



7th Fiscal Period Semi-Annual Report

September 1, 2018 to February 28, 2019

Securities Code: 3462

Nomura Real Estate Master Fund, Inc.



7th
Fiscal Period

Driving the Market as One of Japan's Largest REITs



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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.

Shuhei Yoshida

Executive Director
Nomura Real Estate Master Fund, Inc.

To Our Unitholders

In the 7th fiscal period, NMF steadily achieved external growth through acquisition (2 properties/¥9.1 billion) and disposition (5 properties/¥5.3 billion) of properties utilizing the asset management company's unique network while advancing internal growth backed by an ongoing strong leasing market centering on the office building sector.

As a result, at the end of the 7th fiscal period, NMF's portfolio comprised 278 properties with a total acquisition price of ¥960.3 billion. Operating revenues totaled ¥35,428 million, operating profit reached ¥14,056 million, and net income came to ¥11,560 million.

As a result, the per-unit distribution for the 7th fiscal period came to ¥3,128.

In addition to the external growth achieved to date, NMF expanded its asset size to over ¥1 trillion with its first domestic and international public offerings since its founding after the close of the 7th fiscal period. Through the public offerings, NMF intends to improve portfolio quality by acquiring 10

excellent properties developed by the sponsor as well as lower the LTV ratio and further increase distribution.

Furthermore, along with its active promotion of management taking into consideration environmental, social and governance (ESG) issues based on the idea that realizing a sustainable society is essential for sustainable growth, NMF identified highly important materiality issues pertaining to ESG that should be addressed from February 2019 in order to promote ESG initiatives even more actively going forward. We would like to further deepen our communication with unitholders and other stakeholders as well as cooperate to work on these issues.

We remain strongly committed to enhancing performance and will manage the fund's assets with the aim of living up to the expectations and trust of our unitholders.

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

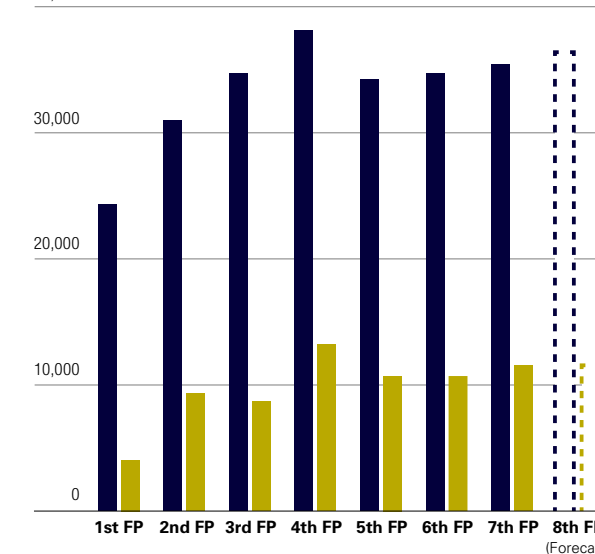
PERFORMANCE HIGHLIGHTS

	6th Fiscal Period	7th Fiscal Period	8th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of net income)	¥3,084	¥3,128	¥3,182
Operating Revenues	¥34,731 million	¥35,428 million	¥36,394 million
Net Income	¥10,709 million	¥11,560 million	¥11,561 million
Total Assets	¥1,118,644 million	¥1,117,851 million	¥1,164,883 million
Net Assets	¥571,836 million	¥569,843 million	¥600,690 million
Net Assets per Unit	¥132,314	¥131,853	¥132,098

* The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 7th Fiscal Period Ended February 28, 2019," published April 12, 2019. 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.

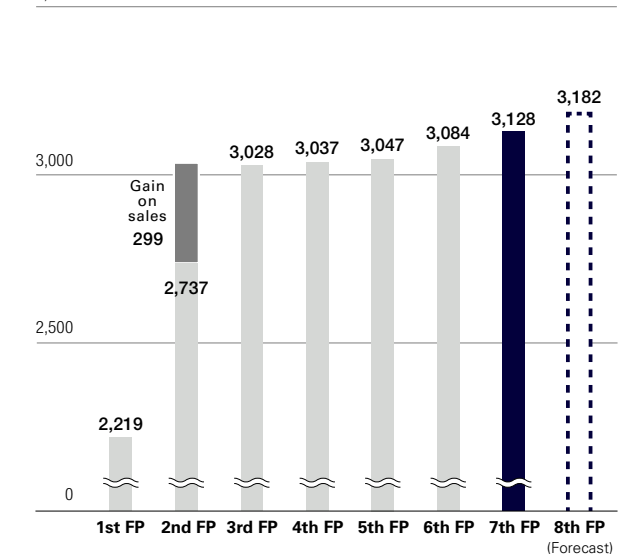
Operating Revenues and Net Income

(Millions of yen) ■ Operating Revenues ■ Net Income



Cash Distribution per Unit

(Yen)



Nomura Real Estate Asset Management Co., Ltd.

Interview with Top Management

Interview on Growth Strategy

Hiroshi Ishigooka

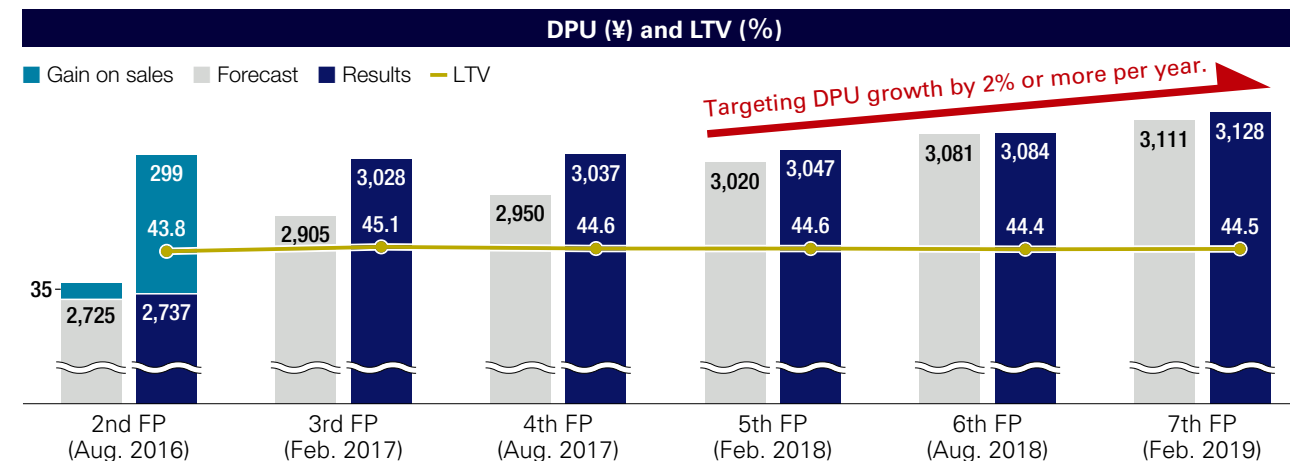
Executive Officer, Head of the NMF Investment Management Group and Head of the Asset Management II of the NMF Investment Management Group, Nomura Real Estate Asset Management Co., Ltd.



Q1. Can you tell us about your ongoing asset management strategy?

NMF had promoted enhancement of the portfolio's quality by conducting strategic property replacements (SPRs) for approximately two years since inception through September 2017. Meanwhile, up to now, we have also conducted asset management that places more emphasis on the growth of cash distributions through our endeavors for better profitability of the entire portfolio (internal growth) by upward revision of rents for owned assets and other measures, as well as through vigorously selective investments in excellent assets,

such as acquisition of nine sponsor-developed properties by way of the first public offering conducted in February 2018. **As a result, we were able to increase distribution per unit by ¥81, or up 2.7%, over a year from ¥3,047 (5th fiscal period ended February 2018) to ¥3,128 (7th fiscal period ended February 2019).** Based on such asset management strategy, NMF will aim to achieve continued growth of cash distributions by at least 2% over a year going forward.



Q2. How do you look back on the 7th fiscal period ended February 2019?

With regard to the asset management status for the 7th fiscal period, let me explain our asset acquisition and sale activities and enhanced profitability of owned assets. NMF newly acquired two properties totaling ¥9.1 billion and sold five residential facilities totaling ¥5.3 billion in the fiscal period. As a result, the portfolio comprises 278 properties or ¥960.3 billion as of the end of the 7th fiscal period. Serenite Shinsaibashi Grande, one of the acquired properties, is a

newly-built, large-scale and extremely symbolic property located in a central urban district of Osaka City. In recent years, changes in the leasing demand have created a tendency in the Osaka area in which properties in central urban districts, like this property, are more favored. Furthermore, of the five residential facilities we sold, four properties were located in areas that had been highly popular in the Osaka area before. However, because of such changes in the

leasing demand, they are likely to show a drop in their competitiveness. **With the acquisition of Serenite Shinsaibashi Grande and the latest sale of the residential facilities, we have made the portfolio younger in terms of building age and promoted property replacement to increase properties in areas where larger leasing demand is anticipated. By these, we expect to achieve enhancement of the portfolio quality as well as improved profitability.**

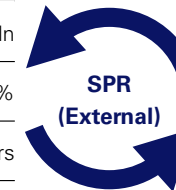
As for improving the profitability of owned properties, **we have successfully increased rents through tenant**

replacement and rent revision negotiations, mainly in the office building sector, backed by strong demand in the leasing market in recent years. The office building sector continues to drive internal growth of NMF, as we achieved an increase in rents by 7.5% through tenant replacement in the sector in the 7th fiscal period. On top of this, we have taken a variety of measures, including renovations of properties in the residential sector to enhance their competitiveness. As such, NMF will continue its focus on internal growth going forward.

Property Replacement in Osaka – Serenite Shinsaibashi Grande

Replaced to a large symbolic new property improving profitability.

Disposition summary		Acquisition summary	
Total disposition price	¥5,347 mln	Acquisition price	¥5,567 mln
Average NOI yield	4.1%	NOI yield	4.5%
Average building age	10.6 yrs	Building age	0.1 yrs
Gain on sale	¥662 mln		



Q3. Can you explain to us about the public offering, which was the second for NMF?

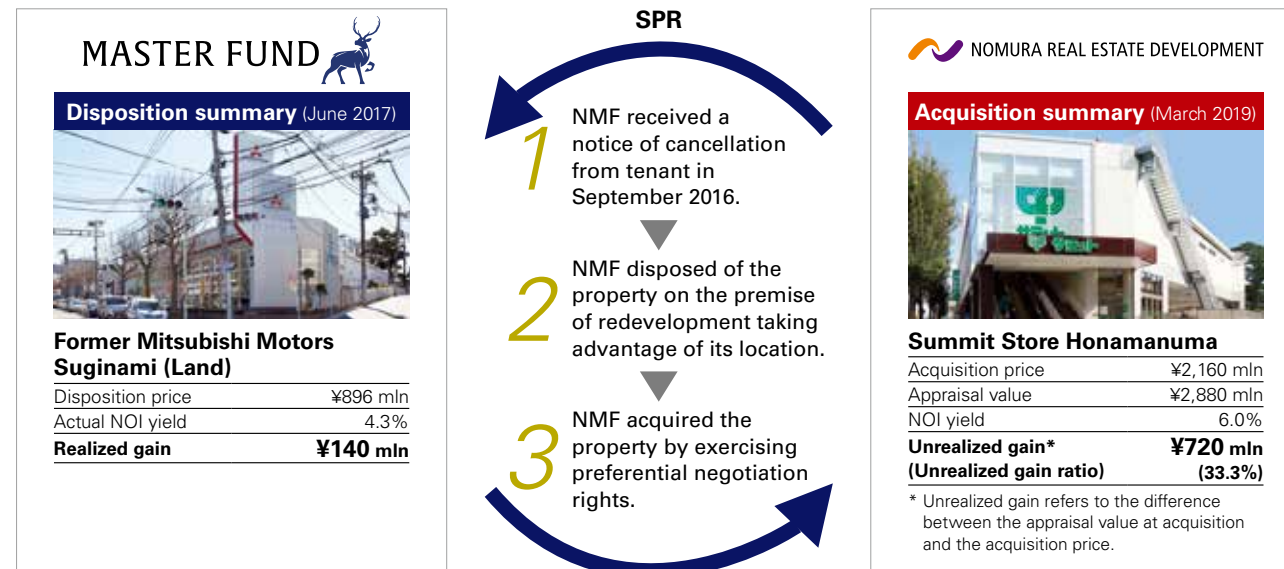
We announced global offering (issuance of new investment units through public offering both for domestic and overseas investors), the first since founding, on February 7, 2019. With this arrangement, we acquired 12 properties (amounting to ¥57.4 billion) in total; of these, we acquired two properties (¥9.1 billion) from third parties in the 7th fiscal period and, after the end of the 7th fiscal period, 10 properties (¥48.2 billion) from Nomura Real Estate Development, the sponsor. **This public offering was aimed at enhancing the portfolio quality, reinforcing the financial base and increasing cash distributions through equity financing.** The following four points are essential to the public offering.

- ▶ Acquiring excellent properties, centering on office buildings and station-front retail facilities that allow us to anticipate upside gains, many of which are relatively new and located in the Tokyo area
- ▶ Realizing enhanced profitability and quality of the portfolio through strategic property replacement
- ▶ Steadily achieving rent increases in light of the favorable market conditions
- ▶ Increasing cash distributions by nearly 4% while pushing down the interest-bearing debt rate by 0.5 percentage points through capital increase

Of the ten properties acquired from Nomura Real Estate Development, nine properties are all relatively new excellent properties with high added value, under the brands of PMO, GEMS and Landport brands that are brands of

income-generating rental properties developed by Nomura Real Estate Development, and command high competitiveness in the respective areas they are located. The property acquisitions have brought the asset size of NMF, which started management with the asset size of ¥783.6 billion upon the founding in October 2015, to ¥1,008.6 billion, and have further strengthened our presence in the J-REIT market as Japan's largest REIT with a diversified portfolio of properties, as we see it.

Moreover, **with the acquisition of Summit Store Honamanuma, we demonstrated a growth cycle by using a new method unique to NMF.** Summit Store Honamanuma is located at the site of former Mitsubishi Motors Suginami (Land) that NMF owned before. NMF had received a cancellation notice from the tenant of Mitsubishi Motors Suginami (Land) in September 2016, and investigated the most effective way of using the property from a variety of options. Consequently, NMF sold it to the sponsor in June 2017 by concluding a sale agreement with preferential negotiation rights to acquire the property after redevelopment. As the location is in an area that features more favorable living environment within Suginami Ward, redevelopment was conducted to build a supermarket, a lifestyle-related facility. The redeveloped property was opened on October 2, 2018 as Summit Store Honamanuma. Subsequently, NMF exercised the preferential negotiation rights granted upon concluding the agreement, and acquired the property on March 1, 2019 on the opportunity of the public offering.



The transaction proved effective in three aspects: **(1) we successfully avoided any downtime due to the tenant's move-out, (2) we obtained gain on sale upon the sale of the property, and (3) we were able to acquire a newly-built property that will generate stable income over a long term, with a yield that is much higher than before the replacement.**

We believe that the redevelopment/re-acquisition type SPR like this one allows Nomura Real Estate Development, which is an integrated developer, to take maximum advantage of the location superiority without limiting the use, and allows NMF, which is a REIT with a comprehensive portfolio of properties, to fully exert its strength of being able to acquire properties without limiting the use. Summit Store Honamanuma is a retail facility, as was Mitsubishi Motors Suginami (Land) that NMF owned initially. However, for Mitsubishi Motors Shibuya (Land) and Ito-Yokado Higashi-Narashino Store, which NMF had sold by concluding similar sale agreements with preferential negotiation rights, redevelopment is under way as PROUD FLAT Shibuya Tomigaya, a residential facility, and Landport Higashi-Narashino, a logistics facility, respectively, for use that is different from the original one.

Partly because this strategy was highly appreciated, **the latest public offering attracted strong demand that was approximately 8.3 times larger than the planned issue amount, and the investment unit price remained higher than the Tokyo Stock Exchange REIT Index by 1.5 points from the announcement to the day when the issue conditions were determined.** We believe that the second public offering was a great success, as was the first public offering conducted in February 2018.

Properties with preferential negotiation rights after redevelopment

PROUD FLAT Shibuya Tomigaya (Former Mitsubishi Motors Shibuya (Land))

Total number of units	109
Completion	February 2019

Landport Higashi-Narashino Plan (scheduled) (Former Ito Yokado Higashi-Narashino)

Total floor area	74,724.58 m ²
Scheduled completion	July 2019

Change in Indicators				
	End of previous FP (August 31, 2018)	Acquisition	Disposition	After PO (April 30, 2019)
Asset size	¥955.9 bln	¥57.4 bln	¥5.3 bln *1	¥1,008.6 bln
Number of properties	281	12	5	288
Average NOI yield	5.1%	4.3%	4.1%	5.1%
Average building age	18.8 yrs	1.4 yrs	10.6 yrs	18.1 yrs
Greater Tokyo area ratio	82.1%	77.5%	0.0%	82.3%
Unrealized gain	¥93.7 bln			¥110.1 bln *2
Unrealized gain per unit	¥21,688	¥3.1 bln	¥0.1 bln	¥24,220 (+¥2,532)
LTV	44.4%			43.9% (-0.5%)
Distribution per unit	7th FP ended Feb. 2019 initial forecast ¥3,111			8th FP ended Aug. 2019 revised forecast ¥3,166 (+1.8%) 9th FP ended Feb. 2020 forecast ¥3,224 (+3.6%)

*1 The sales price is indicated.

*2 Increase in unrealized gain of appraisal value reacquired in the 7th fiscal period ended February 2019 is also included.

Q4. Please show us how NMF is working on “ESG” endeavors that have attracted attention in recent years.

Interests on activities related to what is called “ESG,” or Environment, Social and Governance issues, to realize a sustainable society have grown dramatically over recent years. NMF acknowledges that realizing a sustainable society is essential for its continuous growth, and has long promoted management of its assets with considerations given to ESG from a variety of aspects. Our activities are wide-ranging, including more efficient energy use such as through asset management such as investments in properties having low environmental burdens and environmental and energy-saving measures at owned properties, as well as initiatives on contributions to local communities. These activities by NMF on environmental considerations and sustainability issues were highly evaluated, and **NMF was ranked the world's first in the Global Listed Diversified Sector on the GRESB Real Estate Assessment conducted in 2018 and was selected as a Global Sector Leader.**

In order to promote these initiatives even more proactively and in a more specific manner, we have established the ESG issues (Materiality) comprising eight highly important items that NMF should address, in consideration of the impact on NMF's business and expectations and interests of our stakeholders. Examples of the Materiality include “Aim to reduce per-floor-area emission (intensity) of greenhouse gas (GHG) from portfolio properties by 25% (over 2016) by fiscal 2030.” In setting these Materiality items, we referred to the Sustainable Development Goals (SDGs) adopted by the United Nations Sustainable Development Summit in September 2015. SDGs represent the 17 goals agreed on by the countries around the world to create a sustainable society, and include a variety of issues such as climate changes, water resources, food problems and human right problems. NMF will continue to promote its ESG-related initiatives, and while disclosing ESG information including the Materiality, will work to address these issues.



	Materiality and NMF's Targets	Related SDGs
Environment	Incorporating more green properties into the portfolio Target: Raise the ratio of green certified properties in the portfolio to 70% by fiscal 2030 KPI: Ratio of green certified properties	7. Affordable and Clean Energy, 13. Climate Action
	Responding to climate change Target: Reduce per-floor-area emission (intensity) of greenhouse gas (GHG) from portfolio properties by 25% (over 2016) by fiscal 2030 KPI: Per-floor-area emission (intensity) of GHG	7. Affordable and Clean Energy, 13. Climate Action
	Ensuring tenant security and safety / enhancing comfort Target: Aim to enhance tenant satisfaction through conducting renovations to meet the diversified social needs and expanding tenant support services	3. Good Health and Well-being, 11. Sustainable Cities and Communities
Society	Creating a fair workplace that encourages job satisfaction Target: Aim to enhance employee satisfaction through offering fair evaluation and remuneration systems and creating work environment that is fair and encouraging job	8. Decent Work and Economic Growth
	Human resources development and talent management Target: Aim to sophisticate human resources through providing continuous employee education and training and promoting self-enlightenment of employees	4. Quality Education, 8. Decent Work and Economic Growth
	Enhancing governance Target: Aim to establish a highly effective governance system through securing objectiveness and transparency and conducting business operations that put customers first. Aim to establish an investment management system that focus on unitholder interests by sharing interests between unitholders and the Asset Management Company through introducing asset management fees linked to net income.	16. Peace, Justice and Strong Institutions
Governance	Thorough implementation of compliance and risk management Target: Aim to secure soundness of business management by appropriately managing risks through such measures as confirming compliance to laws and regulations and elimination of conflicts of interests in transactions with interested parties.	16. Peace, Justice and Strong Institutions
	Stakeholder engagement and timely and appropriate disclosure of information Target: Aim to build a strong relationship of trust through timely, appropriate and proactive disclosure of information on financial and non-financial matters and through constructive discussions with stakeholders.	17. Partnerships for the Goals

Strengths of NMF

NMF conducts stable management with a medium- to long-term focus, centering on three pillars: its diversified port-

folio strategy, and large-scale portfolio strategy, and leasing value chain strategy with the Nomura Real Estate Group

Strengths 1 Diversified portfolio strategy

Pursuing stability and growth through sector diversification

We should be able to pursue both stability and growth of profits, as we do business in the sectors where profits are expected to remain stable and relatively untouched by economic fluctuations as well as in the sectors where profits are anticipated to rise in accordance with economic fluctuations.

