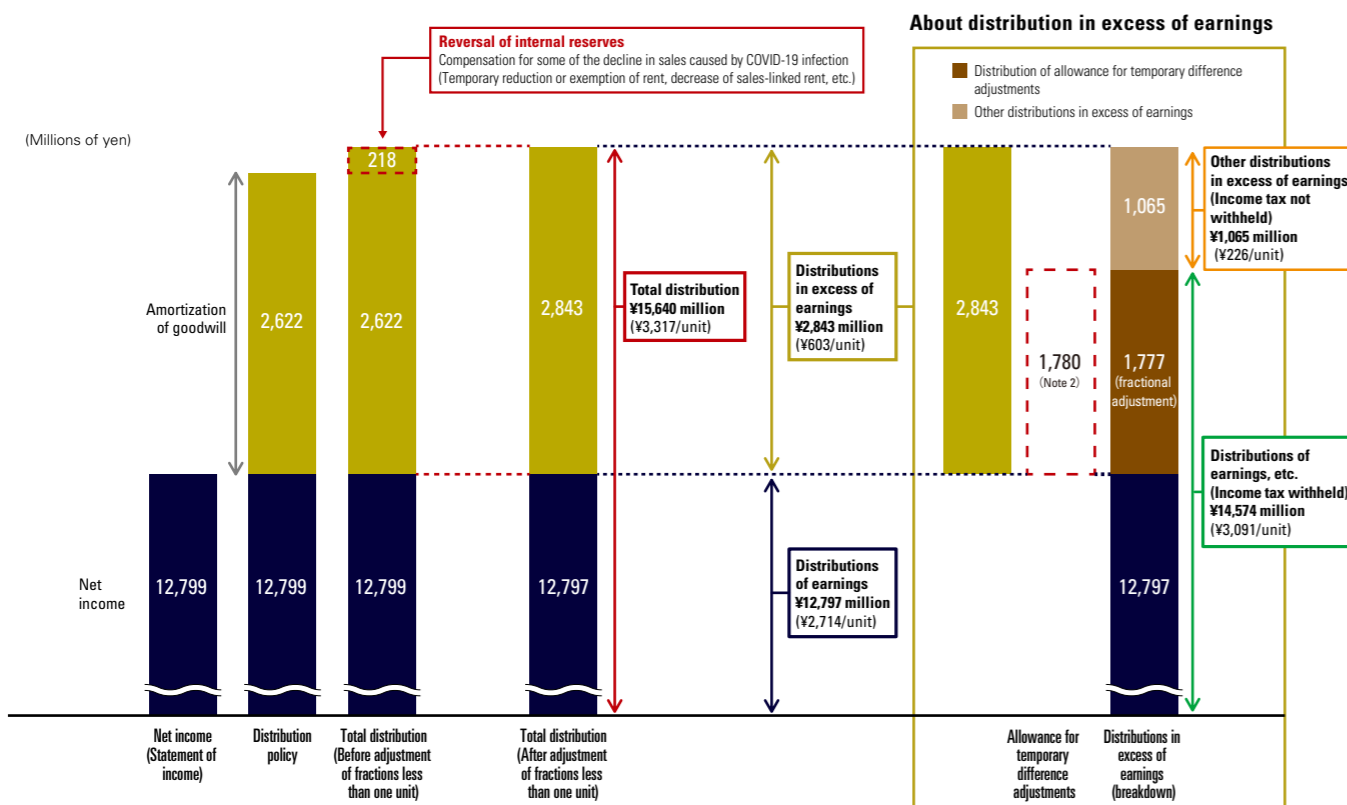
Distribution Policy for Periods with Gain on Sales

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

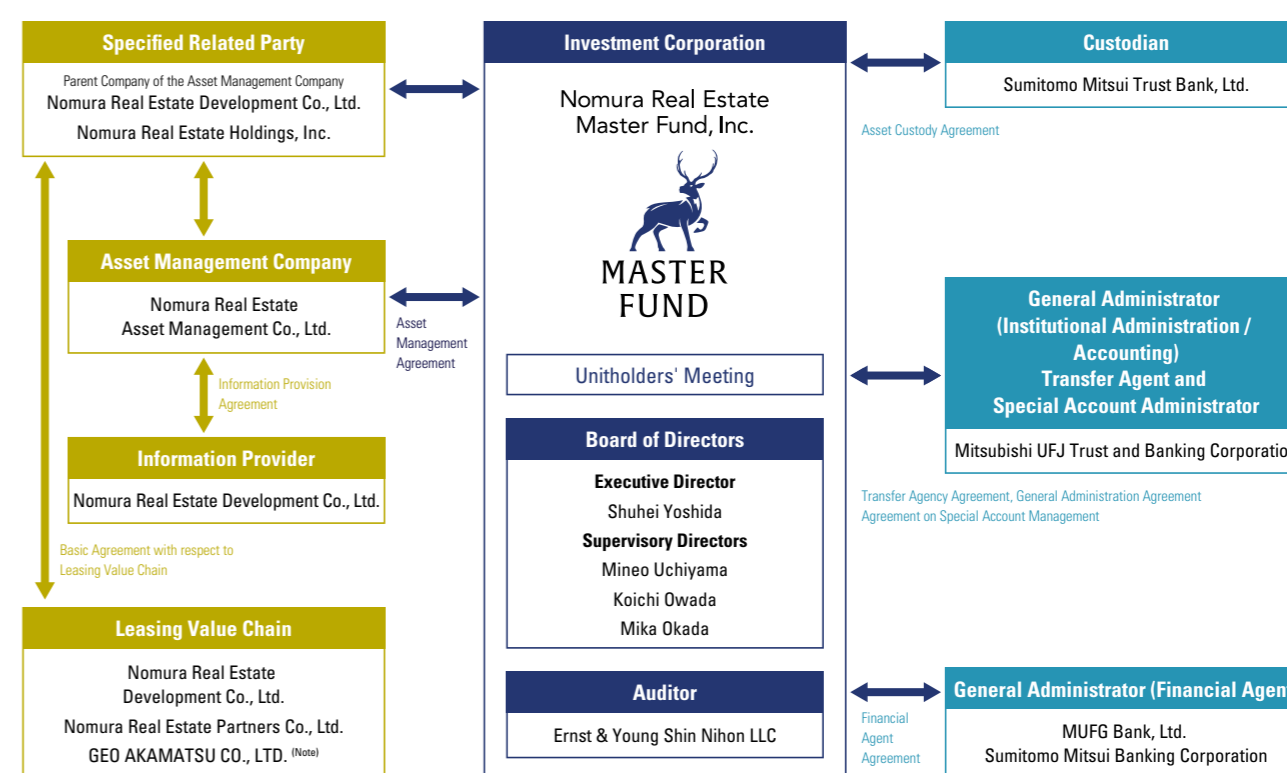
Distributions in Excess of Earnings in the 10th Fiscal Period



(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).