Upside sectors	
Office Buildings	45.2%
Retail Facilities (near stations)	11.1%
Hotels	0.4%

56.7%

Stable sectors	
Retail Facilities (near residences)	5.9%
Logistics Facilities	16.8%
Residential Facilities	20.1%
Other	0.5%

43.3%

Strengths 2 Large-scale portfolio strategy

Reducing risks through diversification

NMF endeavors to reduce risks related to declining revenues from owned assets, portfolio imbalances, and tenant concentration by taking advantage of the portfolio diversification effect.

Property diversification (Top 10 properties)	
	24.4%

Tenant diversification (Top 10 tenants)	
	28.3%

Strengths 3 Leasing value chain strategy

Established a leasing value chain

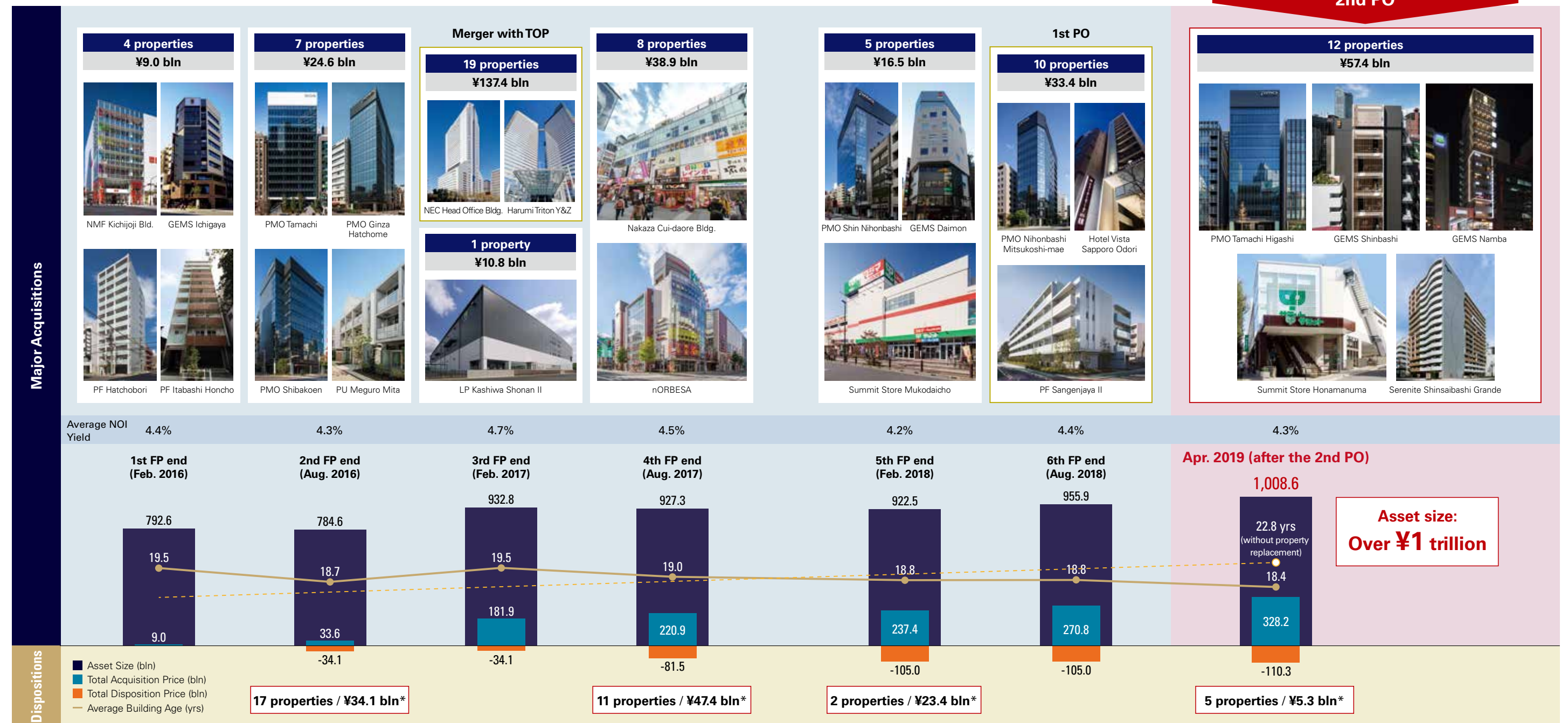
We have established a property acquisition pipeline and a management pipeline with the Nomura Real Estate Group, in pursuit of enhanced unitholder value.

Total amount of sponsor-developed properties we have acquired

Over ¥140.3 billion

* Since concluding leasing value chain contracts

Achieved Asset Size Expansion and Portfolio Quality Improvement through the Support of the Sponsor and Property

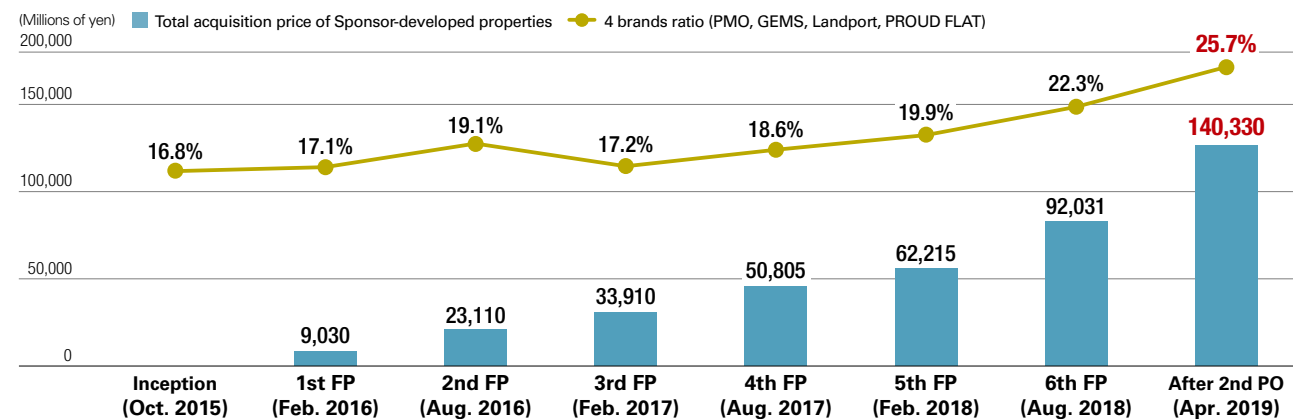


* The amount shows disposition price

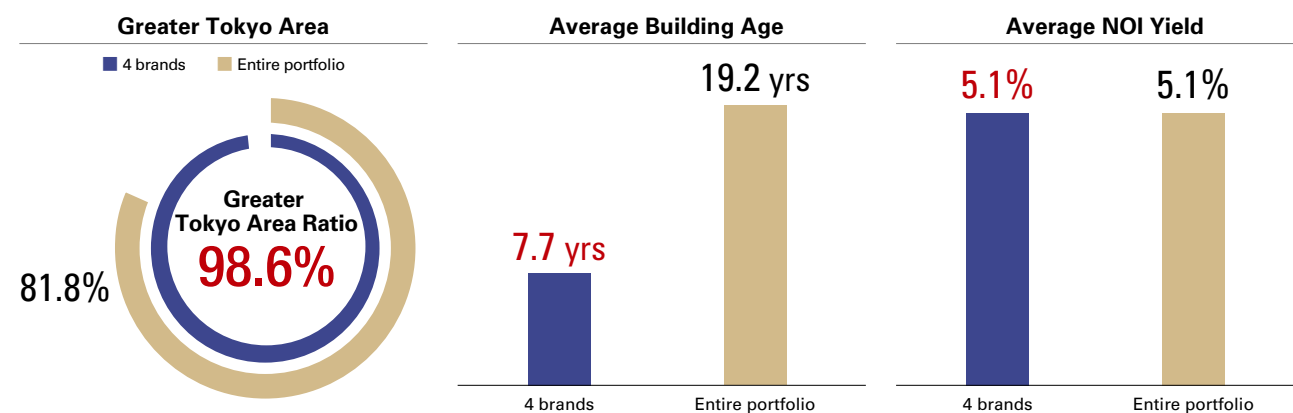
New Acquisitions (2nd Public Offering)

Seller	Property Name	Sector	Location	Acquisition Price (millions of yen)	Appraisal Value (millions of yen)	Appraisal NOI Yield (%)	Floor Area (m ²)	Construction Completion	Acquisition Date
Sponsor	PMO Tamachi Higashi	Office	Minato Ward, Tokyo	10,900	11,400	3.6	7,088.17	February 2018	March 1, 2019
	PMO Ochanomizu	Office	Chiyoda Ward, Tokyo	3,890	4,080	3.8	2,670.12	July 2018	April 2, 2019
	PMO Hatchobori Shinkawa	Office	Chuo Ward, Tokyo	3,805	3,990	3.9	5,000.86	April 2018	March 1, 2019
	PMO Kyobashi-Higashi	Office	Chuo Ward, Tokyo	2,880	3,020	3.9	2,051.35	May 2018	March 1, 2019
	GEMS Shinbashi	Retail (near station)	Minato Ward, Tokyo	2,810	2,870	3.9	1,478.44	May 2018	March 1, 2019
	GEMS Kayabacho	Retail (near station)	Chuo Ward, Tokyo	2,594	2,720	4.4	1,779.29	February 2018	March 1, 2019
	GEMS Shin-Yokohama	Retail (near station)	Yokohama City, Kanagawa	1,820	1,890	5.4	1,777.40	May 2018	March 1, 2019
	GEMS Namba	Retail (near station)	Osaka City, Osaka	3,800	4,260	4.4	2,421.83	November 2018	March 1, 2019
	Summit Store Honamanuma	Retail (residential areas)	Suginami Ward, Tokyo	2,160	2,880	6.0	2,014.36	September 2018	March 1, 2019
	Landport Ome I	Logistics	Ome City, Tokyo	13,640	14,200	4.6	57,721.34	November 2018	March 1, 2019
Third party	NMF Kobe Myodani Building	Retail (residential areas)	Kobe City, Hyogo	3,560	3,600	4.9	14,619.46	August 2000	November 30, 2018
	Serenite Shinsaibashi Grande Residential	Residential	Osaka City, Osaka	5,567	5,630	4.5	7,794.23	October 2018	December 19, 2018
Total and average of properties acquired by way of the 2nd public offering				57,426	60,540	4.3	106,416.85		

Acquisition Track Record of Sponsor-Developed Properties*1



High Quality Properties Developed by the Sponsor*2



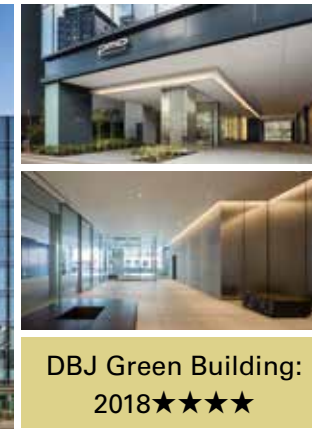
*1 4 brands ratio indicates the ratio of total acquisition price of 4 brands to the total acquisition price of entire portfolio as at NMF's establishment, each fiscal period end and the time after the 2nd PO. Figures of 4 brands ratio are rounded to the first decimal place.

*2 Regarding the portfolio as of the end of the 7th fiscal period ended February 2019, Greater Tokyo Area Ratio indicates the ratio based on acquisition price. Average Building Age indicates the building age as of the end of the 7th fiscal period ended February 2019 weighted-averaged by acquisition price. Average NOI Yield indicates figures which total amount of annualized NOI of the 7th fiscal period ended February 2019 divided by total acquisition price of each targeting property.

Sponsor-Developed Properties (Greater Tokyo Area ratio: 92.1%)

Office

PMO Tamachi Higashi

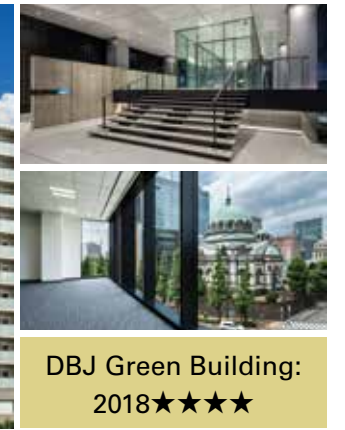


DBJ Green Building:
2018★★★★

Located in Minato Ward. Large PMO with standard floor area of 604 m²

Accessible via 2 train stations and 4 lines: located a 2 minute walk from Mita Station on the Toei Asakusa Line and Mita Line and a 5 minute walk from Tamachi station on the JR Yamanote Line and Keihin-Tohoku Line. The property is expected to draw in head office functions from a wide range of industries and overall strong tenant demand considering the convenient access to major areas such as Tokyo Station and Shinagawa Station, with Shinkansen access from Shinagawa Station and direct airport access on the Toei Asakusa Line.

PMO Ochanomizu



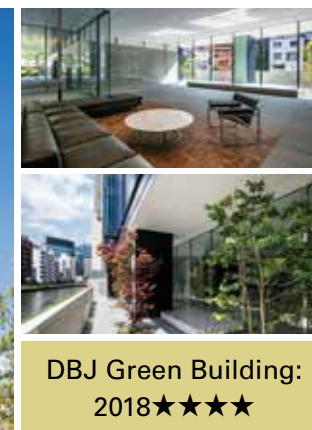
DBJ Green Building:
2018★★★★

Located in Chiyoda Ward. Access via 5 stations and 10 lines

Accessible via 5 train stations and 10 lines, including Ogawamachi Station on the Toei Shinjuku Line, Awajicho Station on the Tokyo Metro Marunouchi Line, and Akihabara Station on the JR Line, and located a 1 minute walk from Shin-Ochanomizu Station on the Tokyo Metro Chiyoda Line and a 2 minute walk from Ochanomizu Station on the JR Chuo/Sobu Lines. The property is expected to benefit from stable tenant demand, namely demand from the tenants in the medical and pharmaceutical industry resulting from the concentration of medical facilities in the area, in addition to the growing number of office buildings including large diversified buildings such as Waterras Tower and Ochanomizu Sola City resulting from redevelopment of the area around JR Ochanomizu station.

Office

PMO Hatchobori Shinkawa

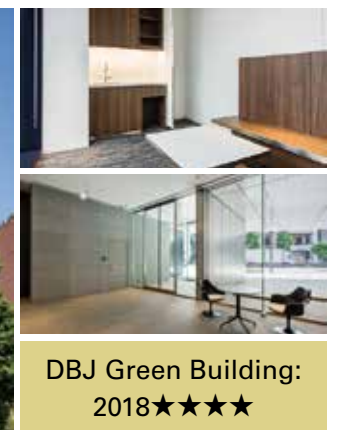


DBJ Green Building:
2018★★★★

Located in Chuo Ward. Excellent recognition through a dominant strategy

Accessible via 2 train stations and 3 lines, including Kayabacho Station on the Tokyo Metro Hibiya and Tozai Lines and Hatchobori Station on the Tokyo Metro Hibiya Line, and located a 1 minute walk from Hatchobori Station on the JR Keiyo Line. Situated on the eastern side of Tokyo Station, next to Kayabacho, which is a financial district, and Kyobashi, where there are many large companies, providing direct access to major business areas. The property also supports business continuity of tenants by providing emergency power generators in private areas accessible by tenants. Furthermore, the property will enjoy strong recognition based on the 15 PMO buildings already completed in Chuo Ward, including PMO Kyobashi-Higashi.

PMO Kyobashi-Higashi



DBJ Green Building:
2018★★★★

Located in Chuo Ward. Very convenient access

Accessible via 4 train stations and 5 lines, including Hatchobori Station on the JR Keiyo Line, Takaramachi Station on the Toei Asakusa Line, Kayabacho Station on the Tokyo Metro Hibiya and Tozai Lines, and Kyobashi Station on the Ginza Line, and located 1 minute walk from Hatchobori Station on the Tokyo Metro Hibiya Line. Given the convenient access, the property is expected to benefit from strong tenant demand, mainly from Tokyo-based companies and regional companies alike wanting to place their head offices near Tokyo Station. Additionally, by introducing Pantry Select Plans, NMF is able to flexibly respond to changes in the working styles of new tenants.

Sponsor-developed properties (Greater Tokyo Area ratio: 92.1%)

Retail

GEMS Shinbashi



DBJ Green Building:
2018★

Located in "Shinbashi" crowded with office workers

Situated in a prime area located a 4 minute walk from Shinbashi station on the JR lines and the Tokyo Metro Ginza Line and a 3 minute walk from Uchisaiwaicho station on the Toei Mita Line. Shinbashi has many eateries and other shops, attracting a large number of office workers from neighboring office areas such as Uchisaiwaicho, Shiodome and Toranomon. Accordingly, the area is appealing for a wide spectrum of tenants with stores meeting various needs.

GEMS Kayabacho



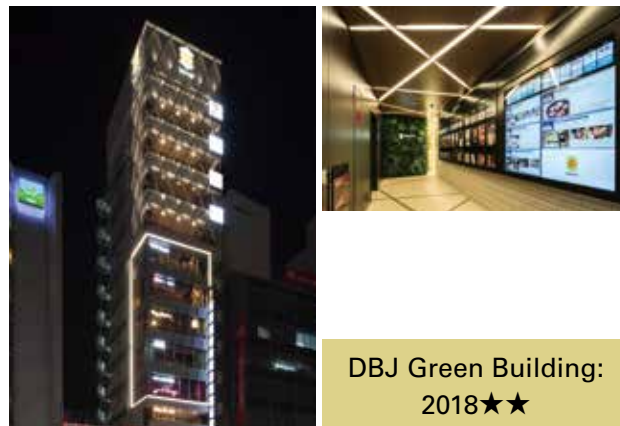
DBJ Green Building:
2017★★

Sense of freedom generated by the nearby waterways and parks

In addition to being conveniently located a 2 minute walk from Kayabacho Station on the Tokyo Metro Hibiya and Tozai Lines, the property also has excellent visibility along the shores of the Kamejima River. The Nihonbashi and Kayabacho area has many companies such as securities firms and major cosmetics companies. This property provides terraces and other refreshing spaces for employees that instill a sense of freedom by utilizing the surrounding waterways and parks.

Retail

GEMS Namba

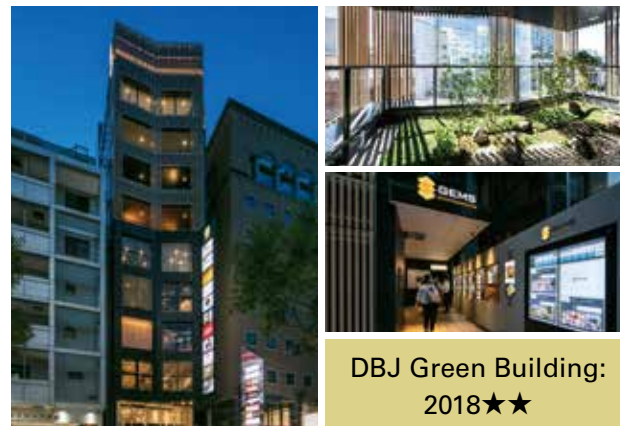


DBJ Green Building:
2018★★

Located at the heart of Namba, Kansai's premier entertainment district

Located in a prime area accessible via a 1 minute walk from Namba Station on the Osaka Metro, Osaka Namba Station on the Kintetsu Railway and Hankyu Railway lines, and a 2 minute walk from Namba Station on the Nankai Railway line. Namba Station and its surroundings form a massive commercial area with station buildings, department stores, shopping streets, and underground shopping areas. The property has excellent visibility owing to its location along Midosuji Boulevard, which is a symbolic street in Osaka. Strong demand from station users and tourists, etc. can be expected.

GEMS Shin-Yokohama



DBJ Green Building:
2018★★

Stable dining demand on both weekdays and the weekend

Located in a prime area accessible via a 4 minute walk from Shin-Yokohama station on the JR Tokaido Shinkansen Line and JR Yokohama Line and a 2 minute walk from Shin-Yokohama station on the Yokohama Municipal Subway Blue Line. Furthermore, train service is scheduled for fiscal 2022 with the opening of Shin-Yokohama Station (tentative name) on the Sotetsu and Tokyu Lines. The Shin-Yokohama area is crowded with office workers from automotive and foreign-affiliated companies on weekdays and bustling with people attending events and live shows on the weekend, and attracts shops with foods and products unique to Kanagawa Prefecture.

Sponsor-developed properties (Greater Tokyo Area ratio: 92.1%)

Retail

Summit Store Honamanuma



DBJ Green Building:
2018★★★

Newly opened stores with innovative sales floors

The property is accessible from both Ogikubo Station on the JR Chuo Line and Marunouchi Line and Shimoigusa Station on the Seibu Shinjuku Line, and is near a popular residential area, a large proportion of which is a category 1 exclusive district for low-rise residential buildings. The aim of the property, which opened on October 2, 2018, is to provide a comfortable store environment with excellent circulation by utilizing a new sales floor layout, providing spaces such as Sami Cafe, and positioning full-time information staff.

Logistics

Landport Ome I



DBJ Green Building:
2018★★★★★

New concept: Multi-category logistics facility

Located near National Route 16 and approximately 2.8 km from the Ome IC on the Metropolitan Inter-City Expressway, allowing for distribution across the entire greater Tokyo area. The property is also located an 11 minute walk from the closest train station, enabling tenants to maintain a steady flow of workers and thereby ensure continuous operations 24 hours a day, 365 days a year. In addition to versatile specs contributing to high operational efficiency, the property was also designed to optimize and improve the efficiency of logistics operations by providing multi-category functions meeting the unique needs of tenants.

Properties acquired from outside seller (Properties acquired in the 7th FP)

Residential

Serenite Shinsaibashi Grande



Large-scale rental housing with strong distinctive value

Has multiple nearby train lines (an 8 minute walk from Shinsaibashi Station and a 3 minute walk from Nagahoribashi Station, both on the subway), providing easy access to major business and commercial areas such as Umeda, Honmachi, and Shin-Osaka. The property is located in a prime rental housing area where there has been a recent increase in convenient living facilities and other such services and which is within walking distance to Namba, Kansai's premier entertainment district. The newly-built property is both large, with 252 total units, and stylish, with an elegant and unique exterior, making it a symbol of the surrounding area.

Retail

NMF Kobe Myodani Building



Located in a popular residential area where steady demand is expected

Located a 4 minute walk from the Myodani subway station, from which commuters can conveniently travel to Sannomiya, a major city between Osaka and Kobe, in around 18 minutes. Further, the property is situated in an area that is a popular residential district due to the many large diversified retail facilities and convenient living facilities in front of the station. Sales are expected to remain steady going forward considering that development of new retail and other such facilities around the property is limited due to much of the area being used for residential housing.

Internal Growth -Management Status-

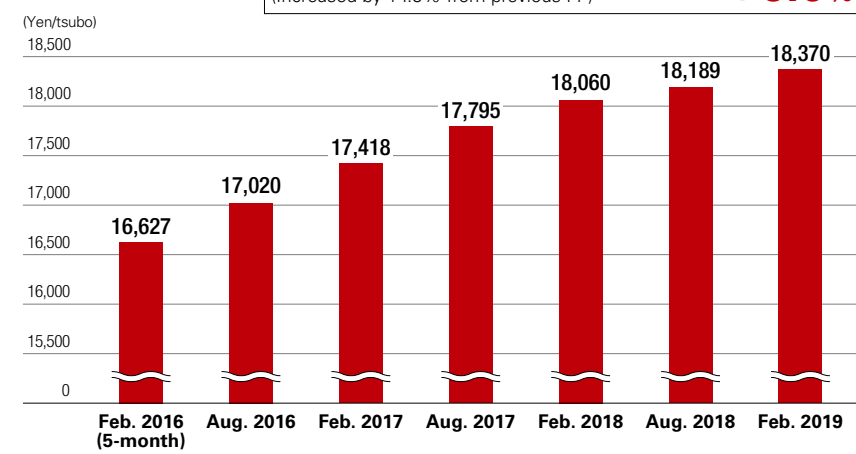
Office

Achieved an increase in average unit rent through tenant replacements and rent revisions (Increased to ¥18,370/tsubo (+1.0%) from ¥18,189/tsubo at the end of last period.)

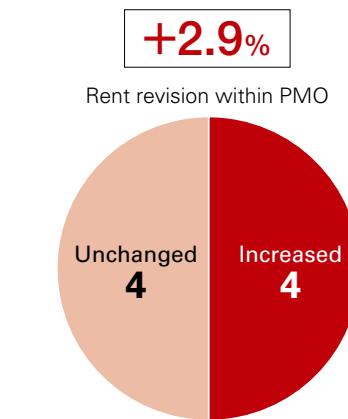
Asset Management Topics for 7th fiscal period ended Feb. 2019

Pursuing income growth with upside potential through active tenant replacements backed by strong leasing demand

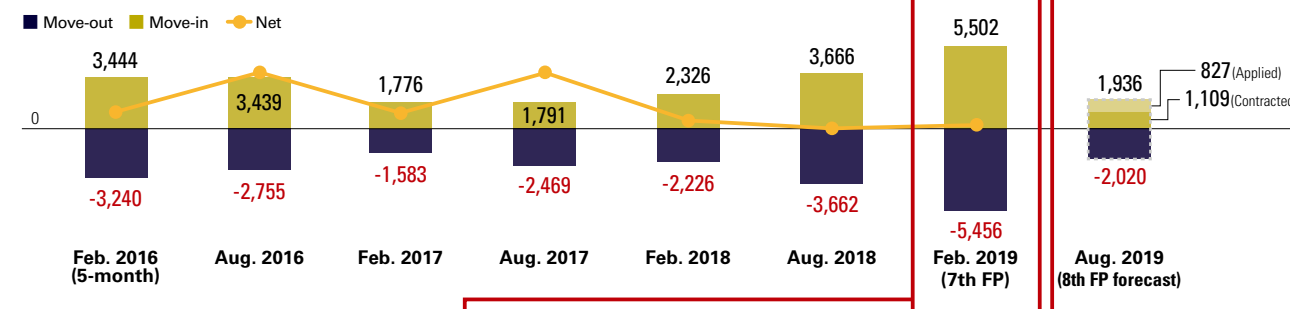
Average Rent



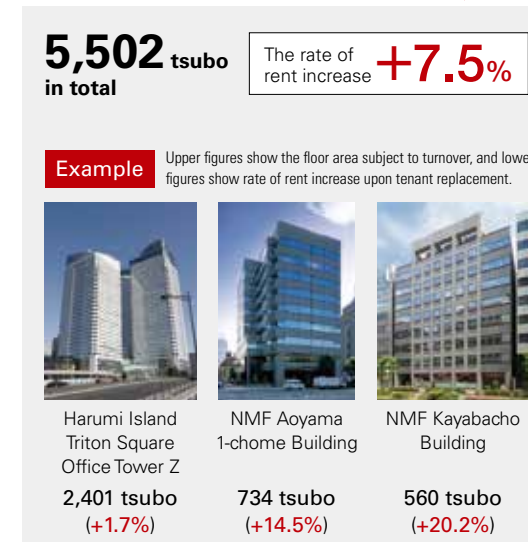
Rate of Rent Increase Upon Rent Revision at PMOs



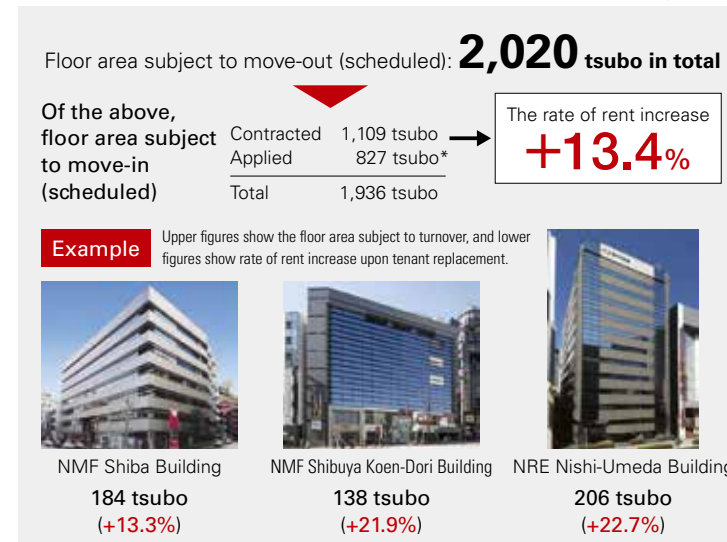
Change in Floor Area from Move-ins and Move-outs (tsubo)



7th FP: Tenant Turnover Effect

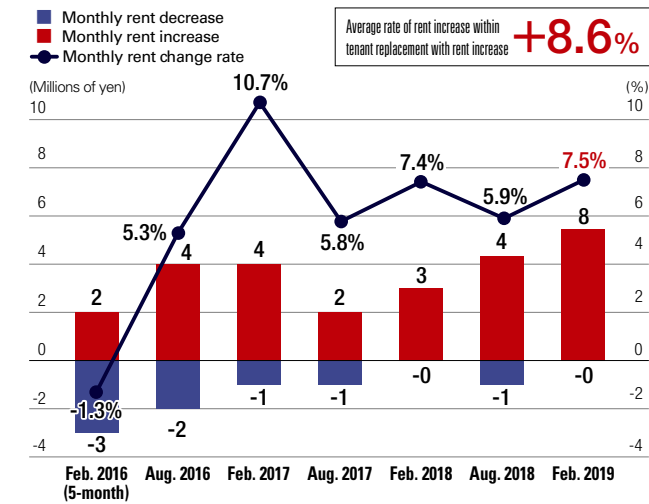


8th FP: Progress on Tenant Replacement (as of March 20, 2019)

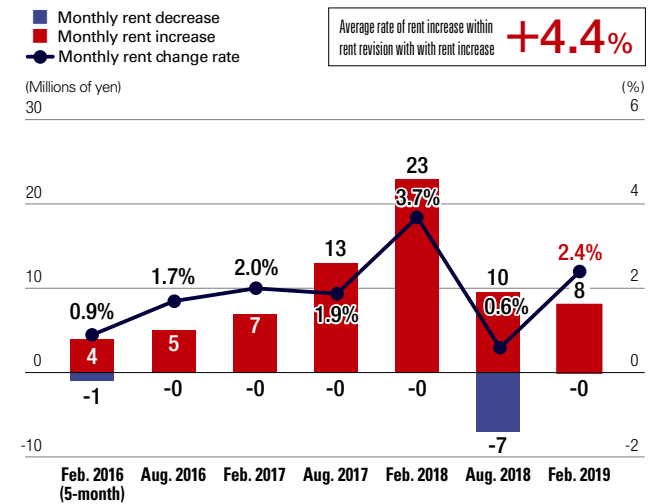


* The figure shows floor area for which NMF received an application for occupancy.

Amount of Change in Monthly Rent and Rate of Change in Monthly Rent upon Tenant Replacement



Amount of Change in Monthly Rent and Rate of Change in Monthly Rent upon Rent Revision



Retail

Promoting rent increase upon rent revision maintaining stable cash flow by high occupancy rate and fixed rent

Asset Management Topics for 7th fiscal period ended Feb. 2019

Maintaining stable management

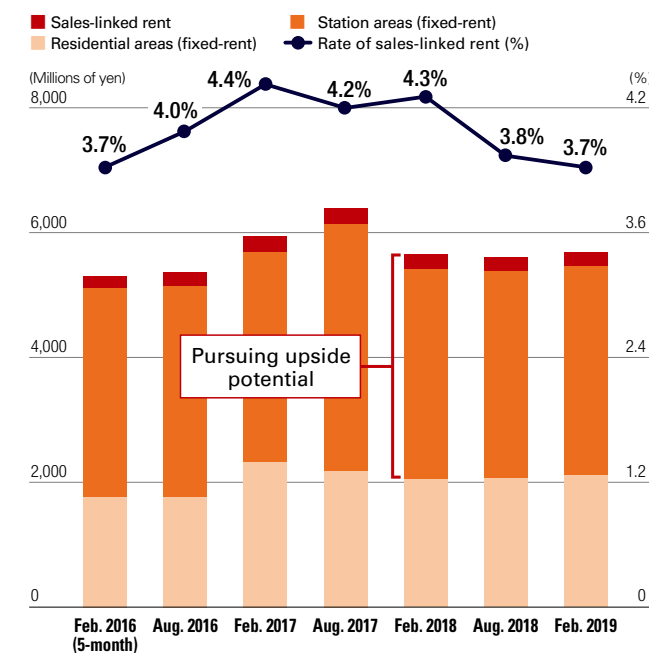
Occupancy rate in 7th fiscal period ended Feb. 2019: **99.6%**

	Feb. 2016	Aug. 2016	Feb. 2017	Aug. 2017	Feb. 2018	Aug. 2018	Feb. 2019
Retail	99.2	99.4	99.3	99.1	99.3	99.6	99.6
Total	98.9	99.1	99.2	98.4	98.6	99.3	99.3

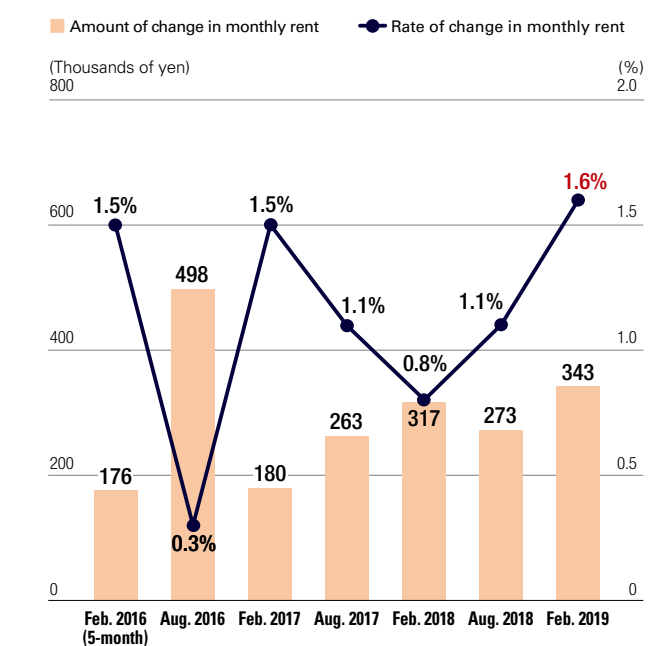
Rent increase upon rent revision

The rate of rent increase **1.6%**
(343 thousand yen/month)

Rent Revenue Breakdown (overall retail)



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



Internal Growth -Management Status-

Residential

Promoting rent increase with a focus on the Greater Tokyo Area through move-ins & move-outs

Asset Management Topics for 7th fiscal period ended Feb. 2019

Change in rent due to tenant replacement or contract renewal

① Change in rent due to tenant replacement

594 out of 966 units (61.5%) replaced with increased rent

Change in monthly rent

+2.8% (+¥2,934 thousand/month)

② Change in rent due to contract renewals

96 out of 1,340 units (7.2%) renewed contract with increased rent

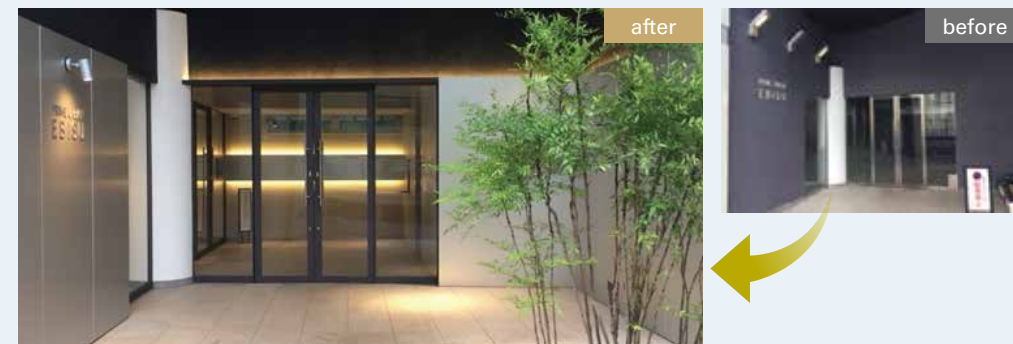
Change in monthly rent

+0.2% (+¥253 thousand/month)

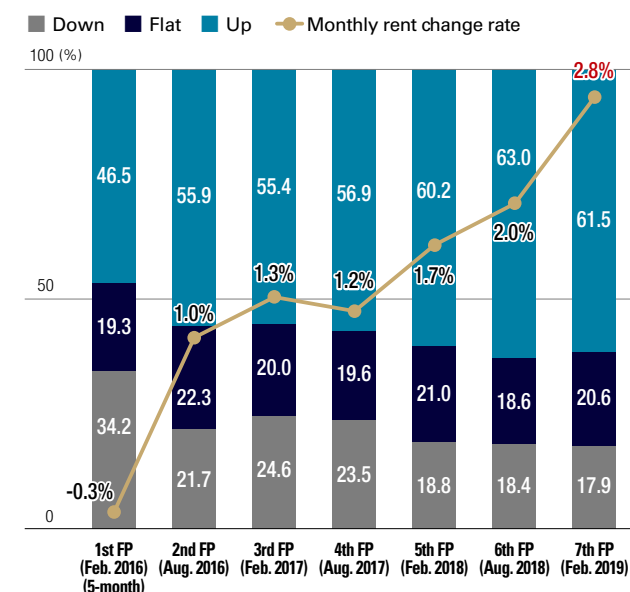
Example of rent increase by renovation (Prime Urban Ebisu)

Achieved rent increase upon tenant replacement by renovating the entrance and the exclusively owned area

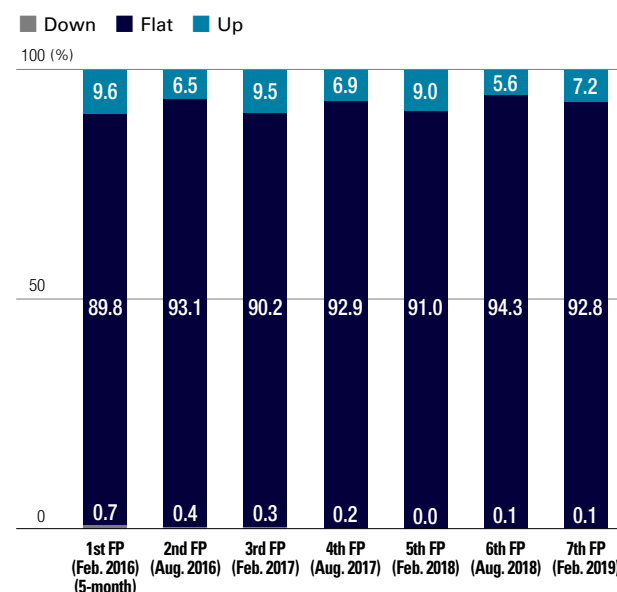
Room layout	Floor area (m ²)	Monthly rent after replacement (yen/month)	Rent change rate
1LDK	44.03	190,000	6.1%
2LDK	93.31	316,000	5.7%
1LDK	45.79	193,000	5.5%



Change in Rent upon Tenant Replacement



Change in Rent upon Contract Renewal



Logistics

Achieved rent increase by 3.8% compared to previous rent at Landport Urayasu

Asset Management Topics for 7th fiscal period ended Feb. 2019

Achieved tenant replacement with rent increase at Landport Urayasu which had material leasing issues.

Landport Urayasu (Evacuation due to expiration of a contract is scheduled at the end of April, 2019.)

As to the leasing of 10,569 tsubo with material leasing issues, lease-ups at the early stage without downtime and upside of rent through tenant replacement have been achieved.

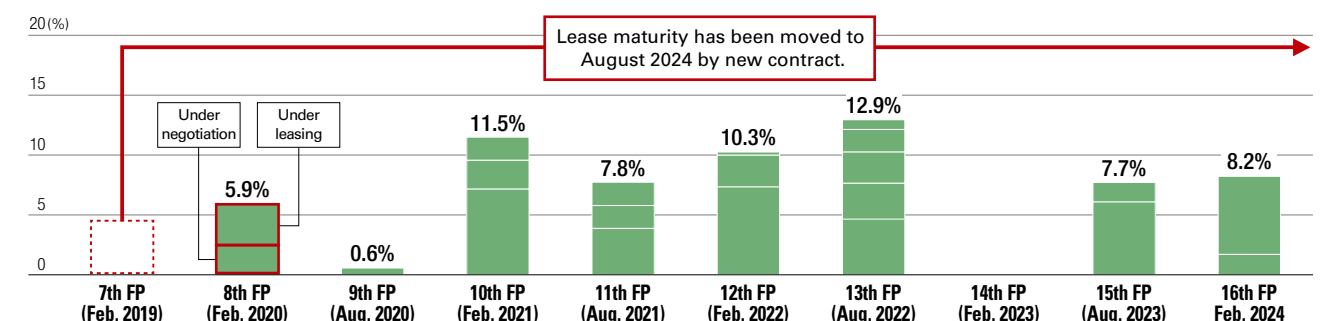
Rent increase by 3.8% compared to previous rent

Sagamihara Onodai Logistics Center

Conducted rent increase **by 0.8%** upon rent revision in 17,378 tsubo zone.



Lease Maturity (Rent basis)



Challenge in Landport Iwatsuki

In the zone of 7,287 tsubo, NMF received an advance notice of cancellation to be in the 9th FP ending February 2020.

As is the case with Landport Urayasu, NMF aims for early completion of leasing activities.

(NMF is considering the use of internal reserves, etc. to guard against the potential impact to the distribution due to vacancy losses.)