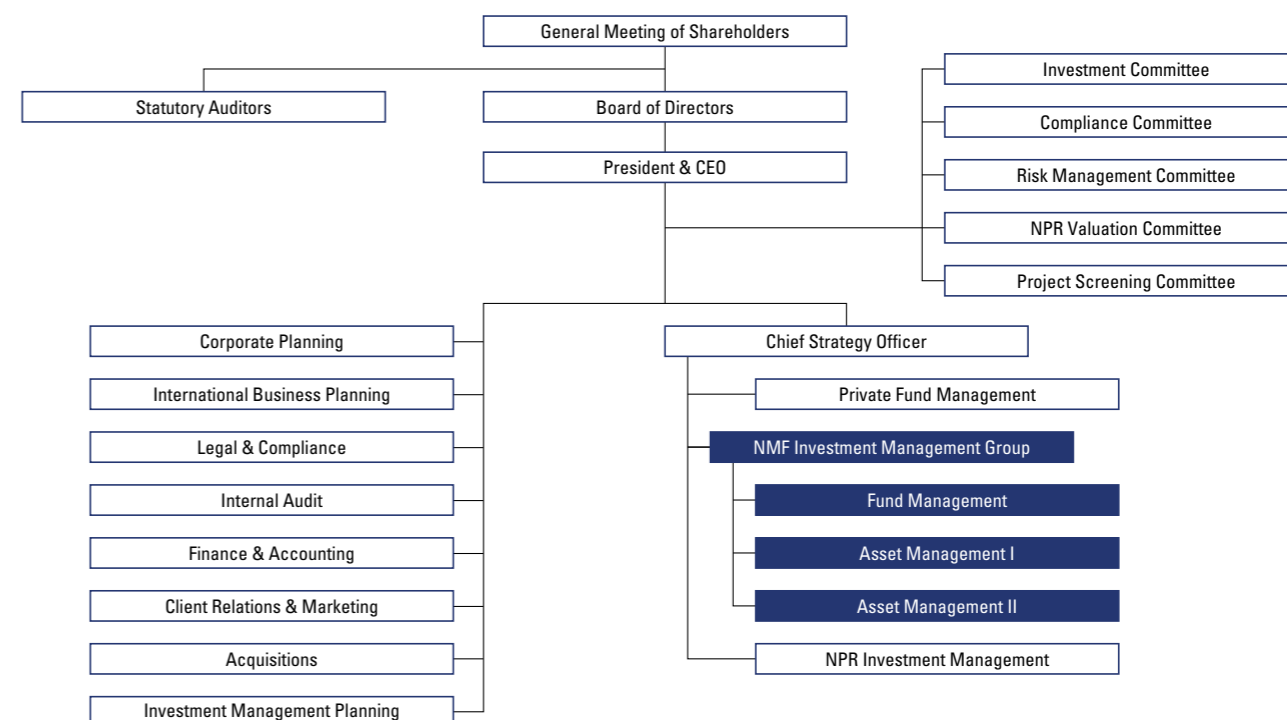
Structure and Organization

Structure of NMF



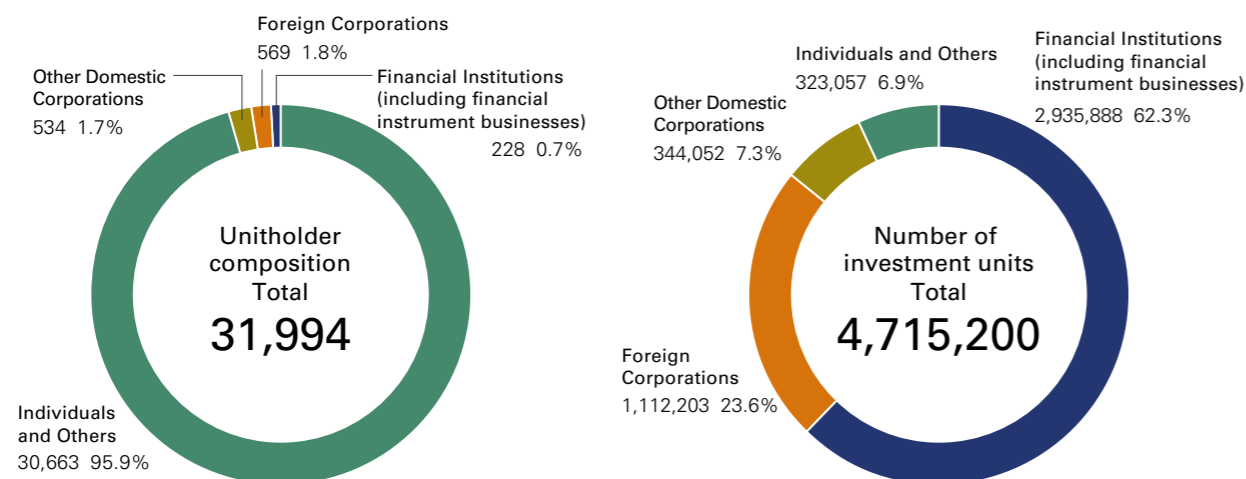
(Note) GEO-AKAMATSU Co., Ltd. changed its name to Nomura Real Estate Retail Properties Co., Ltd. on October 1, 2020. The same shall apply hereinafter.

Organization of NREAM

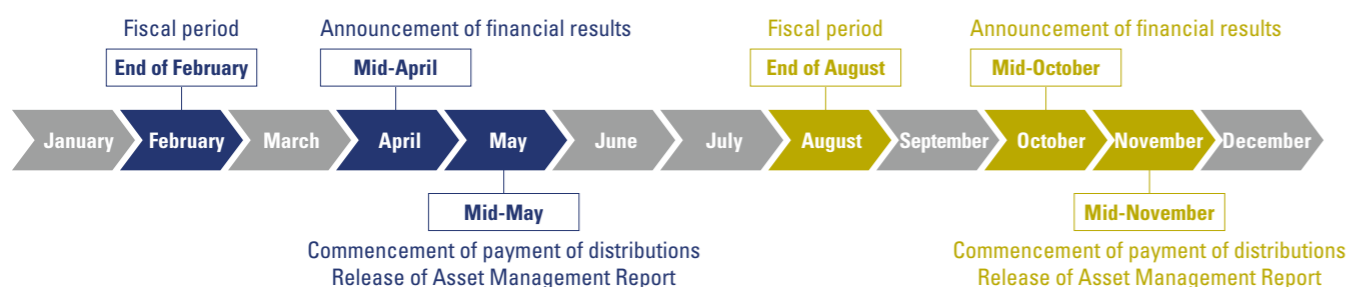


Investor Information

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.