Hotels

RevPAR at Hotel Vista Sapporo Odori has been on a increasing trend since Nov. 2018 (year-on-year), recovering from the impact of natural disasters



Asset Management Topics for 7th fiscal period ended Feb. 2019

Operational Performance

RevPAR **has been on increasing trend since Nov. 2018** on a year-on-year comparison though RevPAR from Sep. 2018 to Oct. 2018 has decreased due to the impact of natural disasters

	June		July		August		September		October	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
RevPAR	¥7,954	¥7,904 (-0.6%)	¥9,028	¥9,591 (+6.2%)	¥9,506	¥10,374 (+9.1%)	¥9,193	¥6,052 (-34.2%)	¥6,460	¥5,595 (-13.4%)
Occupancy Rate	86.3%	80.1%	88.6%	84.6%	86.6%	86.0%	88.2%	59.6%	82.5%	72.2%
ADR	¥9,217	¥9,870	¥10,190	¥11,336	¥10,978	¥12,063	¥10,423	¥10,153	¥7,831	¥7,754

	November		December		January		February	
	2017	2018	2017	2018	2018	2019	2018	2019
RevPAR	¥5,066	¥5,334 (+5.3%)	¥5,555	¥5,912 (+6.4%)	¥4,466	¥4,626 (+3.6%)	8,797	¥9,387 (+6.7%)
Occupancy Rate	74.2%	75.6%	75.0%	77.4%	65.2%	63.9%	88.4%	87.5%
ADR	¥6,828	¥7,061	¥7,407	¥7,637	¥6,851	¥7,239	¥9,952	¥10,732

* Figures in parentheses are year on year change (%).

Promoting value enhancement measures through renovation works

Renovation period	Contents
November 2018 to April 2019 (scheduled)	<ul style="list-style-type: none"> • Decoration works in common area (front desk area, corridor etc.) • Installation works of laundry room and smoking area • Plans to increase the number of guests • Conversion to Double-room from Single-room (12 rooms) • Conversion to Twin-room from Double-room (12 rooms)

ESG Initiatives

Please visit our website for more detailed information.



NMF is engaged in asset management that takes environment, society and governance (collectively referred to as “ESG”) issues into consideration to realize a sustainable society.

Participation in GRESB

"Global Sector Leader"
in the Listed Diversified Sector



Real Estate
Assessment
"Green Star"
"5-Star"



Public
Disclosure
Level
"A"



- Acquired “Green Star” for the third consecutive year.
- Acquired a “5-star” rating (five-level rating with the highest being 5-star) for two consecutive years in GRESB Rating which shows a participants’ relative status of overall GRESB Score.
- Achieved an “A” rating (five-level rating from “A” to “E” with the highest being “A”) for two consecutive years in GRESB Public Disclosure Level evaluation scheme introduced in 2017 for our proactive information disclosure practices in connection with environmental and sustainability initiatives.

Formulated ESG Materiality Issues in Line with SDGs

Materiality	Targets and Key Performance Indicators	Related SDGs
Environment E	Incorporating more green properties into the portfolio Target Raise the ratio of green certified properties in the portfolio to 70% by fiscal 2030 KPI Ratio of green certified properties	
	Responding to climate change Target Reduce per-floor-area emission (intensity) of greenhouse gas (GHG) from portfolio properties by 25% (over 2016) by fiscal 2030 KPI Per-floor-area emission (intensity) of GHG	
Society S	Ensuring tenant security and safety / enhancing comfort Target Aim to enhance tenant satisfaction through conducting renovations to meet the diversified social needs and expanding tenant support services	
	Creating a fair workplace that encourages job satisfaction Target Aim to enhance employee satisfaction through offering fair evaluation and remuneration systems and creating work environment that is fair and encouraging job	
	Human resources development and talent management Target Aim to sophisticate human resources through providing continuous employee education and training and promoting self-enlightenment of employees	
Governance G	Enhancing governance Target <ul style="list-style-type: none"> • Aim to establish a highly effective governance system through securing objectiveness and transparency and conducting business operations that put customers first. • Aim to establish an investment management system that focus on unitholder interests by sharing interests between unitholders and the Asset Management Company through introducing asset management fees linked to net income. 	
	Thorough implementation of compliance and risk management Target Aim to secure soundness of business management by appropriately managing risks through such measures as confirming compliance to laws and regulations and elimination of conflicts of interests in transactions with interested parties.	
	Stakeholder engagement and timely and appropriate disclosure of information Target Aim to build a strong relationship of trust through timely, appropriate and proactive disclosure of information on financial and non-financial matters and through constructive discussions with stakeholders.	

E

Initiatives for the Environment

Key Performance Indicator (KPI): Greenhouse Gas (GHG) Emissions per Floor Area (intensity)

[Target] 25% reduction by FY2030 (compared with the FY2016 level)

Actual in FY2017 **-13.8%** / Target for FY2030 **-25%**

KPI: Ratio of Green Certification

[Target] Raise the ratio to 70% by FY2030 (total floor area basis)

As of April 1, 2019 **60.0%*** / Target for FY2030 **70%**

* The percentage of properties (on a total floor area basis) which have obtained DBJ Green Building Certification (54.4%) or BELS Certification (18.9%) as of April 1, 2019.

Taking Specific Measures that Reduce Environmental Impact in 7th FP

1. Saving Energy with LED Lighting

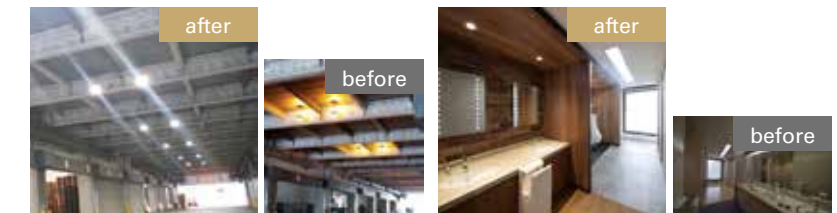
Shinjuku Nomura Building
NMF Kayabacho Building
NMF Aoyama 1-chome Building
Kojimachi Millennium Garden
Landport Urayasu, Landport Itabashi
EQUINIA Shinjuku, others

2. Saving Water by Upgrading Toilets

NMF Sendai Aoba-dori Building

Landport Urayasu: Installing LEDs
Installed LED lighting at the central driveway and the berth on the 1st floor
Energy-use forecast: **-51 MWh/year (approx. -51%)**

NMF Sendai Aoba-dori Building: Upgrading Toilets
Upgraded toilets in common areas on the 1st to 8th floors
Water usage: **-2,729 L/year (approx. -52%)**



S

Initiatives for the Society

Intangible Services for the Tenants at PMO Properties

Intangible element



PMO 10th anniversary event
“Managers Networking Event”

Tangible element



Choice of pantry to suit
workstyle

Promoting Workstyle Reform

Nomura Real Estate Asset Management aims to bring about employees’ happiness and realize the company’s growth through measures such as promotion of diverse workstyles and reduction of working hours by making operations more efficient.

Reduction of working hours

[Annual average working hours of all employees]

Actual for FY2018: **-90 hours**

Target for FY2019: -113 hours or more (compared with that in FY2017)

Status of paid vacation days taken *1

Actual for FY2017: 16.3 days

Actual for FY2018: 16.9 days

Target for FY2019: 15 days + 3 days (summer vacation) *2

*1 Actuals for FY2017 and FY2018 include the number of days of summer vacation.

*2 Summer vacation (3 days) is provided separately from paid vacation.

G

Initiatives for the Governance

Diversity of Directors of the Investment Corporation

For the purpose of ensuring diversity in directors of the investment corporation and the strengthening of governance, appointment of a female supervisory director will be proposed at the Second General Meeting of Unitholders scheduled for May 23, 2019.

Candidates for directors		
Executive director	Shuhei Yoshida (Reappointment)	Lawyer
Supervisory directors	Mineo Uchiyama (Reappointment)	Accountant
	Koichi Owada (Reappointment)	Real estate appraiser
	Mika Okada (New appointment)	Lawyer

Periodic Assessments of PM and BM

In principle, entrusted PMs and BMs are assessed annually by NMF to evaluate such items as sustainability policies and frameworks, legal and regulatory compliance, and information management as well as financial soundness and quality of services.

NMF manages the PMs and BMs through feedback based on the evaluation results, etc.

ESG-Related Training for PMs

NMF provides ESG-related training for PMs at least once a year, inviting external specialists as lecturers, in an aim to raise ESG awareness among PMs and enhance collaboration with them.

Training held in February 2018: Participants: 47 people from 13 companies

Financial Strategy

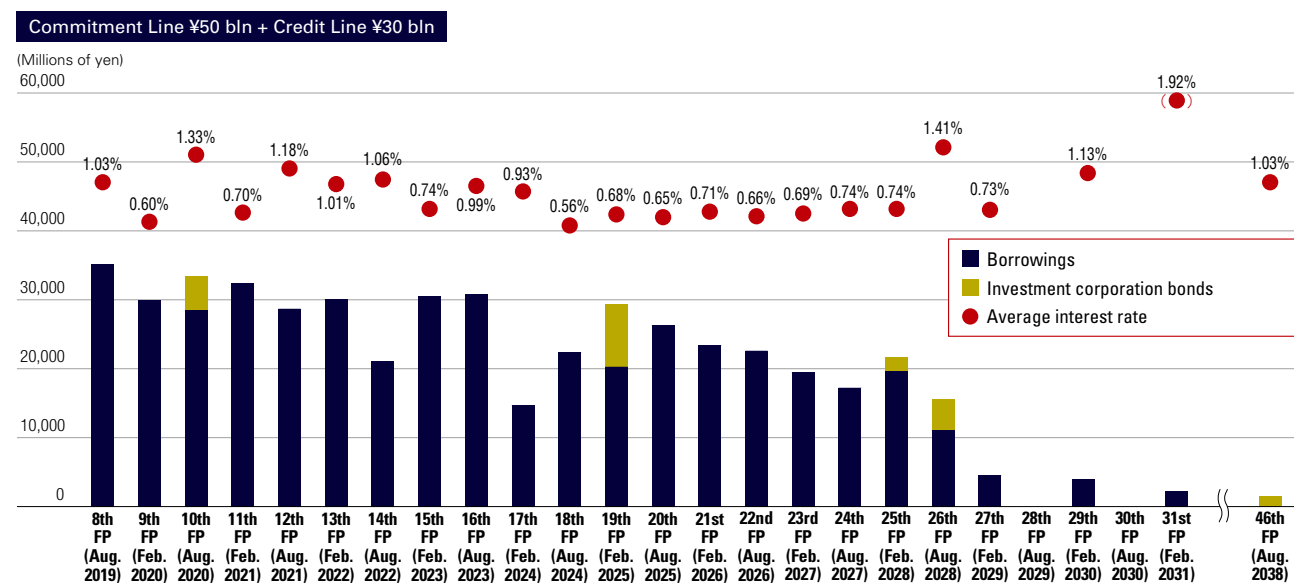
Continued to promote the lowering of average interest rate and extension of borrowing periods through refinancing utilizing the low-interest rate environment.

Issued investment corporation bonds for the first time since inception.

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

	Feb. 2016 (1st FP)	Aug. 2016 (2nd FP)	Feb. 2017 (3rd FP)	Aug. 2017 (4th FP)	Feb. 2018 (5th FP)	Aug. 2018 (6th FP)	Feb. 2019 (7th FP)
Total Interest-bearing debt	¥403,164 million	¥409,771 million	¥498,784 million	¥488,741 million	¥486,198 million	¥497,155 million	¥497,112 million
Average remaining duration	3.96 years	4.36 years	4.31 years	4.54 years	4.52 years	4.61 years	4.52 years
Average interest rate	1.09%	1.03%	0.95%	0.92%	0.91%	0.88%	0.87%
Ratio of long-term debt	84.1%	85.9%	83.2%	88.0%	88.0%	87.2%	86.9%
Ratio of fixed-rate debt	91.4%	95.8%	92.2%	94.9%	95.4%	95.4%	95.4%
LTV	43.4%	43.8%	45.1%	44.6%	44.6%	44.4%	44.5%

■ Diversification of Repayment Dates



■ Financial Status during 7th Fiscal Period ended Feb. 2019

● Refinancing

Repayment Overview*		Refinancing Overview*		Scheduled Repayment*	
Total amount of repayment	¥28,375 mln	Total amount of repayment	¥28,375 mln	Total amount of repayment	¥35,200 mln
Average interest rate	0.72%	Average interest rate	0.50%	Average interest rate	1.03%
Average remaining duration	4.3 years	Average remaining duration	7.1 years	Average remaining duration	5.8 years

* Average remaining duration is it at the time of repayment and average interest rate is weighted average interest rate at the time of repayment. Excluding 42.8 million yen in contractual repayment.

* Average interest rate and Average remaining duration are those at the time of refinancing.

* Excluding 42.8 million yen in contractual repayment.

■ Credit Ratings

Credit rating agency	Rating description
Japan Credit Rating Agency, Ltd. (JCR)	Long-term Issuer Rating: AA
Rating & Investment Information, Inc. (R&I)	Issuer Rating: A+
S&P Global Ratings Japan Inc. (S&P)	Long-term Corporate Rating: A / Short-term Corporate Rating: A-1

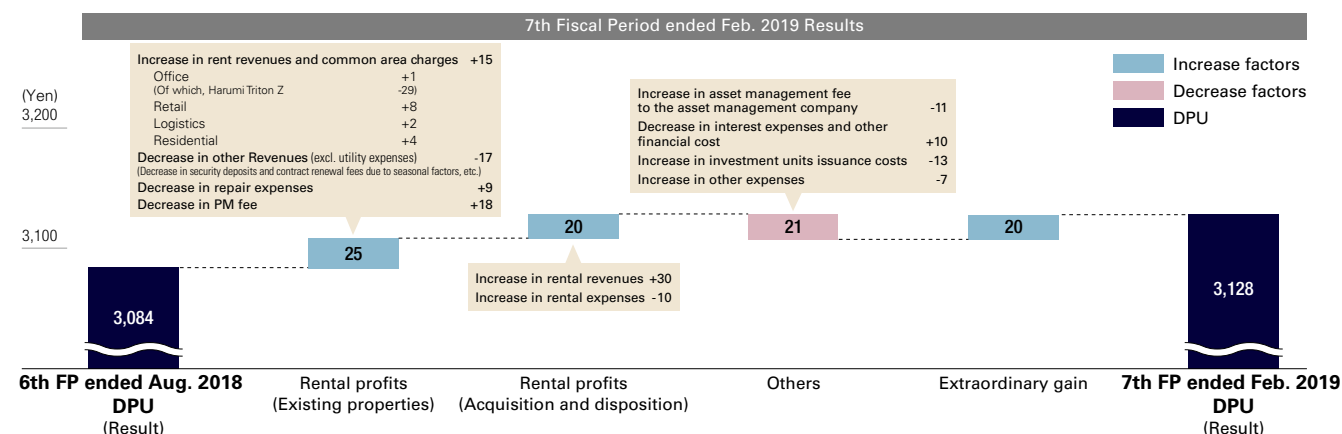
Balance Sheet Highlights

DPU for 7th fiscal period ended Feb. 2019: ¥3,128 (up ¥44 (+1.4%) from the last fiscal period and ¥17 above forecast)

(Millions of yen)

	Ended Aug.31,2018 (6th FP)	Ended Feb.28,2019 (7th FP)	Differences (B) - (A)
	Result (A)	Result (B)	
Operating Revenue	34,731	35,428	696
Rental revenues	31,695	31,885	189
Other rental revenues	3,035	2,857	-178
Gain on sales of real estate	-	685	685
Operating Expenses	21,445	21,372	-73
Rental business expenses	15,158	14,977	-180
Repair expenses	1,555	1,515	-39
Tax and public dues	2,846	2,831	-15
Depreciation and amortization	4,901	4,911	9
Others	5,854	5,719	-135
Loss on sales of real estate	-	23	23
Asset management fees	3,074	3,124	49
Amortization of goodwill	2,622	2,622	-
Other operating expenses	590	625	35
Operating Income	13,285	14,056	770
Non-operating Revenues	6	7	1
Non-operating Expenses	2,536	2,546	10
Interest Expenses and other financial costs	2,508	2,462	-45
Investment units issuance costs	19	75	56
Other non-operating expenses	8	8	0
Ordinary Income	10,755	11,516	761
Extraordinary Loss	-43	45	88
Net Income	10,709	11,560	851
Net income (excluding realized gain)	(10,709)	(10,898)	(188)
Distribution of Earnings a	10,709	11,336	626
Distribution in Excess of Net Earnings b	2,619	2,182	-436
Total Distributions a+b	13,328	13,518	190
Internal Reserves	-	662	-
(Total Internal Reserves)	(3,694)	(4,357)	(662)
			(Yen)
DPU	3,084	3,128	44
Distributions of earnings per unit	2,478	2,623	145
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	306	361	55
Distributions in excess of retained earnings per unit [other distributions in excess of net earnings]	300	144	-156
			(Millions of yen)
Total Assets	1,118,644	1,117,851	-793
Acquisition Price	955,984	960,345	4,361
Interest-bearing debt	497,155	497,112	-42
LTV	44.4%	44.5%	0.0%
Market capitalization	669,014	659,506	-9,507
NOI	24,475	24,677	201
FFO	18,282	18,392	109

■ Main Factors in Change of DPU (Yen/unit)



* 662million yen, an equivalent amount to gain on sales of real estate arose in the 7th fiscal period ended Feb. 2019, has been retained.

Market Review

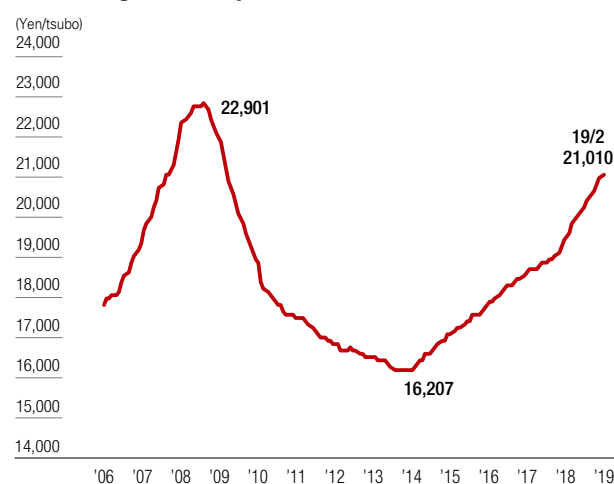
Office

Vacancy Rate (Tokyo Central Five Wards)



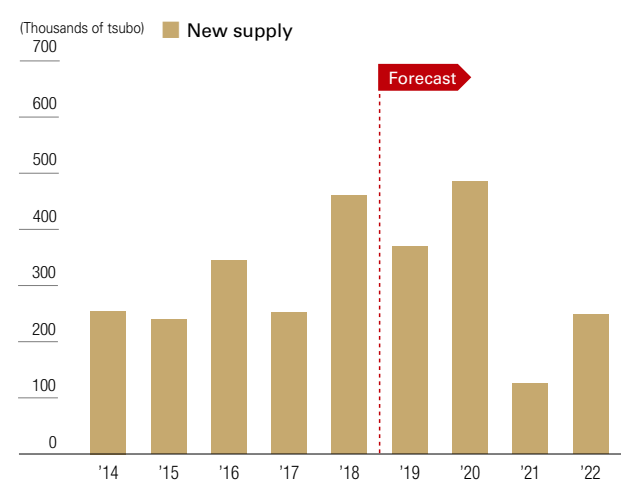
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Average Monthly Rent (Tokyo Central Five Wards)



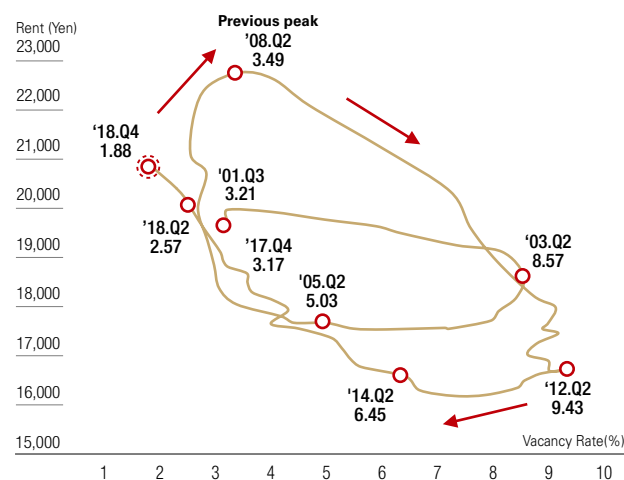
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

Supply of Office Buildings (Tokyo Central Five Wards)



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

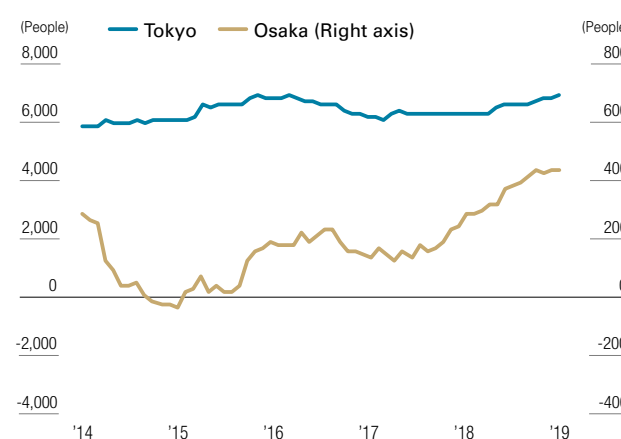
Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



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

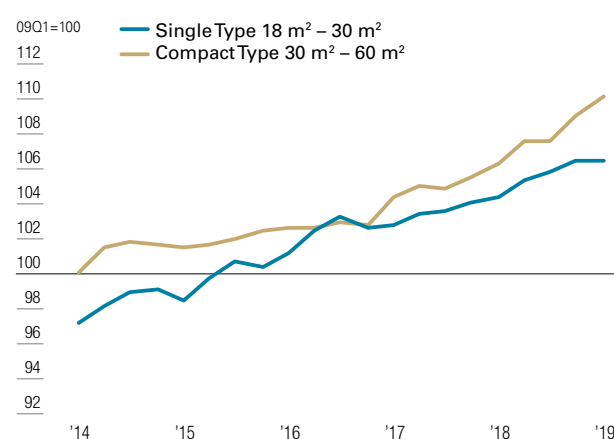
Residential

Net Population Inflow (12-month moving average)



Source: Prepared by Ministry of Internal Affairs and Communications

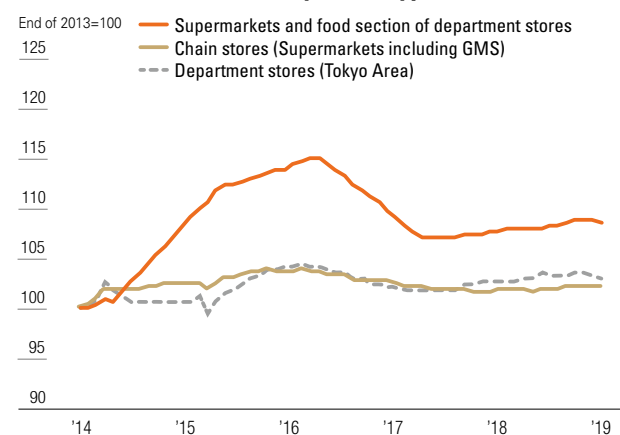
Rental Condominium Rent Index (Tokyo's 23 Wards)



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

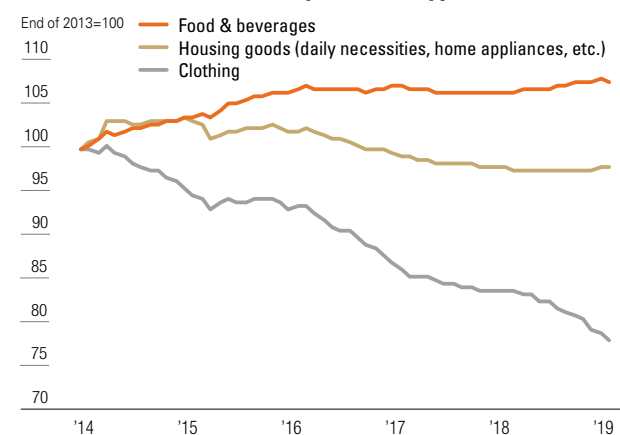
Retail

Retail Sales Volume by Store Type (12-month moving average)



Source: Prepared by NREAM based on data from the Ministry of Economy, Trade and Industry, Japan Chain Store Association, and Japan Department Stores Association

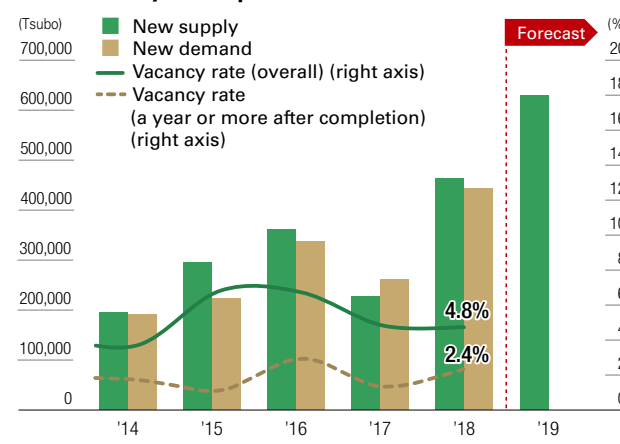
Retail Sales Volume by Product Type (12-month moving average)



Source: Prepared by NREAM based on data from Japan Chain Store Association

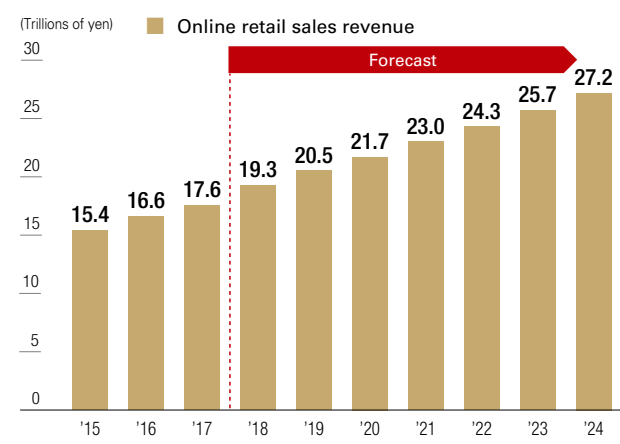
Logistics

Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area (as of the end of 2018)



Source: Prepared by NREAM based on data from CBRE
*Vacancy rate shows figures as of the end of every December

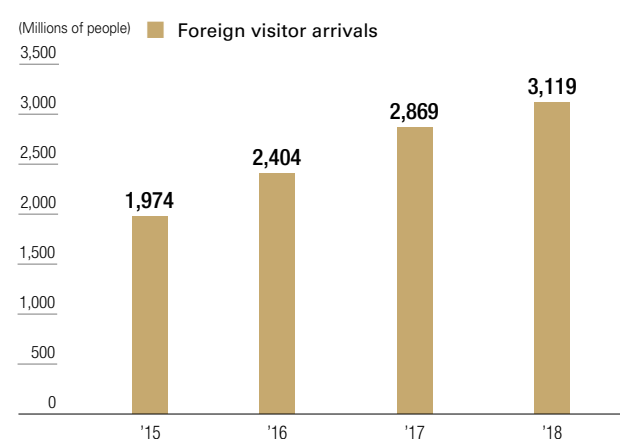
Japanese Ecommerce (B2C) Market



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

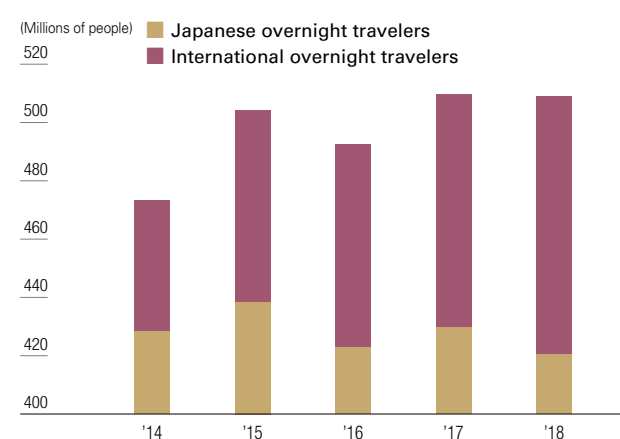
Hotels

Foreign Visitor Arrivals



Source: Prepared by NREAM based on data from JNTO

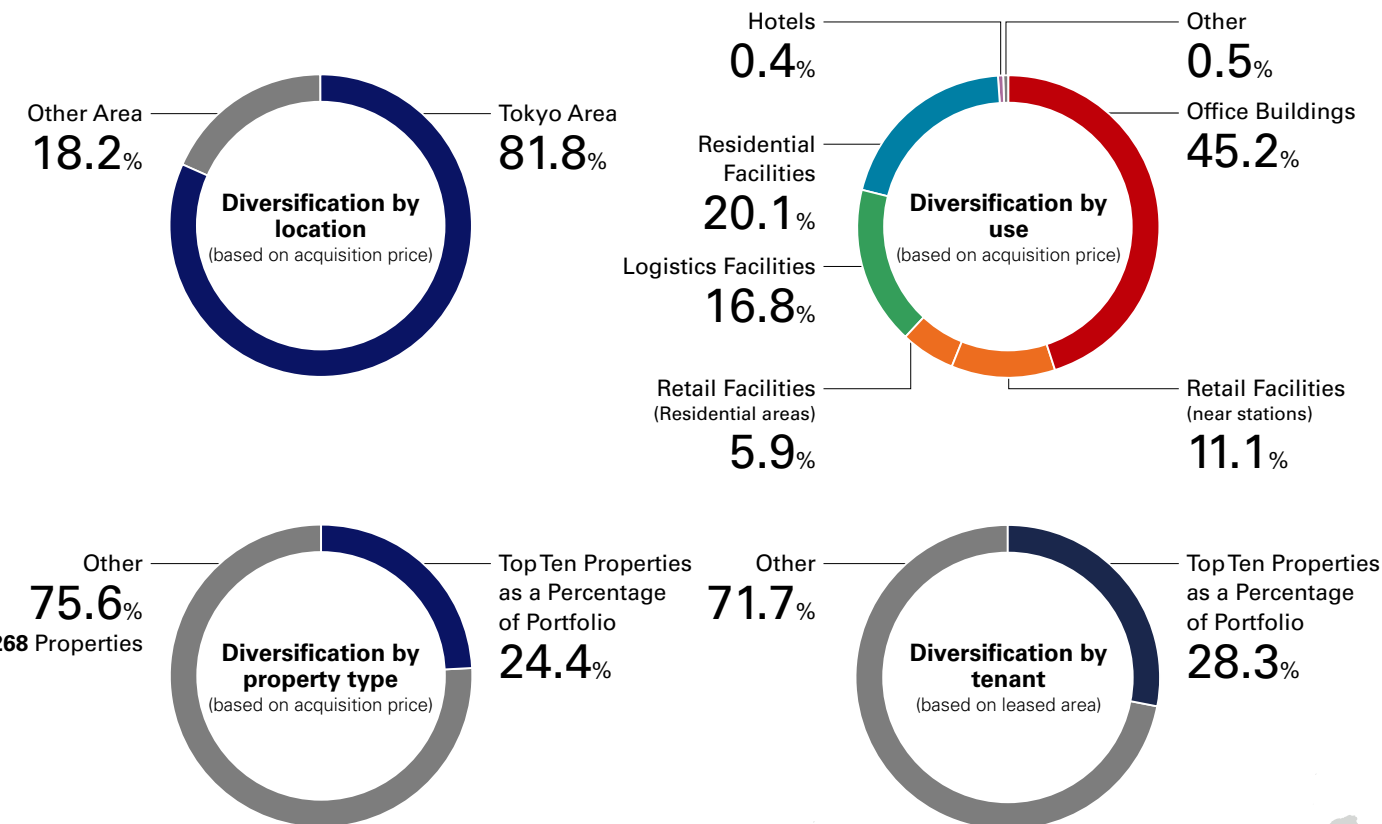
Total Number of Overnight Guests



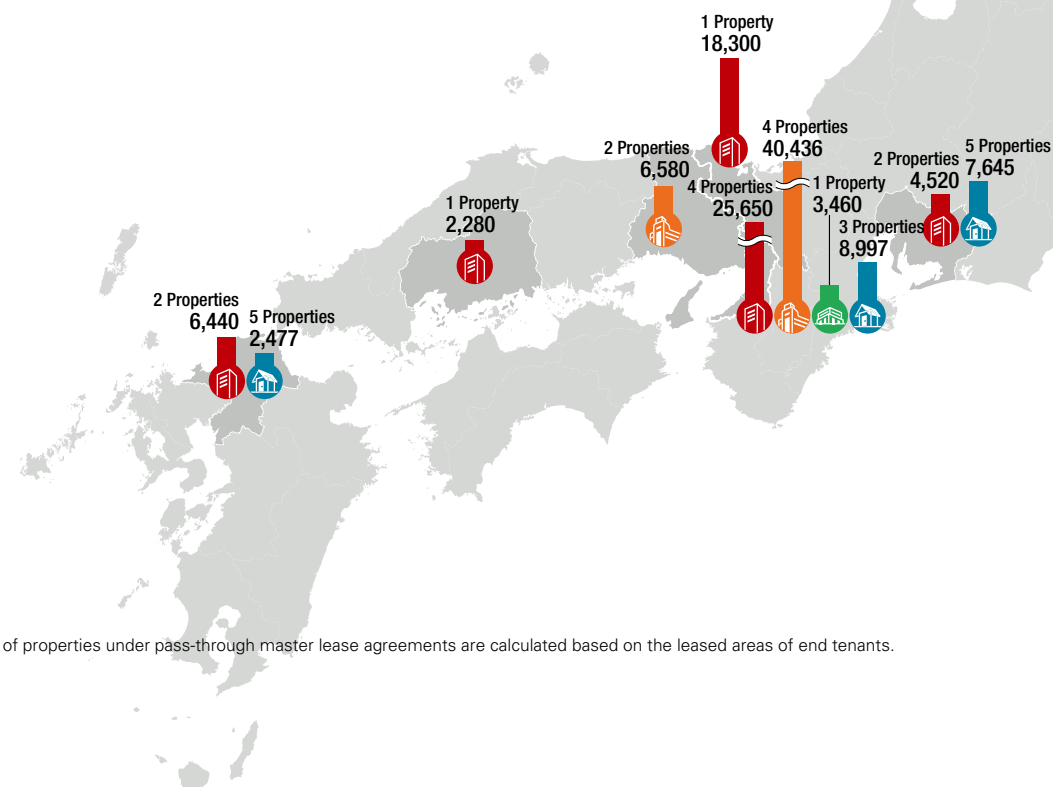
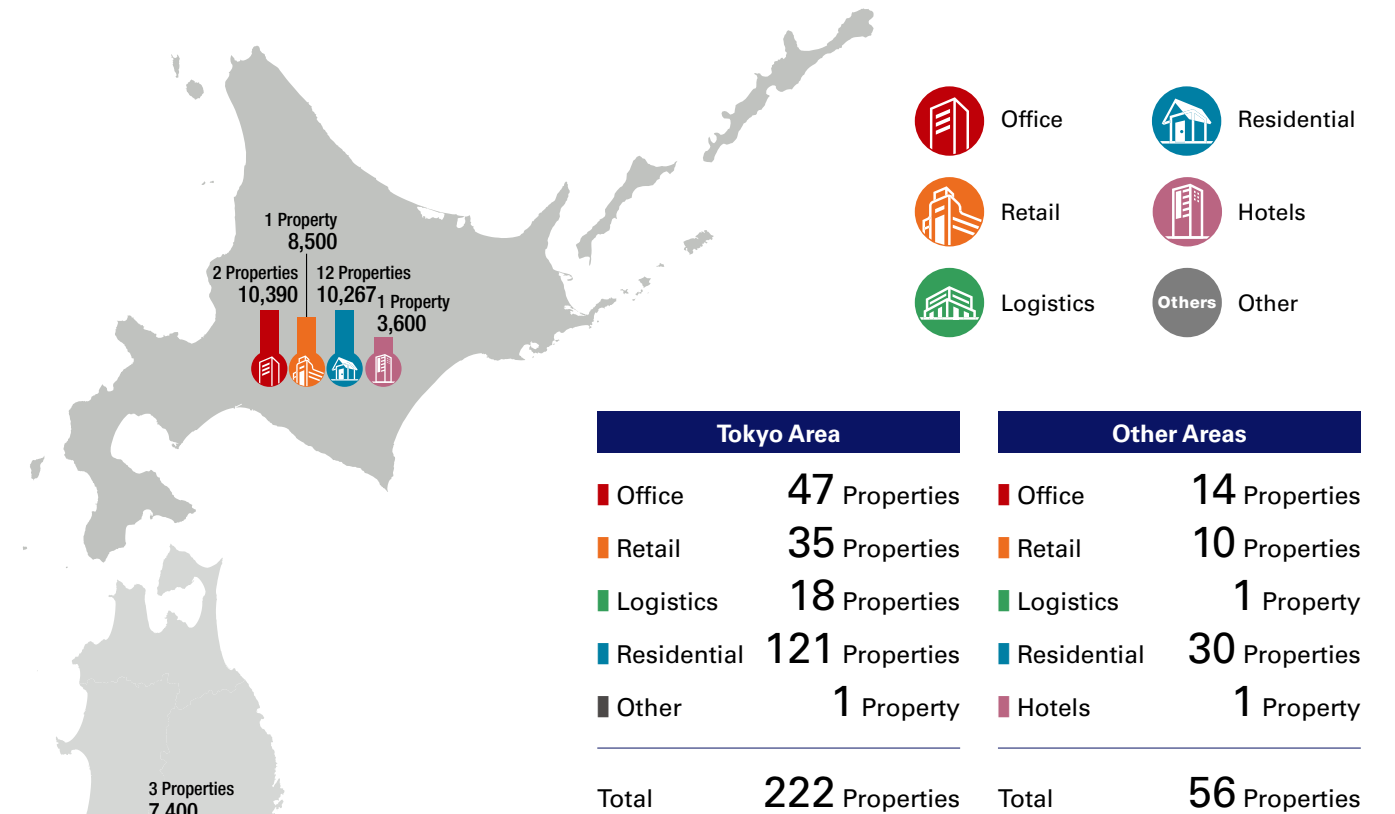
Source: Prepared by NREAM based on data from Tourism Agency

Portfolio Analysis (as of Feb. 28, 2019)

NUMBER OF PROPERTIES	ASSET SIZE	OCCUPANCY RATE
278 properties	¥960,345 million	99.3%



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>

* 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.

External Growth -Strong Sponsor Pipelines-

The sponsor has launched new brands for income-generating real estate targeting residential, logistics, office and retail use and has promoted their development and operations, starting with PROUD FLAT in 2005, Landport in 2007, PMO in 2008 and GEMS in 2012.

Nomura Real Estate’s Core Office Brand



PMO Kanda-Manseibashi Project



PMO Shibuya II Project



PMO Hamamatsucho Daimonmae Project

PMO is a new category of office building that is mid-sized yet offers the functionality and grade of a large-sized building to meet the needs of increasingly diverse businesses.

Strategy 1 Office buildings where people will be proud to work, strengthening hiring and retention

Strategy 2 Offices that enhance corporate image and reputation, helping to attract customers

Strategy 3 Buildings with one tenant per floor to ensure efficiency, independence and safety

Strategy 4 Places that stimulate employee motivation and communication, fostering enhanced productivity

Name	Location	Completion (planned)	Status
PMO Nihonbashi Edo-dori *2	Chuo Ward,Tokyo	Jun. 2016	Operating
PMO Uchi-Kanda	Chiyoda Ward, Tokyo	May 2017	Operating
PMO Shibuya	Shibuya Ward, Tokyo	Jun. 2017	Operating
PMO Hanzomon (Entrusted)	Chiyoda Ward, Tokyo	Jun. 2017	Operating
PMO Shinjuku-Gyoen Project (Entrusted)	Shinjuku Ward, Tokyo	(May 2019)	Under construction
PMO Higashi Shinbashi	Minato Ward, Tokyo	Apr. 2018	Operating
PMO Hamamatsucho	Minato Ward, Tokyo	Nov. 2018	Operating
PMO Kanda-Manseibashi Project	Chiyoda Ward,Tokyo	(Jan. 2020)	Planning
PMO Akihabara Kita	Taito Ward,Tokyo	Dec. 2018	Operating
PMO Nishi-Shinjuku Project	Shinjuku Ward, Tokyo	(Jun. 2019)	Under construction
PMO Shibuya II Project	Shibuya Ward, Tokyo	(Aug. 2020)	Planning
PMO Gotanda Project	Shinagawa Ward, Tokyo	(Jul. 2019)	Under construction
PMO Hamamatsucho Daimonmae Project	Minato Ward, Tokyo	(Jul. 2020)	Planning
Chiyoda Ward Project	Chiyoda Ward,Tokyo	(Mar. 2021)	Planning
Minato Ward Project	Minato Ward, Tokyo	(Sep. 2022)	Planning
PMO Kanda-Iwamotocho 2-chome Project	Chiyoda Ward,Tokyo	(Jan. 2021)	Under construction

Other offices			
Chuo Ward Project	Chuo Ward,Tokyo	(Mar. 2020)	Under construction
Chiyoda Ward Project	Chiyoda Ward,Tokyo	(Jan. 2021)	Under construction
Shibuya Ward Project	Shibuya Ward, Tokyo	(Oct. 2020)	Under construction
Osaka City Project	Osaka City, Osaka	(Jun. 2021)	Planning
Chiyoda Ward Project	Chiyoda Ward, Tokyo	(Dec. 2020)	Planning
Chuo Ward Project	Chiyoda Ward,Tokyo	(Nov. 2021)	Planning

Nomura Real Estate’s Core Logistics Facility Brand



Landport Ome II Project

Landport logistics facilities offer advanced functionality to meet the needs of the changing logistics environment and diverse tenants. Designed for optimized, efficient logistics to enhance tenant satisfaction.