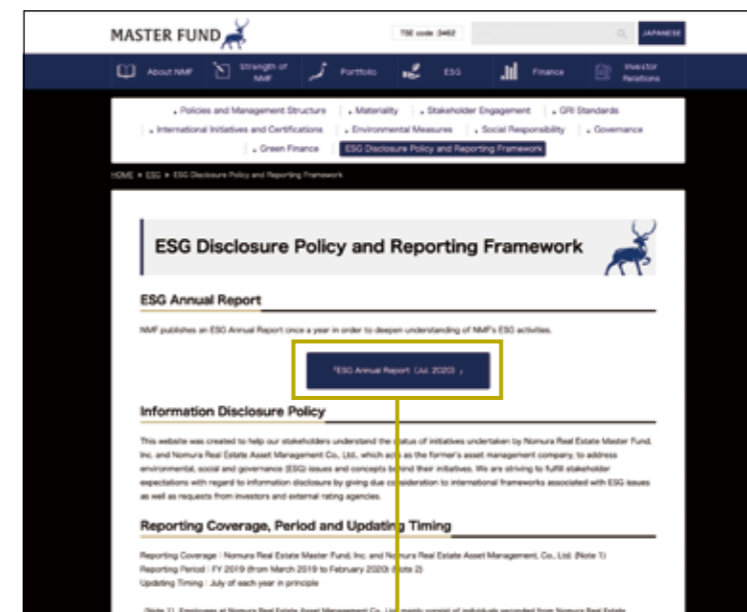
Important Reminders for Unitholders

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

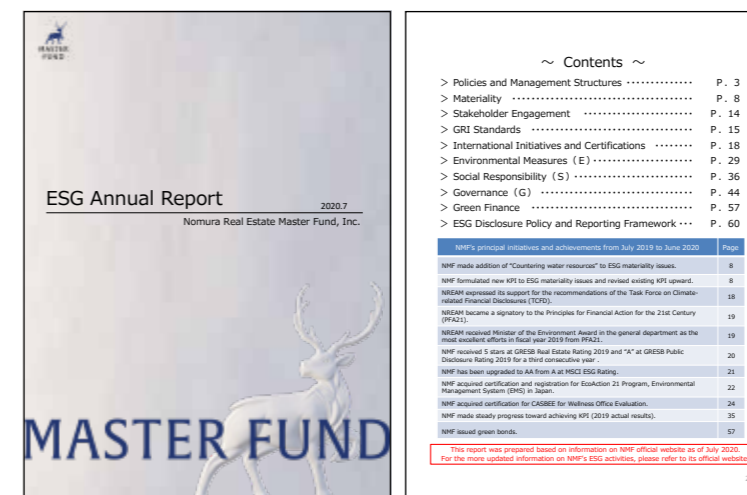
Nomura Real Estate Master Fund, Inc. - IR Activities

▶ Official Website



ESG Annual Report

NMF publishes ESG reports on ESG-related activities and topics during the year. The second edition was released in July 2020.



▶ IR Activities

- IR tour of the financial results on February 2020 period for domestic institutional investors (Conducted by telephone conference)
- One-on-one IR meetings with overseas investors in Europe and in Asia (Conducted by telephone conference)
- ESG engagement with institutional investors

BALANCE SHEET

Thousands of Yen

	As of February 29, 2020	As of August 31, 2020
ASSETS		
Current Assets:		
Cash and bank deposits	87,599,067	75,166,359
Rental receivables	593,233	1,067,208
Other current assets	1,606,233	1,477,045
Total current assets	89,798,534	77,710,612
Property and Equipment:		
Land	711,394,696	724,484,881
Buildings and structures	340,477,012	351,355,493
Machinery and equipment	1,516,277	1,702,406
Tools, furniture and fixtures	1,259,197	1,388,724
Leased assets	4,752	4,752
Construction in progress	24,761	16,224
Subtotal	1,054,676,697	1,078,952,483
Less accumulated depreciation	(46,604,324)	(51,964,605)
Net property and equipment	1,008,072,373	1,026,987,877
Investments and Other Assets:		
Goodwill	82,964,737	80,342,494
Leasehold rights	8,958,534	8,958,147
Intangible assets	32,785	47,510
Long-term prepaid expenses	2,065,881	2,090,012
Long-term deposits	519,577	527,473
Security deposits	936,452	936,452
Deferred investment corporation bond issuance costs	123,090	165,509
Total investments and other assets	95,601,059	93,067,601
Total Assets	1,193,471,967	1,197,766,091

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

Thousands of Yen

	As of February 29, 2020	As of August 31, 2020
LIABILITIES		
Current Liabilities:		
Trade accounts payable	2,559,513	2,536,859
Current portion of investment corporation bonds	5,000,000	—
Current portion of long-term debt	60,885,600	61,135,600
Lease obligations	871	871
Other accounts payable	2,827,990	2,883,286
Accrued expenses	364,346	337,398
Accrued income taxes	2,998	3,774
Accrued consumption taxes	1,158,419	134,705
Rent received in advance	5,380,495	5,584,162
Unearned revenue	132,539	112,213
Provision for loss on disaster	20,244	3,811
Derivatives liabilities	39,952	64,132
Other current liabilities	10,171	36,740
Total current liabilities	78,383,142	72,833,555
Long-term Liabilities:		
Investment corporation bonds	25,000,000	32,000,000
Long-term debt	419,841,600	424,748,800
Lease obligations	3,775	3,339
Long-term advanced received	129,354	75,088
Security deposits from tenants	41,500,327	42,177,982
Derivatives liabilities	745,604	421,674
Total long-term liabilities	487,220,660	499,426,885
Total Liabilities	565,603,803	572,260,441
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	244,185,429	244,307,911
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(11,903,126)	(13,515,837)
Other deductions from capital surplus	(10,738,678)	(12,398,315)
Total deductions from capital surplus	(22,641,804)	(25,914,153)
Net capital surplus	371,371,154	368,098,805
Retained earnings	13,094,910	13,583,176
Total surplus	384,466,064	381,681,981
Total unitholders' equity	628,651,494	625,989,893
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(783,330)	(484,242)
Total valuation and translation adjustments	(783,330)	(484,242)
Total Net Assets	627,868,163	625,505,650
Total Liabilities and Net Assets	1,193,471,967	1,197,766,091

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, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	36,927,357	37,577,424
	36,927,357	37,577,424
Operating Expenses:		
Real estate rental expenses	15,720,670	15,678,281
Asset management fees	3,291,289	3,420,656
Asset custody fees	59,207	56,792
Administrative service fees	169,605	170,478
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	390,886	416,003
	22,253,901	22,364,455
Operating Income	14,673,456	15,212,969
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	415	496
Reversal of dividends payable	4,123	3,561
Interest on refund	3,379	—
Other non-operating revenues	176	15
	8,095	4,073
Non-Operating Expenses:		
Interest expense	1,813,077	1,809,934
Interest expenses on investment corporation bonds	210,186	160,997
Amortization of investment corporation bonds issuance costs	5,584	5,984
Loan arrangement fees	416,210	431,408
Investment units issuance expenses	55,727	—
Other non-operating expenses	5,255	5,346
	2,506,040	2,413,671
Ordinary Income	12,175,510	12,803,370
Extraordinary Income:		
Insurance income	28,611	—
	28,611	—
Extraordinary Losses:		
Loss on disaster	12,344	—
	12,344	—
Income before Income Taxes	12,191,777	12,803,370
Income Taxes:		
Current	3,057	3,830
	3,057	3,830
Net Income	12,188,719	12,799,540
Retained earnings brought forward	906,191	783,636
Retained Earnings at End of Period	13,094,910	13,583,176

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, 2019 to February 29, 2020

	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, 2019	4,547,300	214,855,487	394,012,959	(10,439,617)	(9,301,010)	(19,740,627)	374,272,331
Issuance of new investment units	167,900	29,238,273	—	—	—	—	—
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	91,667	—	91,667	(91,667)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,555,176)	—	(1,555,176)	(1,555,176)
Other distributions in excess of net earnings	—	—	—	—	(1,346,000)	(1,346,000)	(1,346,000)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	167,900	29,329,941	—	(1,463,508)	(1,437,668)	(2,901,177)	(2,901,177)
Balance as of February 29, 2020	4,715,200	244,185,429	394,012,959	(11,903,126)	(10,738,678)	(22,641,804)	371,371,154

	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, 2019	12,688,967	386,961,298	601,816,786	(905,812)	(905,812)	600,910,974
Issuance of new investment units	—	—	29,238,273	—	—	29,238,273
Distributions of retained earnings	(11,691,108)	(11,691,108)	(11,691,108)	—	—	(11,691,108)
Reversal of allowance for temporary difference adjustments	(91,667)	(91,667)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,555,176)	(1,555,176)	—	—	(1,555,176)
Other distributions in excess of net earnings	—	(1,346,000)	(1,346,000)	—	—	(1,346,000)
Net income	12,188,719	12,188,719	12,188,719	—	—	12,188,719
Net changes of items other than unitholders' equity	—	—	—	122,481	122,481	122,481
Total changes of items during the period	405,943	(2,495,234)	26,834,707	122,481	122,481	26,957,189
Balance as of February 29, 2020	13,094,910	384,466,064	628,651,494	(783,330)	(783,330)	627,868,163

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

For the period from March 1, 2020 to August 31, 2020

	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, 2020	4,715,200	244,185,429	394,012,959	(11,903,126)	(10,738,678)	(22,641,804)	371,371,154
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	122,481	—	122,481	(122,481)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,735,193)	—	(1,735,193)	(1,735,193)
Other distributions in excess of net earnings	—	—	—	—	(1,537,155)	(1,537,155)	(1,537,155)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	122,481	—	(1,612,711)	(1,659,637)	(3,272,348)	(3,272,348)
Balance as of August 31, 2020	4,715,200	244,307,911	394,012,959	(13,515,837)	(12,398,315)	(25,914,153)	368,098,805

	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, 2020	13,094,910	384,466,064	628,651,494	(783,330)	(783,330)	627,868,163
Distributions of retained earnings	(12,188,792)	(12,188,792)	(12,188,792)	—	—	(12,188,792)
Reversal of allowance for temporary difference adjustments	(122,481)	(122,481)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,735,193)	(1,735,193)	—	—	(1,735,193)
Other distributions in excess of net earnings	—	(1,537,155)	(1,537,155)	—	—	(1,537,155)
Net income	12,799,540	12,799,540	12,799,540	—	—	12,799,540
Net changes of items other than unitholders' equity	—	—	—	299,087	299,087	299,087
Total changes of items during the period	488,266	(2,784,082)	(2,661,600)	299,087	299,087	(2,362,512)
Balance as of August 31, 2020	13,583,176	381,681,981	625,989,893	(484,242)	(484,242)	625,505,650

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, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	12,191,777	12,803,370
Depreciation	5,153,337	5,370,699
Amortization of goodwill	2,622,242	2,622,242
Investment units issuance expenses	55,727	—
Amortization of investment corporation bonds issuance costs	5,584	5,984
Increase (Decrease) in provision for loss on disaster	20,244	(16,433)
Interest income	(415)	(496)
Interest expense	2,023,263	1,970,931
Loss on disposal of property and equipment	4,042	5,711
Decrease (Increase) in rental receivables	102,448	(476,056)
Decrease (Increase) in long-term prepaid expenses	66,061	(24,131)
Decrease (Increase) in long-term deposits	(10,628)	(7,896)
Increase (Decrease) in trade accounts payable	(260,939)	(22,653)
Increase (Decrease) in other accounts payable	16,901	11,576
Decrease (Increase) in consumption taxes receivables	657,804	—
Increase (Decrease) in accrued consumption taxes	1,158,419	(1,023,713)
Increase (Decrease) in accrued expenses	53,619	38,989
Increase (Decrease) in rent received in advance	119,954	203,667
Other	69,175	154,529
Subtotal	24,048,621	21,616,320
Interest received	415	496
Interest paid	(2,088,004)	(2,072,086)
Income taxes paid	(2,059)	(3,053)
Net cash provided by (used in) operating activities	21,958,973	19,541,676
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(22,909,351)	(24,292,996)
Payments for purchases of leasehold rights and intangible assets	(4,620)	(13,553)
Reimbursement of security deposits to tenants	(865,829)	(595,776)
Proceeds from security deposits from tenants	1,513,961	1,275,513
Proceeds from security deposits	10,000	—
Net cash provided by (used in) investing activities	(22,255,840)	(23,626,812)
Cash Flows from Financing Activities		
Proceeds from short-term debt	—	7,000,000
Repayments of short-term debt	(8,000,000)	(7,000,000)
Proceeds from long-term debt	29,900,000	33,600,000
Repayments of long-term debt	(29,942,800)	(28,442,800)
Proceeds from issuance of investment corporation bonds	8,000,000	7,000,000
Repayment of investment corporation bonds	—	(5,000,000)
Payments of investment corporation bonds issuance costs	(71,836)	(44,199)
Proceeds from issuance of investment units	29,238,273	—
Payments of investment units issuance expenses	(55,727)	—
Distributions to unitholders	(11,691,370)	(12,188,068)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,554,693)	(1,735,356)
Other distributions in excess of net earnings	(1,346,666)	(1,537,147)
Net cash provided by (used in) financing activities	14,475,179	(8,347,572)
Net Increase (Decrease) in Cash and Cash Equivalents	14,178,313	(12,432,707)
Cash and Cash Equivalents at Beginning of Period	73,420,753	87,599,067
Cash and Cash Equivalents at End of Period	87,599,067	75,166,359

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	4 - 70 years
Structures	2 - 45 years
Machinery and equipment	4 - 15 years
Tools, furniture and fixtures	3 - 20 years

Intangible assets

Intangible assets are amortized by the straight-line method.

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

NOTES TO FINANCIAL STATEMENTS

Long-term prepaid expenses

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

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Investment units issuance expenses

The entire amount is expensed as incurred.

Allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for loss on disaster

The amount that is reasonably estimated at the end of the previous fiscal period under review is recorded to cover expenditures for restoration etc. following Typhoon Faxai and Hagibis in 2019.

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 ¥67,984 thousand for the fiscal period ended February 29, 2020 and ¥108,493 thousand for the fiscal period ended August 31, 2020.

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

These 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

These 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 Disclosure of Accounting Estimates" (ASBJ Statement No. 31, issued by ASBJ on March 31, 2020)

(1) Overview

Requests have been made to consider requiring the disclosure of the "sources of estimation uncertainty," which is required to be disclosed in Paragraph 125 of the International Accounting Standards (IAS) No. 1 "Presentation of Financial Statements" (hereinafter "IAS No. 1") announced by the IASB in 2003, as information on notes even in the Japanese standards as highly useful information for the users of financial statements, and the accounting standard for the disclosure of accounting estimates (hereinafter the "Accounting Standard") was developed and announced by the ASBJ.