Name	Location	Completion (planned)	Status
Landport Shinonome Project	Koto Ward, Tokyo	(May 2020)	Planning
Landport Narashino Project	Narashino City, Chiba	(Jan. 2020)	Under construction
Landport Kawaguchi Project	Kawaguchi City, Saitama	(Jun. 2019)	Under construction
Landport Higashi-Narashino Project	Narashino City, Chiba	(Jul. 2019)	Under construction
Landport Ome II Project	Ome City, Tokyo	(Feb. 2020)	Under construction
Landport Ome III Project	Ome City, Tokyo	(Nov. 2020)	Planning
Landport Koshigaya Project	Koshigaya City, Saitama	(Mar. 2021)	Under construction
Landport Kasukabe II Project	Kasukabe City, Saitama	(May 2021)	Planning
Landport Atsugi-Aikawacho Project *2	Atsugi City, Kanagawa	(Mar. 2020)	Under construction
Landport Tama Project	Hachioji City, Tokyo	(Mar. 2021)	Planning
Landport Ageo Project	Ageo City, Saitama	(Jan. 2022)	Planning

Nomura Real Estate’s Core Residential Facility Brand



PROUD FLAT Higashi-Nihonbashi



PROUD FLAT Miyazakidai



PROUD FLAT Asakusabashi III

PROUD FLAT properties are developed on locations optimally suited for urban rental housing selected by leveraging the Nomura Real Estate Group’s information network and know-how related to housing development and sales. Quality control and proper operations and management are ensured using Nomura Real Estate’s proprietary rental housing complex design standards and quality control inspection guidelines.

Name	Location	Total Number of Units	Completion (planned)	Status
PROUD FLAT Mitsukoshimae	Chuo Ward,Tokyo	40	Jul. 2015	Operating
PROUD FLAT Miyazakidai	Kawasaki City, Kanagawa	82	Feb. 2018	Operating
PROUD FLAT Togoshi-Koen	Shinagawa Ward, Tokyo	99	Dec. 2018	Operating
PROUD FLAT Asakusabashi II	Taito Ward, Tokyo	87	(Mar. 2019)	Under construction
PROUD FLAT Higashi-Nihonbashi	Chuo Ward,Tokyo	43	Oct. 2018	Operating
PROUD FLAT Asakusabashi III	Taito Ward, Tokyo	41	Aug. 2018	Operating
PROUD FLAT Asakusa-Kaminarimon	Taito Ward, Tokyo	49	(Feb. 2019)	Under construction
PROUD FLAT Ryougoku	Sumida Ward, Tokyo	90	(Oct. 2019)	Under construction
PROUD FLAT Shibuya Tomigaya	Shibuya Ward, Tokyo	109	(Feb. 2019)	Under construction
PROUD FLAT Kiba II	Koto Ward, Tokyo	136	(Apr. 2020)	Under construction
PROUD FLAT Minami-Shinagawa	Shinagawa Ward, Tokyo	129	(May 2019)	Under construction
PROUD FLAT Kinshicho II	Sumida Ward, Tokyo	62	(Jan. 2020)	Under construction
PROUD FLAT Ryogoku II	Sumida Ward, Tokyo	35	(Dec. 2019)	Under construction
Kameido 6-chome Project	Koto Ward, Tokyo	99	(Dec. 2022)	Planning
PROUD FLAT Togoshi-Ginza	Shinagawa Ward, Tokyo	89	(Feb. 2020)	Under construction
Taito Ward Project I	Taito Ward, Tokyo	72	(Jun. 2020)	Planning
Taito Ward Project II	Taito Ward, Tokyo	40	(May 2020)	Planning
Shinjuku Ward Project	Shinjuku Ward, Tokyo	114	(Jan. 2021)	Planning
Sumida Ward Project I	Sumida Ward, Tokyo	99	(Oct. 2021)	Planning
Taito Ward Project III	Taito Ward, Tokyo	54	(Sep. 2020)	Planning
Koto Ward Project	Koto Ward, Tokyo	49	(Nov. 2020)	Planning
Sumida Ward Project II	Sumida Ward, Tokyo	86	(Sep. 2020)	Planning
Sumida Ward Project III	Sumida Ward, Tokyo	212	(Jan. 2022)	Planning

Properties developed through property replacement with Sponsor

*1 Based on NREHD Presentation Materials for the Consolidated Financial Results for the First Three Quarters, FY2019. Properties sold as of April 1, 2019 are excluded.
*2 Joint venture project
*3 As of the date of these materials, NMF does not intend to acquire properties listed above.

Portfolio Gallery

Office

TOP 3 Properties (acquisition price)

1

NEC Head Office Building
Location: Minato Ward, Tokyo
Acquisition price: ¥44,100 million
Total floor area: 144,476.05 m²



2

Shinjuku Nomura Building
Location: Shinjuku Ward, Tokyo
Acquisition price: ¥43,900 million
Total floor area: 117,258.88 m²



3

Kojimachi Millennium Garden
Location: Chiyoda Ward, Tokyo
Acquisition price: ¥26,700 million
Total floor area: 16,050.53 m²



NMF Shiba Building
Location: Minato Ward, Tokyo
Total floor area: 11,425.20 m²



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



Harumi Island Triton Square Office Tower Y
Location: Chuo Ward, Tokyo
Total floor area: 24,000.76 m²



PMO Shinnihonbashi
Location: Chuo Ward, Tokyo
Total floor area: 3,721.63 m²



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



SORA Shin-Osaka 21
Location: Osaka City, Osaka
Total floor area: 38,252.92 m²



TOP 3 Properties (acquisition price)

1

Universal CityWalk Osaka
Location: Osaka City, Osaka
Acquisition price: ¥15,500 million
Total floor area: 86,888.64 m²



2

Yokosuka More's City
Location: Yokosuka City, Kanagawa
Acquisition price: ¥13,640 million
Total floor area: 43,890.82 m²



3

Nakaza Cui-daore Building
Location: Osaka City, Osaka
Acquisition price: ¥11,600 million
Total floor area: 8,280.08 m²



Retail

NMF Shiba Building
Location: Minato Ward, Tokyo
Total floor area: 11,425.20 m²



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



Harumi Island Triton Square Office Tower Y
Location: Chuo Ward, Tokyo
Total floor area: 24,000.76 m²



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



covirna machida
Location: Machida City, Tokyo
Total floor area: 4,209.06 m²



GEMS Shibuya
Location: Shibuya Ward, Tokyo
Total floor area: 2,000.70 m²



PMO Shinnihonbashi
Location: Chuo Ward, Tokyo
Total floor area: 3,721.63 m²



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



SORA Shin-Osaka 21
Location: Osaka City, Osaka
Total floor area: 38,252.92 m²



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



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



nORBESA
Location: Sapporo City, Hokkaido
Total floor area: 21,564.42 m²



Portfolio Gallery

Logistics

TOP 3 Properties (acquisition price)

1

Landport Urayasu
Location: Urayasu City, Chiba
Acquisition price: ¥17,400 million
Total floor area: 71,570.64 m²



2

Landport Itabashi
Location: Itabashi Ward, Tokyo
Acquisition price: ¥15,710 million
Total floor area: 53,561.44 m²



3

Landport Kawagoe
Location: Kawagoe City, Saitama
Acquisition price: ¥13,700 million
Total floor area: 72,352.88 m²




Residential

TOP 3 Properties (acquisition price)


1

Fukasawa House Towers H&I
Location: Setagaya Ward, Tokyo
Acquisition price: ¥7,140 million
Total floor area: 12,135.36 m²




2

PRIME URBAN Toyosu
Location: Koto Ward, Tokyo
Acquisition price: ¥5,290 million
Total floor area: 9,630.96 m²




3


PRIME URBAN Sapporo Riverfront
Location: Sapporo City, Hokkaido
Acquisition price: ¥4,480 million
Total floor area: 21,239.84 m²




Landport Atsugi
Location: Atsugi City, Kanagawa
Total floor area: 49,504.38 m²




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




Landport Hachioji
Location: Hachioji City, Tokyo
Total floor area: 35,948.63 m²




PROUD FLAT Kamata II
Location: Ota Ward, Tokyo
Total floor area: 5,315.83 m²




PRIME URBAN Shibaura LOFT
Location: Minato Ward, Tokyo
Total floor area: 2,429.98 m²




PRIME URBAN Ebisu
Location: Meguro Ward, Tokyo
Total floor area: 1,710.35 m²




Kawaguchi Logistics Center A Tower
Location: Kawaguchi City, Saitama
Total floor area: 11,580.06 m²




Kawaguchi Logistics Center B Tower
Location: Kawaguchi City, Saitama
Total floor area: 13,186.31 m²




Landport Kashiwa Shonan I
Location: Kashiwa City, Chiba
Total floor area: 49,394.87 m²



PRIME URBAN Kagurazaka
Location: Shinjuku Ward, Tokyo
Total floor area: 4,079.83 m²




PRIME URBAN Musashi Kosugi comodo
Location: Kawasaki City, Kanagawa
Total floor area: 4,233.62 m²



Serenite Shinsaibashi Grande
Location: Osaka City, Osaka
Total floor area: 7,794.23 m²

NEW



Distribution Policy

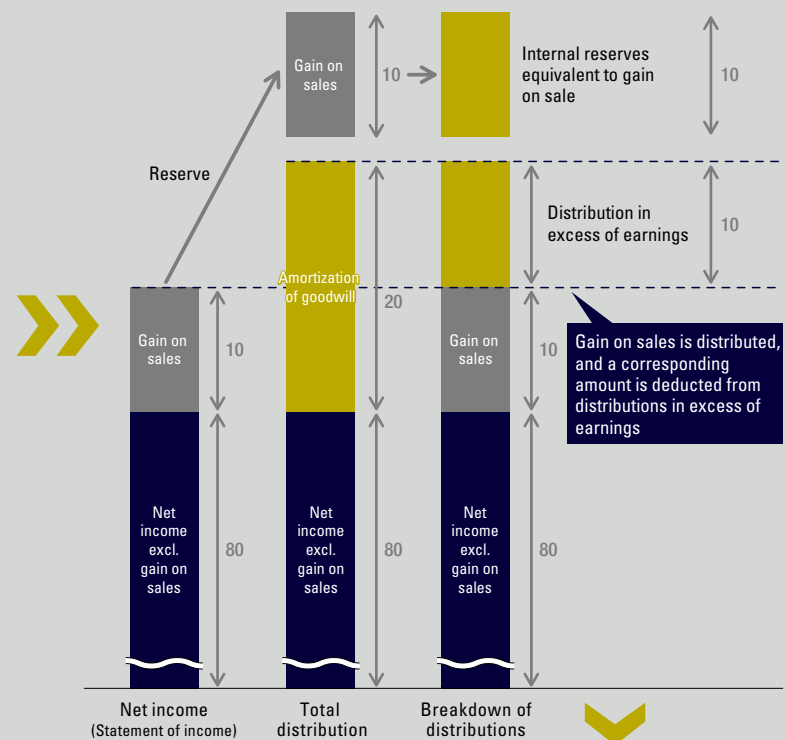
Basic Distribution Policy

Distribute net earnings + amortization of goodwill



Distribution Policy for Periods with Gain on Sales

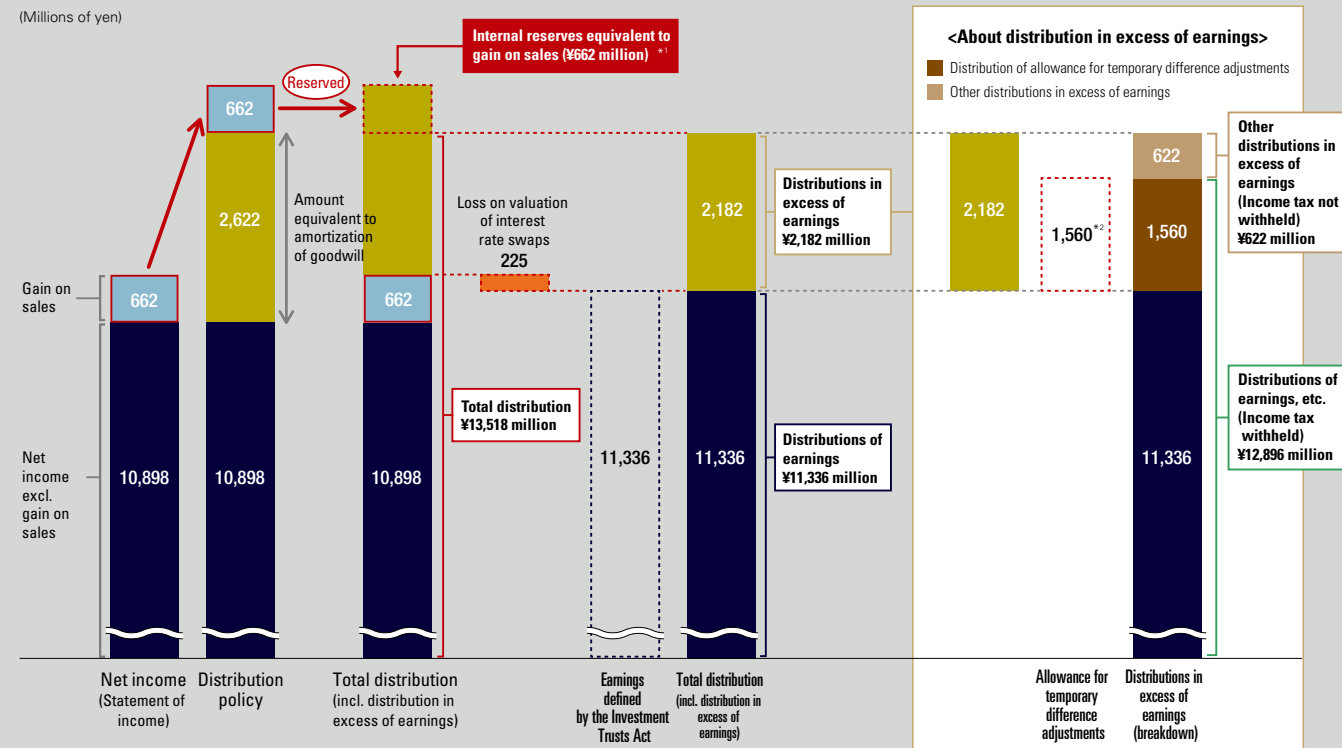
Distributions in excess of earnings may be adjusted to retain cash of an amount equivalent to gain on sale of real estate to promote stable medium-to long-term management.



* Figures shown above are for illustrative purposes only

Internal Reserves Equivalent to Gain on Sales in the 7th Fiscal Period

(Millions of yen)

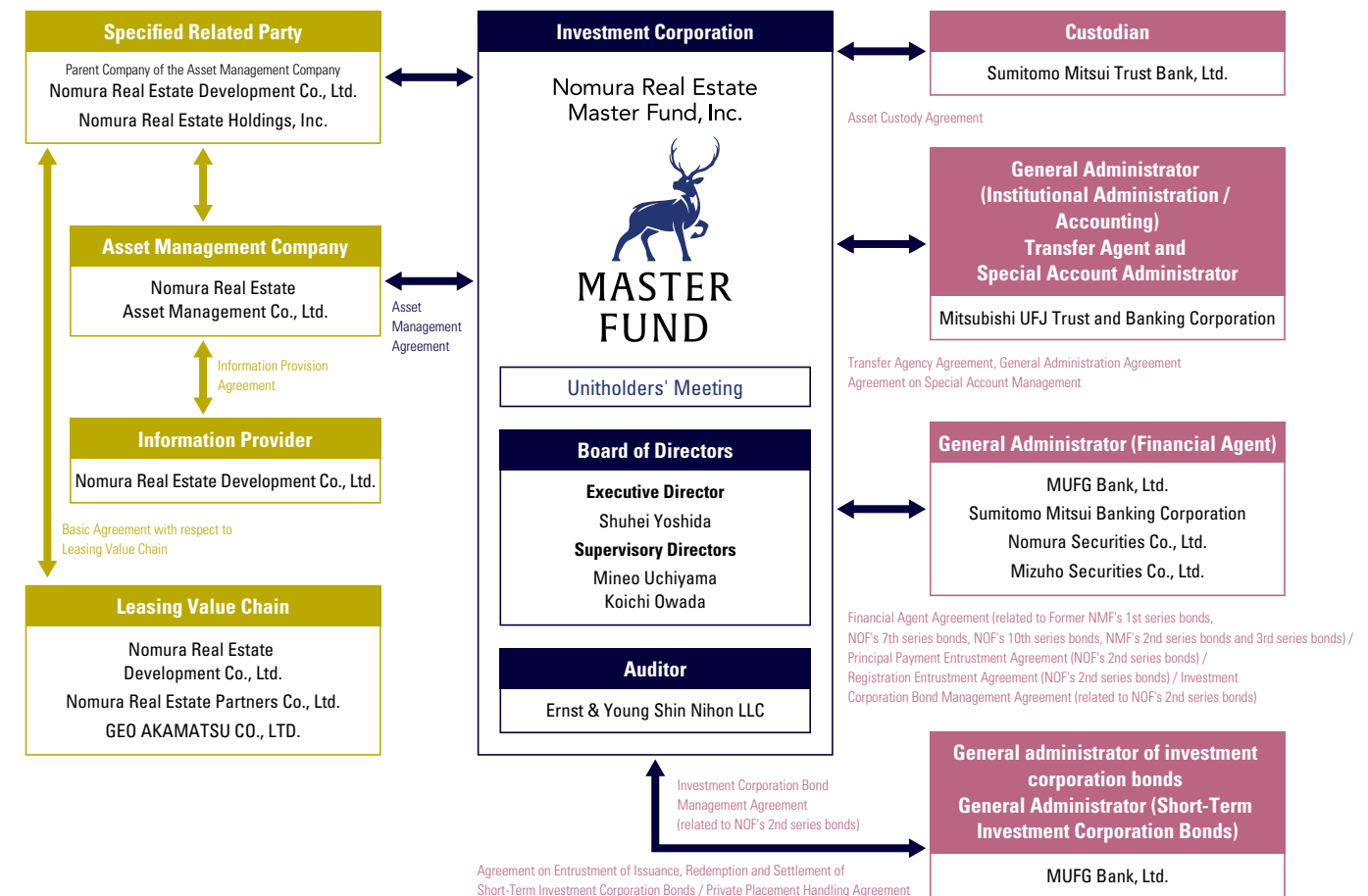


*1 When there is a gain on sales, NMF's policy is, in principle, to set aside an amount equivalent to the gain that is not more than the amount of amortization of goodwill as retained earnings within the scope that will not be subject to income tax. For the 7th fiscal period, NMF will retain earnings under the amount of distributions in excess of earnings (distribution reducing unitholders' capital for tax purposes), and therefore it does not expect the internal reserves equivalent to gain on sales to be taxed.

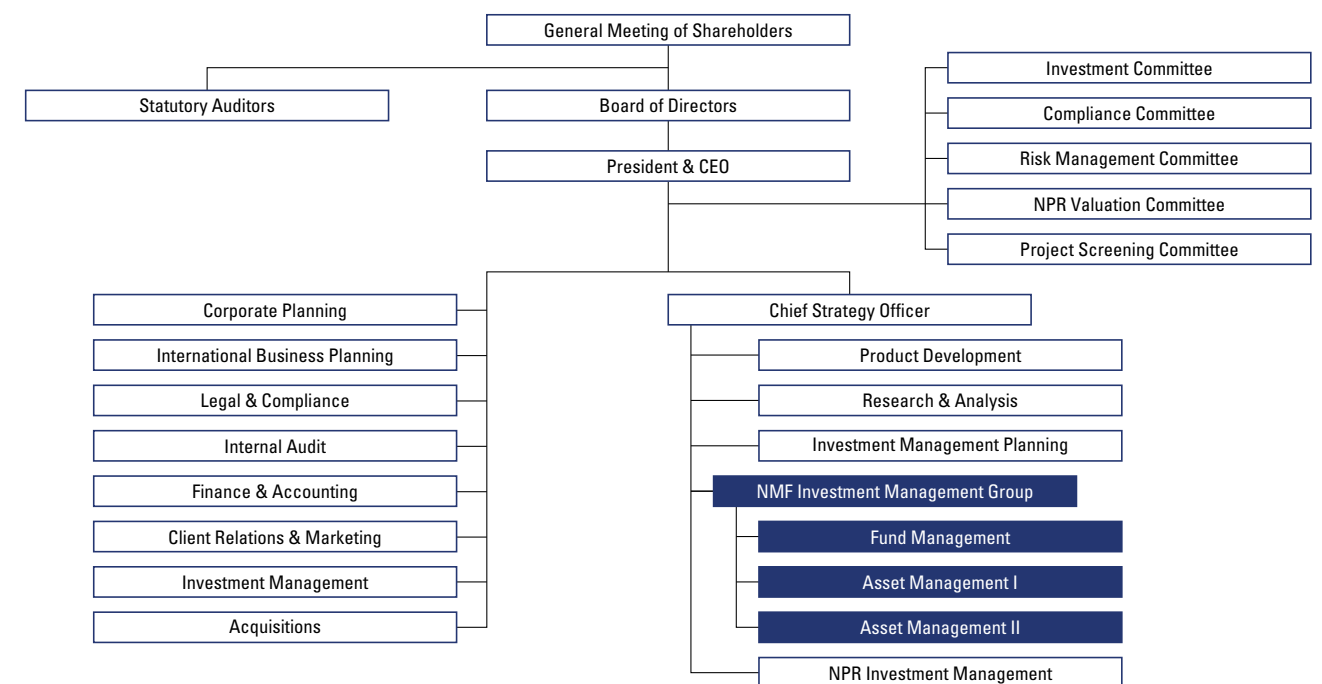
*2 The amount is obtained by deducting under depreciation, etc. (provision deduction items) attributable to the difference between depreciation in tax and accounting treatments from amortization of goodwill, etc. (provision addition items).

Structure and Organization

Structure of NMF

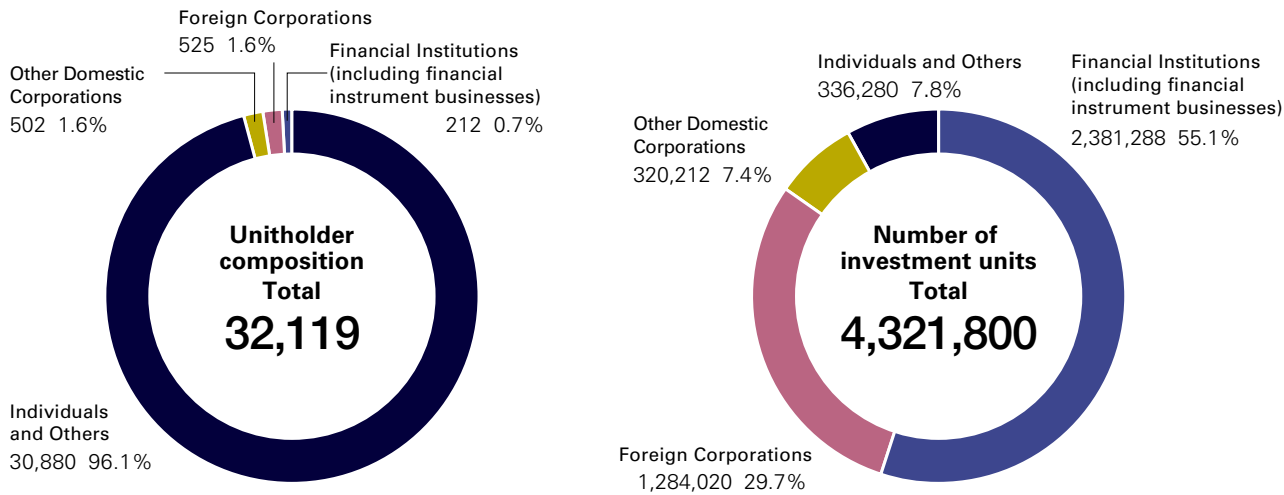


Organization of NREAM

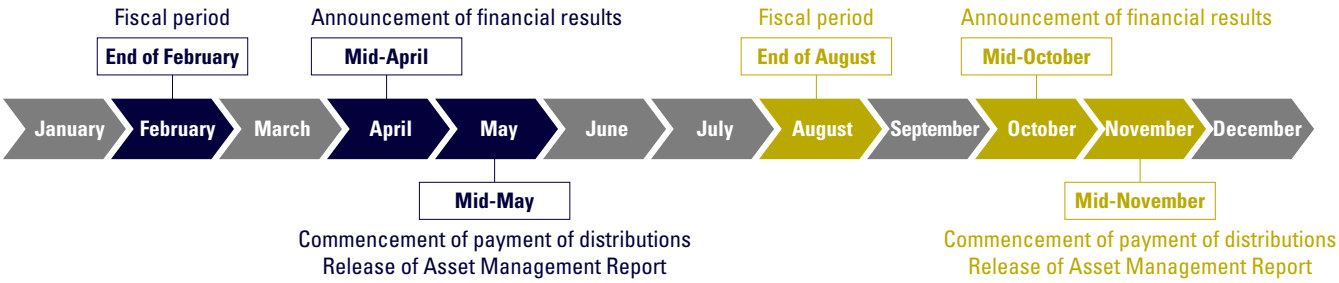


Investor Information

Composition of Unitholders



IR Calendar



Unitholder Information

The process for changing your address and other information

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

Distributions

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

Important Reminders for Unitholders

Closing dates	The last days of February and August of every year
General meeting of unitholders	At least once every two years in principle
Unitholder record date for voting eligibility	The last day of February 2017 and then the last day of February every two years or a day 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

WEBSITE

NMF strives to ensure accurate, timely disclosure through its website. For convenience, the website also offers a variety of other information, including the following.

- An overview of NMF and its features; information about the Asset Management Company
- A portfolio summary; property overviews (with photos, maps, etc.); occupancy rate data
- Press releases, disclosure materials, and information on distributions and financial results

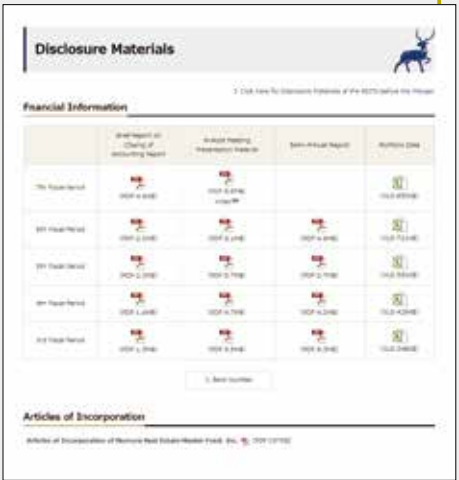
We will continue to enhance the website's content and use it to provide timely information.

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

Nomura Master Fund



The latest news is aggregated on the home page.
(An RSS feed is available.)



Excel files with detailed data are available for download.

The contents of the ESG pages have been enhanced.

ESG Initiatives

- Policies and Management Structure
- Materiality
- Stakeholder Engagement
- GRI Standards
- International Initiatives and Certifications
- Environmental Measures
- Social Responsibility
- Governance
- ESG Disclosure Policy and Reporting Framework

NMF will continuously update relevant information going forward.



BALANCE SHEET

	Thousands of Yen	
	As of February 28, 2019	As of August 31, 2018
ASSETS		
Current Assets:		
Cash and bank deposits	¥ 74,212,743	¥ 74,556,830
Rental receivables	659,719	719,156
Consumption taxes receivable	—	206,657
Other current assets	1,408,074	1,280,252
Total current assets	76,280,538	76,762,897
Property and Equipment:		
Land	658,380,029	654,095,186
Buildings and structures	316,625,764	314,219,167
Machinery and equipment	1,258,692	1,080,099
Tools, furniture and fixtures	971,411	837,179
Leased assets	10,107	10,107
Construction in progress	8,186	7,228
Subtotal	977,254,192	970,248,969
Less accumulated depreciation	(36,346,296)	(31,759,037)
Net property and equipment	940,907,896	938,489,931
Investments and Other Assets:		
Goodwill	88,209,223	90,831,465
Leasehold rights	8,959,307	8,959,693
Intangible assets	43,192	45,950
Long-term prepaid expenses	1,947,644	1,908,481
Long-term deposits	492,905	527,786
Security deposits	946,367	946,367
Derivatives Assets	4,384	109,110
Deferred investment corporation bond issuance costs	59,999	63,159
Total investments and other assets	100,663,023	103,392,015
Total Assets	¥1,117,851,458	¥1,118,644,844

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

	Thousands of Yen	
	As of February 28, 2019	As of August 31, 2018
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥ 1,957,136	¥ 2,558,715
Short-term debt	500,000	500,000
Current portion of long-term debt	64,685,600	63,160,600
Lease obligations	1,591	2,728
Other accounts payable	2,672,988	2,370,672
Accrued expenses	316,253	322,498
Accrued income taxes	870	2,120
Accrued consumption taxes	990,633	—
Rent received in advance	5,036,231	5,069,434
Unearned revenue	187,784	228,281
Provision for loss on disaster	43,480	17,922
Derivatives liabilities	52,907	62,643
Other current liabilities	22,718	7,603
Total current liabilities	76,468,194	74,303,221
Long-term Liabilities:		
Investment corporation bonds	22,000,000	22,000,000
Long-term debt	409,927,200	411,495,000
Lease obligations	—	227
Long-term advanced received	261,893	346,546
Security deposits from tenants	38,401,734	37,844,909
Derivatives liabilities	948,957	818,237
Total long-term liabilities	471,539,785	472,504,921
Total Liabilities	548,007,980	546,808,142
NET ASSETS		
Unitholders’ Equity:		
Unitholders’ capital	182,051,777	181,730,086
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(8,879,447)	(7,878,667)
Other deductions from capital surplus	(8,678,670)	(7,060,439)
Total deductions from capital surplus	(17,558,118)	(14,939,107)
Net capital surplus	376,454,840	379,073,851
Retained earnings	12,334,340	11,804,535
Total surplus	388,789,181	390,878,386
Total unitholders’ equity	570,840,958	572,608,472
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(997,480)	(771,769)
Total valuation and translation adjustments	(997,480)	(771,769)
Total Net Assets	569,843,478	571,836,702
Total Liabilities and Net Assets	¥1,117,851,458	¥1,118,644,844

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, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	¥34,742,917	¥34,731,869
Gain on sales of real estate	685,596	—
	35,428,514	34,731,869
Operating Expenses:		
Real estate rental expenses	14,977,514	15,158,332
Loss on sales of real estate	23,219	—
Asset management fees	3,124,065	3,074,928
Asset custody fees	57,154	55,871
Administrative service fees	167,475	165,937
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	400,763	368,580
	21,372,436	21,445,892
Operating Income	14,056,078	13,285,976
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	378	571
Reversal of dividends payable	5,674	5,198
Interest on refund	1,213	132
Other non-operating revenues	11	103
	7,278	6,006
Non-Operating Expenses:		
Interest expense	1,871,984	1,908,070
Interest expenses on investment corporation bonds	183,376	182,048
Amortization of investment corporation bonds issuance costs	3,160	2,951
Loan arrangement fees	407,627	418,730
Investment units issuance expenses	75,287	19,231
Other non-operating expenses	5,280	5,319
	2,546,715	2,536,351
Ordinary Income	11,516,640	10,755,631
Extraordinary Income:		
Insurance income	53,297	—
	53,297	—
Extraordinary Losses:		
Loss on disaster	8,097	43,651
	8,097	43,651
Income before Income Taxes	11,561,841	10,711,980
Income Taxes:		
Current	923	2,175
	923	2,175
Net Income	11,560,917	10,709,804
Retained earnings brought forward	773,423	1,094,730
Retained Earnings at End of Period	¥12,334,340	¥11,804,535

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, 2018 to February 28, 2019								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, 2018	4,321,800	¥181,730,086	¥394,012,959	(¥7,878,667)	(¥7,060,439)	(¥14,939,107)	¥379,073,851	
Distributions of retained earnings	—	—	—	—	—	—	—	
Reversal of allowance for temporary difference adjustments	—	321,691	—	321,691	(321,691)	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,322,470)	—	(1,322,470)	(1,322,470)	
Other distributions in excess of net earnings	—	—	—	—	(1,296,540)	(1,296,540)	(1,296,540)	
Net income	—	—	—	—	—	—	—	
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	
Balance as of February 28, 2019	4,321,800	¥182,051,777	¥394,012,959	(¥8,879,447)	(¥8,678,670)	(¥17,558,118)	¥376,454,840	

Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments		
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance as of September 1, 2018	Retained earnings	Total surplus	¥572,608,472	(¥771,769)	(¥771,769)	¥571,836,702
Distributions of retained earnings	(10,709,420)	(10,709,420)	(10,709,420)	—	—	(10,709,420)
Reversal of allowance for temporary difference adjustments	(321,691)	(321,691)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,322,470)	(1,322,470)	—	—	(1,322,470)
Other distributions in excess of net earnings	—	(1,296,540)	(1,296,540)	—	—	(1,296,540)
Net income	11,560,917	11,560,917	11,560,917	—	—	11,560,917
Net changes of items other than unitholders' equity	—	—	—	(225,710)	(225,710)	(225,710)
Balance as of February 28, 2019	¥12,334,340	¥388,789,181	¥570,840,958	(¥997,480)	(¥997,480)	¥569,843,478

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

For the period from March 1, 2018 to August 31, 2018								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, 2018	4,183,130	¥162,791,125	¥394,012,959	(¥7,169,175)	(¥6,000,467)	(¥13,169,643)	¥380,843,315	
Issuance of new investment units	138,670	18,460,443	—	—	—	—	—	
Distributions of retained earnings	—	—	—	—	—	—	—	
Reversal of allowance for temporary difference adjustments	—	478,516	—	478,516	(478,516)	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,188,008)	—	(1,188,008)	(1,188,008)	
Other distributions in excess of net earnings	—	—	—	—	(581,455)	(581,455)	(581,455)	
Net income	—	—	—	—	—	—	—	
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—	
Balance as of August 31, 2018	4,321,800	¥181,730,086	¥394,012,959	(¥7,878,667)	(¥7,060,439)	(¥14,939,107)	¥379,073,851	

Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments		
	Surplus		Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance as of March 1, 2018	Retained earnings	Total surplus	¥556,184,220	(¥1,093,460)	(¥1,093,460)	¥555,090,759
Issuance of new investment units	—	—	18,460,443	—	—	18,460,443
Distributions of retained earnings	(10,976,533)	(10,976,533)	(10,976,533)	—	—	(10,976,533)
Reversal of allowance for temporary difference adjustments	(478,516)	(478,516)	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,188,008)	(1,188,008)	—	—	(1,188,008)
Other distributions in excess of net earnings	—	(581,455)	(581,455)	—	—	(581,455)
Net income	10,709,804	10,709,804	10,709,804	—	—	10,709,804
Net changes of items other than unitholders' equity	—	—	—	321,691	321,691	321,691
Balance as of August 31, 2018	¥11,804,535	¥390,878,386	¥572,608,472	(¥ 771,769)	(¥ 771,769)	¥571,836,702

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, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	¥11,561,841	¥10,711,980
Depreciation	4,913,913	4,904,202
Amortization of goodwill	2,622,242	2,622,242
Investment units issuance expenses	75,287	19,231
Amortization of investment corporation bonds issuance costs	3,160	2,951
Increase (Decrease) in provision for loss on disaster	25,557	17,922
Interest income	(378)	(571)
Interest expense	2,055,360	2,090,118
Loss on disposal of property and equipment	2,352	11,491
Decrease (Increase) in rental receivables	59,436	(162,508)
Decrease (Increase) in long-term prepaid expenses	(39,163)	(182,905)
Decrease (Increase) in long-term deposits	34,880	9,460
Increase (Decrease) in trade accounts payable	(601,578)	335,536
Increase (Decrease) in other accounts payable	52,250	(5,783)
Decrease (Increase) in consumption taxes receivables	206,657	(206,657)
Increase (Decrease) in accrued consumption taxes	990,633	(223,118)
Increase (Decrease) in accrued expenses	55,198	(830)
Increase (Decrease) in rent received in advance	(33,203)	172,716
Decrease in property and equipment due to sales	4,574,369	—
Other	(114,659)	(348,376)
Subtotal	26,444,158	19,767,104
Interest received	378	571
Interest paid	(2,186,260)	(2,196,550)
Income taxes paid	(2,174)	(605)
Net cash provided by (used in) operating activities	24,256,101	17,570,519
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(11,768,260)	(37,442,038)
Payments for purchases of leasehold rights and intangible assets	(5,698)	(6,913)
Reimbursement of security deposits to tenants	(1,133,099)	(867,342)
Proceeds from security deposits from tenants	1,690,034	2,186,960
Payments of security deposits	—	(648)
Proceeds from security deposits	—	210
Net cash provided by (used in) investing activities	(11,217,024)	(36,129,771)
Cash Flows from Financing Activities		
Proceeds from short-term debt	—	2,500,000
Repayments of short-term debt	—	(2,000,000)
Proceeds from long-term debt	28,375,000	38,855,000
Repayments of long-term debt	(28,417,800)	(29,897,800)
Proceeds from issuance of investment corporation bonds	—	1,500,000
Payments of investment corporation bonds issuance costs	—	(25,147)
Proceeds from issuance of investment units	—	18,460,443
Payment of investment units issuance expenses	(7,400)	(61,693)
Distributions to unitholders	(10,715,350)	(10,982,284)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,322,360)	(1,188,092)
Other distributions in excess of net earnings	(1,295,252)	(581,282)
Net cash provided by (used in) financing activities	(13,383,164)	16,579,143
Net Increase (Decrease) in Cash and Cash Equivalents	(344,086)	(1,980,108)
Cash and Cash Equivalents at Beginning of Period	74,556,830	76,536,938
Cash and Cash Equivalents at End of Period	¥74,212,743	¥74,556,830

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

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

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

Buildings	3 - 70 years
Structures	2 - 45 years
Machinery and equipment	2 - 15 years
Tools, furniture and fixtures	2 - 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 fiscal period under review is recorded to cover expenditures for restoration etc. following Typhoon Trami in 2018.

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 ¥116,332 thousand for the fiscal period ended August 31, 2018, and ¥2,052 thousand for the fiscal period ended February 28, 2019.

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.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 28, 2019 and August 31, 2018 consist of the following:

	As of February 28, 2019	As of August 31, 2018
Cash and bank deposits	¥74,212,743	¥74,556,830
Cash and cash equivalents	¥74,212,743	¥74,556,830

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:

	As of February 28, 2019	As of August 31, 2018
Buildings in trust	¥3,324,031	¥3,294,755
Land in trust	6,096,368	6,096,368
Structures in trust	2,634	—
Tools, furniture and fixtures in trust	164	185
Total	¥9,423,198	¥9,391,308

The secured liabilities are as follows:

	As of February 28, 2019	As of August 31, 2018
Tenant leasehold and security deposits in trust	¥726,648	¥726,648
Total	¥726,648	¥726,648

6. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of February 28, 2019 and August 31, 2018 consist of the following:

	As of February 28, 2019		As of August 31, 2018	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥248,639,023	¥248,639,023	¥247,417,363	¥247,417,363
Buildings and structures	132,378,523		132,128,821	
Accumulated depreciation	(12,165,774)	120,212,749	(10,463,686)	121,665,135
Machinery and equipment	699,374		650,784	
Accumulated depreciation	(405,602)	293,771	(363,337)	287,446
Tools, furniture and fixtures	275,363		237,337	
Accumulated depreciation	(77,742)	197,620	(56,101)	181,235
Land in trust	409,741,005	409,741,005	406,677,823	406,677,823
Buildings and structures in trust	184,247,241		182,090,345	
Accumulated depreciation	(23,416,164)	160,831,076	(20,673,871)	161,416,473
Machinery and equipment in trust	559,318		429,315	
Accumulated depreciation	(77,583)	481,735	(53,443)	375,871
Tools, furniture and fixtures in trust	696,047		599,842	
Accumulated depreciation	(194,795)	501,252	(141,226)	458,615
Lease assets in trust	10,107		10,107	
Accumulated depreciation	(8,633)	1,473	(7,369)	2,737
Construction in progress	8,186	8,186	7,228	7,228
Total	¥940,907,896	¥940,907,896	¥938,489,931	¥938,489,931

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 28, 2019 and August 31, 2018 and consist of the following:

	As of February 28, 2019		As of August 31, 2018	
	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 April 2, 2019	¥ 500,000	0.46091%	¥ 500,000	0.45545%
Unsecured loans from banks due on November 26, 2018	—	—	2,000,000	0.93600%
Unsecured loans from banks due on November 26, 2018	—	—	4,000,000	0.72500%
Unsecured loans from banks due on November 26, 2018	—	—	3,000,000	0.77650%
Unsecured loans from a bank due on November 26, 2018	—	—	1,000,000	0.48250%
Unsecured loans from banks due on November 26, 2018	—	—	1,700,000	0.50250%
Unsecured loans from banks due on December 26, 2018	—	—	6,375,000	0.16545%
Unsecured loans from banks due on February 26, 2019	—	—	3,000,000	1.44450%
Unsecured loans from a bank due on February 26, 2019	—	—	2,000,000	0.90759%
Unsecured loans from banks due on February 26, 2019	—	—	5,300,000	0.87695%
Unsecured loans from banks due on March 29, 2019	4,500,000	0.81625%	4,500,000	0.81625%
Unsecured loans from banks due on March 29, 2019	4,000,000	0.89635%	4,000,000	0.89635%
Unsecured loans from banks due on May 27, 2019	9,000,000	1.11750%	9,000,000	1.11750%
Unsecured loans from a bank due on May 27, 2019	1,000,000	1.04875%	1,000,000	1.04875%
Unsecured loans from a bank due on May 27, 2019	1,100,000	0.69894%	1,100,000	0.69894%
Unsecured loans from banks due on August 26, 2019	5,700,000	1.25200%	5,700,000	1.25200%
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	2,200,000	1.22000%
Unsecured loans from banks due on August 26, 2019	2,500,000	1.27625%	2,500,000	1.27625%
Unsecured loans from banks due on August 26, 2019	4,700,000	0.81080%	4,700,000	0.81080%
Unsecured loans from banks due on October 28, 2019	3,000,000	0.23091%	—	—
Unsecured loans from banks due on October 28, 2019	4,000,000	0.20091%	—	—
Unsecured loans from banks due on November 26, 2019	1,600,000	1.16500%	—	—
Unsecured loans from banks due on November 26, 2019	4,000,000	0.72650%	—	—
Unsecured loans from banks due on November 26, 2019	5,600,000	0.54065%	—	—
Unsecured loans from banks due on November 26, 2019	3,450,000	0.37420%	—	—
Unsecured loans from banks due on February 26, 2020	5,750,000	1.01150%	—	—
Unsecured loans from banks due on February 26, 2020	2,500,000	0.64685%	—	—
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	¥65,185,600		¥63,660,600	

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 credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended February 28, 2019. The total unused amounts of such credit facilities were ¥10,000 million as of February 28, 2019.
- (2) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended February 28, 2019. The total unused amounts of such credit facilities were ¥39,500 million as of February 28, 2019.
- (3) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2018. The total unused amounts of such credit facilities were ¥10,000 million as of August 31, 2018.
- (4) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the fiscal period ended August 31, 2018. The total unused amounts of such credit facilities were ¥39,500 million as of August 31, 2018.