As a basic policy upon the development of the Accounting Standard by the ASBJ, it will not enhance the content of each note but describe the principle (purpose of disclosure), and the specific content of disclosure shall be judged by companies in reference to the purpose of disclosure. Upon the development, the provision of Paragraph 125 of IAS No. 1 will be used as a reference.

NOTES TO FINANCIAL STATEMENTS

(2) Scheduled date of application

These accounting standard and guidance will be applied from the end of the fiscal period ending August 31, 2021.

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 (Revised 2020), issued by ASBJ on March 31, 2020)

(1) Overview

Due to the proposal for the consideration on the enrichment of the information on notes regarding the “principles and procedures of accounting adopted when the provision of related accounting standards are not clear,” such standard was announced as an accounting standard for accounting policy disclosures, accounting changes and error corrections after making necessary amendments by the ASBJ.

Moreover, upon the enrichment of the information on notes regarding the “principles and procedures of accounting adopted when the provision of related accounting standards are not clear,” the provision of the annotations on the corporate accounting principles (Notes 1-2) shall be succeeded to avoid any impact on actual business practices until now when the provision of the related accounting standards are clear.

(2) Scheduled date of application

These accounting standard and guidance will be applied from the end of the fiscal period ending August 31, 2021.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 29, 2020 and August 31, 2020 consist of the following:

	Thousands of Yen	
	As of February 29, 2020	As of August 31, 2020
Cash and bank deposits	87,599,067	75,166,359
Cash and cash equivalents	87,599,067	75,166,359

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 29, 2020	As of August 31, 2020
Buildings in trust	3,323,304	3,298,689
Land in trust	6,096,368	6,096,368
Structures in trust	2,528	4,530
Tools, furniture and fixtures in trust	122	733
Total	9,422,323	9,400,322

The secured liabilities are as follows:

	Thousands of Yen	
	As of February 29, 2020	As of August 31, 2020
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 29, 2020 and August 31, 2020 consist of the following:

	Thousands of Yen			
	As of February 29, 2020		As of August 31, 2020	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	294,597,869	294,597,869	301,575,945	301,575,945
Buildings and structures	150,505,558		153,244,413	
Accumulated depreciation	(16,519,965)	133,985,593	(18,797,006)	134,447,407
Machinery and equipment	834,291		880,429	
Accumulated depreciation	(500,882)	333,409	(535,202)	345,227
Tools, furniture and fixtures	398,249		458,386	
Accumulated depreciation	(134,487)	263,761	(169,698)	288,687
Land in trust	416,796,827	416,796,827	422,908,935	422,908,935
Buildings and structures in trust	189,971,453		198,111,079	
Accumulated depreciation	(28,994,937)	160,976,516	(31,901,067)	166,210,012
Machinery and equipment in trust	681,985		821,977	
Accumulated depreciation	(138,124)	543,861	(174,637)	647,339
Tools, furniture and fixtures in trust	860,947		930,338	
Accumulated depreciation	(315,398)	545,548	(386,069)	544,269
Lease assets in trust	4,752		4,752	
Accumulated depreciation	(528)	4,224	(924)	3,828
Construction in progress	24,761	24,761	16,224	16,224
Total	1,008,072,373	1,008,072,373	1,026,987,877	1,026,987,877

NOTES TO FINANCIAL STATEMENTS

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

Short-term debt and current portion of long-term debt as of February 29, 2020 and August 31, 2020 consist of the following:

	As of February 29, 2020		As of August 31, 2020	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from banks due on May 26, 2020	10,000,000	1.33750%	—	—
Unsecured loans from a bank due on May 26, 2020	800,000	1.25875%	—	—
Unsecured loans from a bank due on May 27, 2020	1,000,000	1.48625%	—	—
Unsecured loans from banks due on May 29, 2020	4,000,000	0.43000%	—	—
Unsecured loans from a bank due on August 26, 2020	1,100,000	1.53674%	—	—
Unsecured loans from a bank due on August 26, 2020	800,000	1.28277%	—	—
Unsecured loans from banks due on August 26, 2020	4,700,000	1.18000%	—	—
Unsecured loans from a bank due on August 26, 2020	500,000	1.15566%	—	—
Unsecured loans from banks due on August 26, 2020	4,500,000	1.08100%	—	—
Unsecured loans from a bank due on August 26, 2020	1,000,000	0.72000%	—	—
Unsecured loans from banks due on September 28, 2020	3,000,000	0.23909%	3,000,000	0.22000%
Unsecured loans from banks due on November 26, 2020	3,500,000	0.46075%	3,500,000	0.46075%
Unsecured loans from banks due on November 26, 2020	2,350,000	0.46190%	2,350,000	0.46190%
Unsecured loans from a bank due on November 26, 2020	500,000	0.47375%	500,000	0.47375%
Unsecured loans from banks due on November 26, 2020	1,230,000	0.20909%	1,230,000	0.19000%
Unsecured loans from banks due on February 26, 2021	5,000,000	1.35250%	5,000,000	1.35250%
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.17750%	2,000,000	1.17750%
Unsecured loans from banks due on February 26, 2021	2,000,000	1.19211%	2,000,000	1.19211%
Unsecured loans from banks due on February 26, 2021	2,000,000	0.80832%	2,000,000	0.80832%
Unsecured loans from a bank due on February 26, 2021	3,000,000	0.86350%	3,000,000	0.86350%
Unsecured loans from banks due on February 26, 2021	2,120,000	0.85050%	2,120,000	0.85050%
Unsecured loans from a bank due on February 26, 2021	500,000	0.46725%	500,000	0.46725%
Unsecured loans from a bank due on February 26, 2021	2,000,000	0.22560%	2,000,000	0.22560%
Unsecured loans from banks due on February 26, 2021	2,800,000	0.14700%	2,800,000	0.14700%
Unsecured loans from a bank due on February 26, 2021	400,000	0.21810%	400,000	0.21810%
Unsecured loans from banks due on March 26, 2021	—	—	4,670,000	0.22000%
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 May 26, 2025 ^(Note 2)	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	42,800	2.21812%	42,800	2.21812%
Total	60,885,600		61,135,600	

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

Note 2: 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.

(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 29, 2020. The total unused amount of such credit facilities was ¥10,000 million as of February 29, 2020.

(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 29, 2020. The total unused amount of such credit facilities was ¥40,000 million as of February 29, 2020.

(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, 2020. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2020.

(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, 2020. The total unused amount of such credit facilities was ¥40,000 million as of August 31, 2020.