8. LONG-TERM DEBT

Long-term debts as of February 28, 2019 and August 31, 2018 consist of the following:

	As of February 28, 2019		As of August 31, 2018	
	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 October 28, 2019	—	—	¥ 3,000,000	0.22545%
Unsecured loans from banks due on October 28, 2019	—	—	4,000,000	0.19545%
Unsecured loans from banks due on November 26, 2019	—	—	1,600,000	1.16500%
Unsecured loans from banks due on November 26, 2019	—	—	4,000,000	0.72650%
Unsecured loans from banks due on November 26, 2019	—	—	5,600,000	0.54065%
Unsecured loans from banks due on November 26, 2019	—	—	3,450,000	0.37420%
Unsecured loans from banks due on February 26, 2020	—	—	5,750,000	1.01150%
Unsecured loans from banks due on February 26, 2020	—	—	2,500,000	0.64685%
Unsecured loans from banks due on May 26, 2020	¥ 10,000,000	1.33750%	10,000,000	1.33750%
Unsecured loans from a bank due on May 26, 2020	800,000	1.25875%	800,000	1.25875%
Unsecured loans from a bank due on May 27, 2020	1,000,000	1.48625%	1,000,000	1.48625%
Unsecured loans from banks due on May 29, 2020	4,000,000	0.43000%	4,000,000	0.43000%
Unsecured loans from a bank due on August 26, 2020	1,100,000	1.53674%	1,100,000	1.53674%
Unsecured loans from a bank due on August 26, 2020	800,000	1.28277%	800,000	1.28277%
Unsecured loans from banks due on August 26, 2020	4,700,000	1.18000%	4,700,000	1.18000%
Unsecured loans from a bank due on August 26, 2020	500,000	1.15566%	500,000	1.15566%
Unsecured loans from banks due on August 26, 2020	4,500,000	1.08100%	4,500,000	1.08100%
Unsecured loans from a bank due on August 26, 2020	1,000,000	0.72000%	1,000,000	0.72000%
Unsecured loans from banks due on September 28, 2020	3,000,000	0.23091%	3,000,000	0.22545%
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	0.20091%	1,230,000	0.19545%
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	0.23091%	4,670,000	0.22545%
Unsecured loans from banks due on May 26, 2021	8,000,000	1.56250%	8,000,000	1.56250%
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	1,000,000	1.46375%
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	1,000,000	1.68200%
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	3,500,000	1.62500%
Unsecured loans from banks due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	2,700,000	1.24100%
Unsecured loans from banks due on August 26, 2021	3,600,000	0.81585%	3,600,000	0.81585%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from 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	0.23091%	—	—
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%

NOTES TO FINANCIAL STATEMENTS

	As of February 28, 2019		As of August 31, 2018	
	Amount (Thousands of Yen)	Weighted- average interest rate <small>(Note 1)</small>	Amount (Thousands of Yen)	Weighted- average interest rate <small>(Note 1)</small>
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 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 November 28, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from banks due on November 28, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023	10,000,000	0.48700%	10,000,000	0.48700%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	500,000	0.41435%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	6,700,000	0.55700%
Unsecured loans from banks due on November 27, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from banks due on November 27, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from banks due on November 27, 2023	4,000,000	0.49380%	4,000,000	0.49380%
Unsecured loans from banks due on November 27, 2023	1,500,000	0.47483%	1,500,000	0.47483%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from banks due on February 26, 2024	1,300,000	0.53630%	1,300,000	0.53630%
Unsecured loans from a bank due on February 26, 2024	500,000	0.24000%	—	—
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%
Unsecured loans from a bank due on May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	2,700,000	0.49533%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%

	As of February 28, 2019		As of August 31, 2018	
	Amount (Thousands of Yen)	Weighted- average interest rate <small>(Note 1)</small>	Amount (Thousands of Yen)	Weighted- average interest rate <small>(Note 1)</small>
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on November 26, 2024	2,000,000	0.42630%	—	—
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%
Unsecured loans from banks due on May 26, 2025	2,000,000	0.46301%	—	—
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%
Unsecured loans from banks due on February 26, 2026	800,000	0.37630%	—	—
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	3,600,000	0.60880%
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	1,000,000	0.64500%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	—	—
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%
Unsecured loans from banks due on November 26, 2026	2,000,000	0.60750%	—	—
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
Unsecured loans from banks due on February 26, 2027	1,500,000	0.46630%	—	—

NOTES TO FINANCIAL STATEMENTS

	As of February 28, 2019		As of August 31, 2018	
	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, 2027	1,500,000	0.69068%	1,500,000	0.69068%
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	1,800,000	0.70250%
Unsecured loans from 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%	—	—
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%	—	—
Unsecured loans from banks due on November 26, 2027	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 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%	—	—
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%	—	—
Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	—	—
Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	—	—
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 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)	711,100	2.17000%	732,500	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	711,100	2.21812%	732,500	2.21812%
Total	¥409,927,200		¥411,495,000	

Note 1: The weighted-average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to the nearest fifth decimal place. As for the borrowings, 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 August 31, 2018	¥58,385,600	¥61,135,600	¥44,715,600	¥61,435,600
As of February 28, 2019	¥60,885,600	¥58,760,600	¥51,615,600	¥45,535,600

9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of February 28, 2019		As of August 31, 2018	
	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%	¥ 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%
Total	¥22,000,000		¥22,000,000	

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 August 31, 2018	—	¥5,000,000	—	—	—
As of February 28, 2019	—	¥5,000,000	—	—	—

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, 2018 to February 28, 2019

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	¥9,489,126	¥5,432,649	¥1,328,225	—	¥6,760,875	—
Land, buildings, etc.	Merger expenses	4,029,135	1,352,557	(5,754)	—	1,346,802	—
Deferred gains or losses on hedges	Loss on inter-est-rate swaps recognized at the end of the fiscal period	¥2,867,594	1,093,460	—	(¥321,691)	771,769	Changes in fair value of deriva-tive transactions
Increase - subtotal		—	7,878,667	1,322,470	(321,691)	8,879,447	—
Total		—	¥7,878,667	¥1,322,470	(¥321,691)	¥8,879,447	—

NOTES TO FINANCIAL STATEMENTS

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Deferred gains or losses on hedges

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

For the period from March 1, 2018 to August 31, 2018

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	¥6,866,883	¥4,244,640	¥1,188,008	—	¥5,432,649	—
Land, buildings, etc.	Merger expenses	4,029,135	1,399,852	—	(¥47,295)	1,352,557	Sale and depreciation of properties for which merger expenses were recorded
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	¥2,867,594	1,524,682	—	(431,221)	1,093,460	Changes in fair value of derivative transactions
Increase - subtotal		—	7,169,175	1,188,008	(478,516)	7,878,667	—
Total		—	¥7,169,175	¥1,188,008	(¥478,516)	¥7,878,667	—

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 28, 2019 and August 31, 2018 were as follows:

	For the period from September 1, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Net assets per unit	¥131,853	¥132,314
Net income per unit	¥ 2,675	¥ 2,478

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, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Net income (Thousands of Yen)	¥11,560,917	¥10,709,804
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	¥11,560,917	¥10,709,804
Average number of units during the period (Units)	4,321,800	4,321,111

13. RELATED PARTY TRANSACTIONS

For the periods from September 1, 2018 to February 28, 2019 and from March 1, 2018 to August 31, 2018

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 31.51% for the fiscal period ended February 28, 2019. 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 ¥13,518,590 thousand for the fiscal period ended February 28, 2019, such distributions were treated as deductible distributions for purposes of corporate income taxes.

NOTES TO FINANCIAL STATEMENTS

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from September 1, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Deferred tax asset:		
Valuation difference on other assets acquired by merger	¥20,840,495	¥21,204,411
Deferred gains or losses on hedges	315,141	243,830
Unearned revenue	141,505	180,889
Write-offs for long-term prepaid expenses	15,456	18,753
Depreciation costs of trust leasehold rights	1,221	1,099
Non-deductible accrued enterprise tax	15	95
Subtotal	21,313,836	21,649,079
Valuation allowance	(¥21,313,836)	(¥21,649,079)
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, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Statutory tax rate	31.51%	31.74%
Deductible cash distributions	(35.14%)	(35.65%)
Valuation of allowance	(3.51%)	(3.84%)
Amortization of goodwill	7.15%	7.77%
Other	0.01%	0.01%
Effective tax rate	0.01%	0.02%

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 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 “22. 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, 2018 to February 28, 2019

Thousands of Yen			
	Carrying value ^(Note 1)	Fair value ^(Note 2)	Difference
(i) Cash and bank deposits	¥ 74,212,743	¥ 74,212,743	—
(ii) Short-term debt	(500,000)	(500,000)	—
(iii) Current portion of long-term debt	(64,685,600)	(64,808,960)	¥ 123,360
(iv) Investment corporation bonds	(22,000,000)	(23,298,479)	1,298,479
(v) Long-term debt	(409,927,200)	(416,632,574)	¥6,705,374
(vi) Derivative transactions	(¥ 1,001,597)	(¥ 1,001,597)	—

For the period from March 1, 2018 to August 31, 2018

Thousands of Yen			
	Carrying value ^(Note 1)	Fair value ^(Note 2)	Difference
(i) Cash and bank deposits	¥ 74,556,830	¥ 74,556,830	—
(ii) Short-term debt	(500,000)	(500,000)	—
(iii) Current portion of long-term debt	(63,160,600)	(63,349,094)	¥ 188,494
(iv) Investment corporation bonds	(22,000,000)	(23,221,767)	1,221,767
(v) Long-term debt	(411,495,000)	(415,825,820)	¥4,330,820
(vi) Derivative transactions	(¥ 778,253)	(¥ 778,253)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

- (i) Cash and bank deposits and (ii) Short-term debt
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the carrying value is reported as the fair value.
- (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 “22. 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 “22. Derivatives and Hedge Accounting.”

Note 3: Redemption schedule for cash and bank deposits as of February 28, 2019.

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	¥74,212,743	—	—	—	—	—
Total	¥74,212,743	—	—	—	—	—

Redemption schedule for cash and bank deposits as of August 31, 2018

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	¥74,556,830	—	—	—	—	—
Total	¥74,556,830	—	—	—	—	—

NOTES TO FINANCIAL STATEMENTS

Note 4: Redemption schedule for debt as of February 28, 2019

	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
Short-term debt	¥ 500,000	—	—	—	—	—
Investment corporation bonds	—	¥ 5,000,000	—	—	—	¥ 17,000,000
Long-term debt	64,685,600	60,885,600	¥58,760,600	¥51,615,600	¥45,535,600	193,129,800
Total	¥65,185,600	¥65,885,600	¥58,760,600	¥51,615,600	¥45,535,600	¥210,129,800

Redemption schedule for debt as of August 31, 2018

	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
Short-term debt	¥ 500,000	—	—	—	—	—
Investment corporation bonds	—	¥ 5,000,000	—	—	—	¥ 17,000,000
Long-term debt	63,160,600	58,385,600	¥61,135,600	¥44,715,600	¥61,435,600	185,822,600
Total	¥63,660,600	¥63,385,600	¥61,135,600	¥44,715,600	¥61,435,600	¥202,822,600

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, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Carrying value		
Balance at beginning of the period	¥ 947,449,625	¥ 914,834,180
Amount of increase (decrease) during the period	2,417,578	32,615,444
Balance at end of the period	949,867,203	947,449,625
Fair value at end of the period	¥1,056,994,000	¥1,041,183,000

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

Note 2: Of the change in investment and rental properties, the increase during the previous period is mainly attributable to the acquisition of Landport Hachioji II (¥9,365,947 thousand), Landport Iwatsuki (¥6,176,597 thousand), Hotel Vista Sapporo Odori (¥3,784,521 thousand), PMO Nihonbashi Mitsukoshi-mae (¥4,374,216 thousand), PMO Shibadaimon (¥2,160,398 thousand), PROUD FLAT Sangenjaya II (¥2,836,531 thousand), PROUD FLAT Sotokanda (¥2,384,706 thousand), PROUD FLAT Noborito (¥1,278,507 thousand), PROUD FLAT Yoyogi Hachiman (¥1,005,747 thousand) and PROUD FLAT Nakaochiai (¥880,458 thousand). The decrease during the previous period is mainly attributable to the depreciation (¥4,897,379 thousand). The increase during the current period is mainly attributable to the acquisition of NMF Kobe Myodani Building (¥3,604,747 thousand), Serenite Shinsaibashi Grande (¥5,832,185 thousand). The decrease during the current period is mainly attributable to the sale of PRIME URBAN Esaka I (¥612,553 thousand), PRIME URBAN Esaka II (¥743,930 thousand), PRIME URBAN Esaka III (¥1,095,159 thousand), PRIME URBAN Tamatsukuri (¥955,449 thousand) and PRIME URBAN Chikusa (¥1,167,276 thousand) as well as depreciation (¥4,906,599 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 February 28, 2019 are presented in “18. Breakdown of Real Estate Rental Revenues and Expenses.”

17. SEGMENT INFORMATION

For the periods from September 1, 2018 to February 28, 2019 and March 1, 2018 to August 31, 2018

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

For the period from September 1, 2018 to February 28, 2019

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	¥5,086,866	Rental real estate business

For the period from March 1, 2018 to August 31, 2018

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	¥5,056,661	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 28, 2019 and August 31, 2018 consist of the following:

	Thousands of Yen	
	For the period from September 1, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Real estate rental revenues	¥34,742,917	¥34,731,869
Rental revenues	31,885,544	31,695,901
Rental revenues	29,453,615	29,254,971
Common area charges	2,431,928	2,440,930
Other rental revenues	2,857,373	3,035,967
Parking revenues	595,154	588,545
Incidental income	2,189,215	2,376,113
Other miscellaneous revenues	73,003	71,308
Real estate rental expenses	14,977,514	15,158,332
Property management costs	1,626,785	1,604,399
Property management fees	904,698	980,132
Property and other taxes	2,831,124	2,846,279
Utility expenses	1,774,192	1,882,466
Casualty insurance	41,641	43,614
Repairs and maintenance	1,515,609	1,555,208
Land rents	217,806	215,680
Depreciation	4,911,636	4,901,925
Other rental expenses	1,154,020	1,128,627
Real estate rental profits	¥19,765,403	¥19,573,536

NOTES TO FINANCIAL STATEMENTS

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

	Thousands of Yen	
	For the period from September 1, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
Gain on sale of real estate		
Proceeds from sale of real estate	¥4,179,000	—
Cost of real estate	3,407,092	—
Other related sales expense	86,310	—
Gain on sale of real estate	685,596	—
Loss on sale of real estate		
Proceeds from sale of real estate	1,168,000	—
Cost of real estate	1,167,276	—
Other related sales expense	23,942	—
Loss on sale of real estate	¥ 23,219	—

20. BREAKDOWN OF EXTRAORDINARY INCOME

For the period from September 1, 2018 to February 28, 2019

The insurance amount of ¥139,976 thousand related to the assets damaged by the Typhoons Jebi and Trami in 2018 was offset by the loss amount of ¥86,678 thousand. Therefore, the amount of ¥53,297 thousand is recorded as insurance income.

For the period from March 1, 2018 to August 31, 2018

Not applicable

21. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of February 28, 2019 and August 31, 2018 are summarized as follows:

	Thousands of Yen	
	As of February 28, 2019	As of August 31, 2018
Due within one year	¥31,590,571	¥29,708,567
Due after one year	68,152,899	69,224,703
Total	¥99,743,470	¥98,933,271

22. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of February 28, 2019

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

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

Thousands of Yen					
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value (Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	¥116,080,000	¥ 91,330,000	(¥1,001,597) (Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	83,753,900	61,661,100	(974,332) (Note 4)
Total			¥199,833,900	¥152,991,100	(¥1,975,930)

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, (¥4,117 thousand) is booked as “accrued expenses” on the Balance Sheet.

Note 4: Out of the fair value, (¥974,332 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

Derivative transactions as of August 31, 2018

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

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

Thousands of Yen					
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value (Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	¥129,380,000	¥101,180,000	(¥ 778,253) (Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	89,475,300	74,732,500	(745,750) (Note 4)
Total			¥218,855,300	¥175,912,500	(¥1,524,003)

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, (¥6,483 thousand) is booked as “accrued expenses” on the Balance Sheet.

Note 4: Out of the fair value, (¥745,750 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

23. CASH DISTRIBUTIONS

	For the period from September 1, 2018 to February 28, 2019	For the period from March 1, 2018 to August 31, 2018
1. Retained earnings at end of period	¥12,334,340,732	¥11,804,535,046
2. Distributions in excess of retained earnings	2,182,509,000	2,619,010,800
Of which, allowance for temporary difference adjustment	1,560,169,800	1,322,470,800
Of which, other distributions in excess of net income	622,339,200	1,296,540,000
3. Incorporation into unitholders’ capital	—	321,691,082
Of which, reversal of allowance for temporary difference adjustments	—	321,691,082
4. Distributions	13,518,590,400	13,328,431,200
[Distributions (per unit)]	(3,128)	(3,084)
Of which, distributions of earnings	11,336,081,400	10,709,420,400
[Of which, distributions of earnings (per unit)]	(2,623)	(2,478)
Of which, allowance for temporary difference adjustments	1,560,169,800	1,322,470,800
[Of which, allowance for temporary difference adjustments (per unit)]	(361)	(306)
Of which, other distributions in excess of net income	622,339,200	1,296,540,000
[Of which, other distributions in excess of net income (per unit)]	(144)	(300)
5. Retained earnings carried forward	¥998,259,332	¥773,423,564

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 ¥13,518,590,400 in distributions (¥3,128 per investment unit). This figure was arrived at by excluding the portion for which per-unit distribution comprising the types of dividends laid out below would be less than ¥1 from ¥13,520,782,822, the amount calculated by adding to ¥11,560,917,168 in net income after taxes ¥2,622,242,820 in amortization of goodwill, subtracting ¥685,596,431 in gain on sales of real estate, and adding ¥23,219,265 in loss on sales of real estate.

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 Trust Act came to ¥11,336,081,400 (¥2,623 per investment unit). Distribution in excess of net income comprises a distribution of ¥1,560,169,800 (¥361 per investment unit) as allowance for temporary difference adjustment and ¥622,339,200 (¥144 per investment unit) in other distribution in excess of net income.

NOTES TO FINANCIAL STATEMENTS

24. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

For the period from September 1, 2018 to February 28, 2019

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	8,015
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	225,710
Increase-subtotal		2,855,968
Buildings, facilities, etc.	Depreciation deficiency equivalent	(657,016)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(124,655)
Land	Cost of sales of land	(494,720)
Others	—	(19,406)
Decrease-subtotal		(1,295,799)
Total		¥1,560,169

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)
Total		—

Note 1: The amount of reversal during the current fiscal period (¥12,910 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.

For the period from March 1, 2018 to August 31, 2018

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	1,613
Increase-subtotal		2,623,856
Buildings, facilities, etc.	Depreciation deficiency equivalent	(1,142,482)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(137,860)
Others	-	(21,042)
Decrease-subtotal		(1,301,385)
Total		¥1,322,470

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	(¥321,691)
Total		(¥321,691)

Note 1: The amount of reversal during the current fiscal period (¥5,754 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

25. SIGNIFICANT SUBSEQUENT EVENTS

1. Issuance of New Investment Units

At the Board of Directors meetings held on February 7, 2019 and February 18, 2019, NMF resolved to issue new investment units, as shown below. Payments for new investment units issued via a public offering concluded on March 1, 2019, and payments for new investment units issued via third-party allocation concluded on March 26, 2019. As a result, unitholders’ capital stands at ¥214,855,487 thousand, and the total number of investment units issued and outstanding is 4,547,300 as of March 26, 2019.

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

Number of units offered	214,760 units
Issue price (offer price)	¥150,223 per unit
Total issue price (total offer price)	¥32,261,891,480
Amount to be paid (issue value)	¥145,471 per unit
Total amount to be paid (total issue value)	¥31,241,351,960
Payment date	March 1, 2019

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

Number of investment units offered	10,740 units
Amount to be paid (issue value)	¥145,471 per unit
Total amount to be paid (total issue value)	¥1,562,358,540
Payment date	March 26, 2019
Allottee	Nomura Securities Co., Ltd.

Use of proceeds

The proceeds obtained from the Primary Offering were used as partial funds for the acquisition of the 10 properties acquired on March 1, 2019 and April 1, 2019; and the proceeds obtained from the Third-party Allotment were used to repay loans taken out to fund part of the acquisition of the 10 properties.

INDEPENDENT AUDITOR’S REPORT



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Independent Auditor’s Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at February 28, 2019, and the statements of income and retained earnings, changes in net assets, and cash flows from September 1, 2018 to February 28, 2019 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Master Fund, Inc. as at February 28, 2019, and its financial performance and cash flows from September 1, 2018 to February 28, 2019 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

May 24, 2019
Tokyo, Japan