8. LONG-TERM DEBT

Long-term debts as of February 29, 2020 and August 31, 2020 consist of the following:

	As of February 29, 2020		As of August 31, 2020	
	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	0.23909%	—	—
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	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from banks due on November 26, 2021	2,000,000	1.11662%	2,000,000	1.11662%
Unsecured loans from banks due on November 26, 2021	4,900,000	0.97410%	4,900,000	0.97410%
Unsecured loans from banks due on December 27, 2021	6,375,000	0.23909%	6,375,000	0.22000%
Unsecured loans from a bank due on January 26, 2022	3,500,000	1.48300%	3,500,000	1.48300%
Unsecured loans from banks due on February 28, 2022	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from a bank due on February 28, 2022	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from banks due on February 28, 2022	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from banks due on May 26, 2022	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from banks due on May 31, 2022	4,500,000	0.82500%	4,500,000	0.82500%
Unsecured loans from banks due on June 27, 2022	4,000,000	0.20909%	4,000,000	0.19000%
Unsecured loans from banks due on August 26, 2022	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on August 26, 2022	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from banks due on August 26, 2022	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022	1,000,000	0.32886%	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	0.23909%	3,000,000	0.22000%
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%

NOTES TO FINANCIAL STATEMENTS

	As of February 29, 2020		As of August 31, 2020			As of February 29, 2020		As of August 31, 2020	
	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 a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%	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 August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%	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 August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%	Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%	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 August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%	Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%	Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	500,000	0.41435%	Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	6,700,000	0.55700%	Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%
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 February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
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 February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%
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 February 26, 2026	800,000	0.37630%	800,000	0.37630%
Unsecured loans from banks due on November 27, 2023	1,500,000	0.47483%	1,500,000	0.47483%	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 February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%	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 February 26, 2024	1,300,000	0.53630%	1,300,000	0.53630%	Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on February 26, 2024	500,000	0.24000%	500,000	0.24000%	Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from a bank due on February 26, 2024	—	—	1,000,000	0.18500%	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 May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%	Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%	Unsecured loans from a bank due on May 26, 2026	1,100,000	0.37000%	1,100,000	0.37000%
Unsecured loans from a bank due on May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%	Unsecured loans from a bank due on May 26, 2026	—	—	1,500,000	0.25873%
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 August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
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, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%	Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%	Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%	Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2024	1,000,000	0.28624%	1,000,000	0.28624%	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 November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%	Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	1,000,000	0.42118%
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 August 26, 2026	500,000	0.43627%	500,000	0.43627%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%	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 November 26, 2024	500,000	0.52384%	500,000	0.52384%	Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
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, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from a bank due on November 26, 2024	800,000	0.21380%	800,000	0.21380%	Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%	Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
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 November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%
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 November 26, 2026	2,000,000	0.60750%	2,000,000	0.60750%
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 November 26, 2026	1,000,000	0.28000%	1,000,000	0.28000%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%	Unsecured loans from banks due on November 26, 2026	1,200,000	0.30000%	1,200,000	0.30000%
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 February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
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 February 26, 2027	1,500,000	0.46630%	1,500,000	0.46630%
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 February 26, 2027	500,000	0.44859%	500,000	0.44859%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%	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 May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%	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 May 26, 2025	2,000,000	0.46301%	2,000,000	0.46301%	Unsecured loans from a bank due on February 26, 2027	1,000,000	0.28500%	1,000,000	0.28500%
Unsecured loans from a bank due on May 26, 2025	—	—	1,000,000	0.19750%	Unsecured loans from a bank due on February 26, 2027	—	—	300,000	0.16205%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%	Unsecured loans from a bank due on February 26, 2027	—	—	500,000	0.10094%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%	Unsecured loans from a bank due on February 26, 2027	—	—	500,000	0.35139%
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 March 26, 2027	1,500,000	0.69068%	1,500,000	0.69068%
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 May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%	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 November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%	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 November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%					

NOTES TO FINANCIAL STATEMENTS

	As of February 29, 2020		As of August 31, 2020	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from a bank due on May 26, 2027	1,400,000	0.32000%	1,400,000	0.32000%
Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	1,000,000	0.74500%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.51356%	1,000,000	0.51356%
Unsecured loans from banks due on August 26, 2027	1,500,000	0.29000%	1,500,000	0.29000%
Unsecured loans from a bank due on August 26, 2027	—	—	600,000	0.32630%
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%
Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	1,800,000	0.75050%
Unsecured loans from banks due on November 26, 2027	1,700,000	0.70750%	1,700,000	0.70750%
Unsecured loans from banks due on November 26, 2027	2,500,000	0.52234%	2,500,000	0.52234%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	2,355,000	0.76241%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	1,500,000	0.78296%
Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	1,800,000	0.79642%
Unsecured loans from a bank due on February 28, 2028	2,650,000	0.54205%	2,650,000	0.54205%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.57365%	1,500,000	0.57365%
Unsecured loans from banks due on February 28, 2028	—	—	1,000,000	0.17813%
Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	5,000,000	0.79880%
Unsecured loans from a bank due on May 26, 2028	2,000,000	0.75922%	2,000,000	0.75922%
Unsecured loans from a bank due on May 26, 2028	1,550,000	0.55038%	1,550,000	0.55038%
Unsecured loans from a bank due on May 26, 2028	500,000	0.54010%	500,000	0.54010%
Unsecured loans from banks due on May 26, 2028	2,000,000	0.54750%	2,000,000	0.54750%
Unsecured loans from a bank due on May 26, 2028	1,400,000	0.40500%	1,400,000	0.40500%
Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	3,600,000	0.84750%
Unsecured loans from a bank due on August 28, 2028	500,000	0.61005%	500,000	0.61005%
Unsecured loans from banks due on August 28, 2028	1,000,000	0.62163%	1,000,000	0.62163%
Unsecured loans from a bank due on August 28, 2028	500,000	0.62025%	500,000	0.62025%
Unsecured loans from a bank due on August 28, 2028	500,000	0.37500%	500,000	0.37500%
Unsecured loans from a bank due on August 28, 2028	—	—	1,000,000	0.40380%
Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	2,000,000	0.81130%
Unsecured loans from banks due on November 27, 2028	3,000,000	0.59375%	3,000,000	0.59375%
Unsecured loans from a bank due on November 27, 2028	1,800,000	0.50880%	1,800,000	0.50880%
Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	2,500,000	0.65880%
Unsecured loans from banks due on February 26, 2029	1,400,000	0.67098%	1,400,000	0.67098%
Unsecured loans from a bank due on February 26, 2029	2,300,000	0.63692%	2,300,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	500,000	0.63692%	500,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	3,500,000	0.41815%	3,500,000	0.41815%
Unsecured loans from a bank due on February 26, 2029	—	—	500,000	0.37000%
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%
Unsecured loans from a bank due on May 28, 2029	—	—	1,000,000	0.45875%
Unsecured loans from a bank due on May 28, 2029	—	—	1,000,000	0.44880%
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%
Unsecured loans from a bank due on August 27, 2029	—	—	1,500,000	0.48380%
Unsecured loans from a bank due on August 27, 2029	—	—	500,000	0.46380%

	As of February 29, 2020		As of August 31, 2020	
	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted- average interest rate ^(Note 1)
Unsecured loans from a bank due on November 26, 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%
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%
Unsecured loans from a bank due on February 26, 2030	—	—	500,000	0.34054%
Unsecured loans from banks due on February 26, 2030	—	—	1,300,000	0.59482%
Unsecured loans from a bank due on February 26, 2030	—	—	1,500,000	0.52446%
Unsecured loans from banks due on May 27, 2030	—	—	7,000,000	0.54630%
Unsecured loans from a bank due on May 27, 2030	—	—	800,000	0.52630%
Unsecured loans from a bank due on May 27, 2030	—	—	1,000,000	0.53250%
Unsecured loans from a bank due on May 27, 2030	—	—	1,000,000	0.55988%
Unsecured loans from a bank due on May 27, 2030	—	—	500,000	0.50485%
Unsecured loans from banks due on August 26, 2030	—	—	2,000,000	0.56500%
Unsecured loans from a bank due on August 26, 2030	—	—	1,100,000	0.54500%
Unsecured loans from a bank due on August 26, 2030	—	—	300,000	0.54500%
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 May 26, 2025 ^(Note 2)	668,300	2.17000%	646,900	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	668,300	2.21812%	646,900	2.21812%
Total	419,841,600		424,748,800	

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

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

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
As of February 29, 2020	58,760,600	58,615,600	45,535,600	44,435,600
As of August 31, 2020	55,090,600	64,435,600	39,035,600	48,387,000

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9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of February 29, 2020		As of August 31, 2020	
	Amount (Thousands of Yen)	Interest rate (Note 1)	Amount (Thousands of Yen)	Interest rate (Note 1)
NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020	5,000,000	2.47%	—	—
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.90%	4,500,000	2.90%
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%
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 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 5th series of unsecured investment corporation bonds due on September 20, 2039	5,000,000	0.90%	5,000,000	0.90%
NMF's 6th series of unsecured investment corporation bonds due on August 14, 2030 (green bonds)	—	—	7,000,000	0.54%
Total	30,000,000		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 29, 2020	5,000,000	—	—	—	9,000,000
As of August 31, 2020	—	—	—	—	9,000,000

10. 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.

11. 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, 2019 to February 29, 2020

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	14,733,612	8,108,244	1,560,840	—	9,669,084	—
Land, buildings, etc.	Merger expenses	4,029,135	1,333,892	(5,663)	—	1,328,228	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	997,480	—	(91,667)	905,812	Changes in fair value of derivative transactions
Increase - subtotal		—	10,439,617	1,555,176	(91,667)	11,903,126	—
Total		—	10,439,617	1,555,176	(91,667)	11,903,126	—

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, 2020 to August 31, 2020

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	17,355,854	9,669,084	1,740,727	—	11,409,812	—
Land, buildings, etc.	Merger expenses	4,029,135	1,328,228	(5,534)	—	1,322,694	—
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	905,812	—	(122,481)	783,330	Changes in fair value of derivative transactions
Increase - subtotal		—	11,903,126	1,735,193	(122,481)	13,515,837	—
Total		—	11,903,126	1,735,193	(122,481)	13,515,837	—

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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.

12. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of February 29, 2020 and August 31, 2020 were as follows:

	For the period from September 1, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Net assets per unit	133,158	132,657
Net income per unit	2,642	2,714

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, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Net income (Thousands of Yen)	12,188,719	12,799,540
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	12,188,719	12,799,540
Average number of units during the period (Units)	4,612,315	4,715,200

13. RELATED PARTY TRANSACTIONS

For the periods from September 1, 2019 to February 29, 2020 and from March 1, 2020 to August 31, 2020

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

14. 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, 2020. 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 ¥15,640,318 thousand for the fiscal period ended August 31, 2020, 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, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Deferred tax asset:		
Valuation difference on other assets acquired by merger	20,204,388	19,965,899
Deferred gains or losses on hedges	246,437	152,343
Unearned revenue	82,144	58,798
Write-offs for long-term prepaid expenses	9,300	6,268
Depreciation costs of trust leasehold rights	1,459	1,581
Non-deductible accrued enterprise tax	170	233
Subtotal	20,543,900	20,185,125
Valuation allowance	(20,543,900)	(20,185,125)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

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

	For the period from September 1, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Statutory tax rate	31.51%	31.46%
Deductible cash distributions	(35.99%)	(35.81%)
Valuation of allowance	(2.28%)	(2.07%)
Amortization of goodwill	6.78%	6.44%
Other	0.00%	0.00%
Effective tax rate	0.02%	0.03%

15. 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

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

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

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

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

Fair Value of Financial Instruments

For the period from September 1, 2019 to February 29, 2020

The following table summarizes the carrying value and the estimated fair values of financial instruments as of February 29, 2020.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	87,599,067	87,599,067	—
(ii) Current portion of investment corporation bonds	(5,000,000)	(5,003,760)	3,760
(iii) Current portion of long-term debt	(60,885,600)	(61,129,898)	244,298
(iv) Investment corporation bonds	(25,000,000)	(26,141,290)	1,141,290
(v) Long-term debt	(419,841,600)	(430,150,417)	10,308,817
(vi) Derivative transactions	(785,528)	(785,528)	—

For the period from March 1, 2020 to August 31, 2020

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2020.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	75,166,359	75,166,359	—
(ii) Current portion of investment corporation bonds	—	—	—
(iii) Current portion of long-term debt	(61,135,600)	(61,355,060)	219,460
(iv) Investment corporation bonds	(32,000,000)	(32,359,594)	359,594
(v) Long-term debt	(424,748,800)	(431,174,794)	6,425,994
(vi) Derivative transactions	(487,237)	(487,237)	—

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 investment corporation bonds and (iv) Investment corporation bonds
The fair value of investment corporation bonds issued by the Company is determined based on their market prices.
- (iii) Current portion of long-term debt and (v) Long-term debt
For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "23. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.
- (vi) Derivative transactions
See "23. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of February 29, 2020.

	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	87,599,067	—	—	—	—	—
Total	87,599,067	—	—	—	—	—

Redemption schedule for cash and bank deposits as of August 31, 2020

	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	75,166,359	—	—	—	—	—
Total	75,166,359	—	—	—	—	—

Note 4: Redemption schedule for debt as of February 29, 2020

	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	5,000,000	—	—	—	9,000,000	16,000,000
Long-term debt	60,885,600	58,760,600	58,615,600	45,535,600	44,435,600	212,494,200
Total	65,885,600	58,760,600	58,615,600	45,535,600	53,435,600	228,494,200

Redemption schedule for debt as of August 31, 2020

	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	61,135,600	55,090,600	64,435,600	39,035,600	48,387,000	217,800,000
Total	61,135,600	55,090,600	64,435,600	39,035,600	57,387,000	240,800,000

16. 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, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Carrying value		
Balance at beginning of the period	999,049,393	1,017,019,350
Amount of increase (decrease) during the period	17,969,957	18,926,674
Balance at end of the period	1,017,019,350	1,035,946,025
Fair value at end of the period	1,158,232,000	1,185,682,000

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 PMO Akihabara Kita (¥8,547,300 thousand), PMO Higashi-Shinbashi (¥4,801,865 thousand), PROUD FLAT Shibuya Tomigaya (¥4,080,033 thousand), PROUD FLAT Miyazakidai (¥1,461,354 thousand) and PROUD FLAT Asakusabashi III (¥1,282,437 thousand). The decrease during the previous period is mainly attributable to depreciation expenses (¥5,146,129 thousand). The increase during the current period is mainly attributable to the acquisition of PMO Hamamatsucho (¥4,445,043 thousand), GEMS Sangenjaya (¥1,836,687 thousand), Landport Higashi-Narashino (¥12,025,405 thousand) and PROUD FLAT Togoshi-Koen (¥2,670,972 thousand). The decrease during the current period is mainly attributable to depreciation expenses (¥5,363,528 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, 2020 are presented in "18. Breakdown of Real Estate Rental Revenues and Expenses."

NOTES TO FINANCIAL STATEMENTS

17. SEGMENT INFORMATION

For the periods from September 1, 2019 to February 29, 2020 and from March 1, 2020 to August 31, 2020

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, 2019 to February 29, 2020

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,190,268	Rental real estate business

For the period from March 1, 2020 to August 31, 2020

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,400,637	Rental real estate business

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended February 29, 2020 and August 31, 2020 consist of the following:
Thousands of Yen

	For the period from September 1, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
Real estate rental revenues	36,927,357	37,577,424
Rental revenues	33,877,972	34,884,255
Rental revenues	31,441,906	32,456,559
Common area charges	2,436,066	2,427,695
Other rental revenues	3,049,384	2,693,169
Parking revenues	609,203	619,580
Incidental income	2,267,052	1,969,384
Other miscellaneous revenues	173,128	104,204
Real estate rental expenses	15,720,670	15,678,281
Property management costs	1,760,058	1,785,636
Property management fees	950,345	1,011,292
Property and other taxes	2,976,127	3,124,623
Utility expenses	1,829,299	1,605,607
Casualty insurance	42,831	45,011
Repairs and maintenance	1,658,591	1,418,953
Land rents	204,347	204,194
Depreciation	5,151,274	5,369,703
Other rental expenses	1,147,795	1,113,258
Real estate rental profits	21,206,687	21,899,143

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

Not applicable.

20. BREAKDOWN OF EXTRAORDINARY INCOME

For the period from September 1, 2019 to February 29, 2020

The insurance amount of ¥71,833 thousand related to the assets damaged by the Typhoons Faxai and Hagibis in 2019 was offset by the loss amount of ¥43,222 thousand. Therefore, the amount of ¥28,611 thousand is recorded as insurance income.

For the period from March 1, 2020 to August 31, 2020

Not applicable

21. BREAKDOWN OF EXTRAORDINARY LOSS

For the period from September 1, 2019 to February 29, 2020

The loss amount of ¥13,840 thousand related to the assets damaged by the Typhoons Faxai and Hagibis in 2019 was offset by the insurance amount of ¥1,495 thousand. Therefore, the amount of ¥12,344 thousand is recorded as loss on disaster.

For the period from March 1, 2020 to August 31, 2020

Not applicable

22. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of February 29, 2020 and August 31, 2020 are summarized as follows:

	Thousands of Yen	
	As of February 29, 2020	As of August 31, 2020
Due within one year	34,932,268	36,427,540
Due after one year	76,918,092	75,591,563
Total	111,850,360	112,019,104

23. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of February 29, 2020

(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		Fair value (Note 2)
			(Note 1) Due after one year		
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	91,330,000	70,210,000	(785,528) (Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	61,661,100	42,868,300	(959,582) (Note 4)
Total			152,991,100	113,078,300	(1,745,111)

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, (¥2,198 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥959,582 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, 2020

(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		Fair value ^(Note 2)
			^(Note 1)	Due after one year	
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	78,130,000	58,730,000	(487,237) ^(Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	51,639,700	34,846,900	(647,406) ^(Note 4)
Total			129,769,700	93,576,900	(1,134,643)

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, (¥2,994 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥647,406 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

24. CASH DISTRIBUTIONS

	Yen	
	For the period from September 1, 2019 to February 29, 2020	For the period from March 1, 2020 to August 31, 2020
1. Retained earnings at end of period	13,094,910,659	13,583,176,757
2. Distributions in excess of retained earnings	3,272,348,800	2,843,265,600
Of which, allowance for temporary difference adjustment	1,735,193,600	1,777,630,400
Of which, other distributions in excess of net income	1,537,155,200	1,065,635,200
3. Incorporation into unitholders' capital	122,481,948	299,087,803
Of which, reversal of allowance for temporary difference adjustments	122,481,948	299,087,803
4. Distributions	15,461,140,800	15,640,318,400
[Distributions (per unit)]	(3,279)	(3,317)
Of which, distributions of earnings	12,188,792,000	12,797,052,800
[Of which, distributions of earnings (per unit)]	(2,585)	(2,714)
Of which, allowance for temporary difference adjustments	1,735,193,600	1,777,630,400
[Of which, allowance for temporary difference adjustments (per unit)]	(368)	(377)
Of which, other distributions in excess of net income	1,537,155,200	1,065,635,200
[Of which, other distributions in excess of net income (per unit)]	(326)	(226)
5. Retained earnings carried forward	783,636,711	487,036,154

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 ¥15,640,318,400 in distributions (¥3,317 per investment unit). This figure was arrived at by adding to ¥12,799,540,046 in net income after taxes ¥2,622,242,820 in amortization of goodwill, and by adding ¥218,535,534 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 ¥12,797,052,800 (¥2,714 per investment unit). Distribution in excess of net income comprises a distribution of ¥1,777,630,400 (¥377 per investment unit) as allowance for temporary difference adjustment and ¥1,065,635,200 (¥226 per investment unit) in other distribution in excess of net income.

25. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

For the period from September 1, 2019 to February 29, 2020

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	10,097
Increase-subtotal		2,632,339
Buildings, facilities, etc.	Depreciation deficiency equivalent	(797,086)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(84,157)
Others	—	(15,902)
Decrease-subtotal		(897,146)
Total		1,735,193

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	(122,481)
Total		(122,481)

Note 1: The amount of reversal during the current fiscal period (¥5,534 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, 2020 to August 31, 2020

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	5,835
Increase-subtotal		2,628,078
Buildings, facilities, etc.	Depreciation deficiency equivalent	(761,508)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(74,207)
Others	—	(14,732)
Decrease-subtotal		(850,448)
Total		1,777,630

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	(299,087)
Total		(299,087)

Note 1: The amount of reversal during the current fiscal period (¥5,515 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.

26. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.

INDEPENDENT AUDITOR'S REPORT



Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors

Nomura Real Estate Master Fund, Inc.

Opinion

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc. (the Company), which comprise the balance sheet as at August 31, 2020, and the statements of income and retained earnings, changes in net assets, and cash flows for the six-months 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, 2020, and its financial performance and its cash flows for the six-months 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.

INDEPENDENT AUDITOR'S REPORT



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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



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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

November 26, 2020

Shuji Kaneko
Designated Engagement Partner
Certified Public Accountant

Natsuki Saiki
Designated Engagement Partner
Certified Public Accountant