

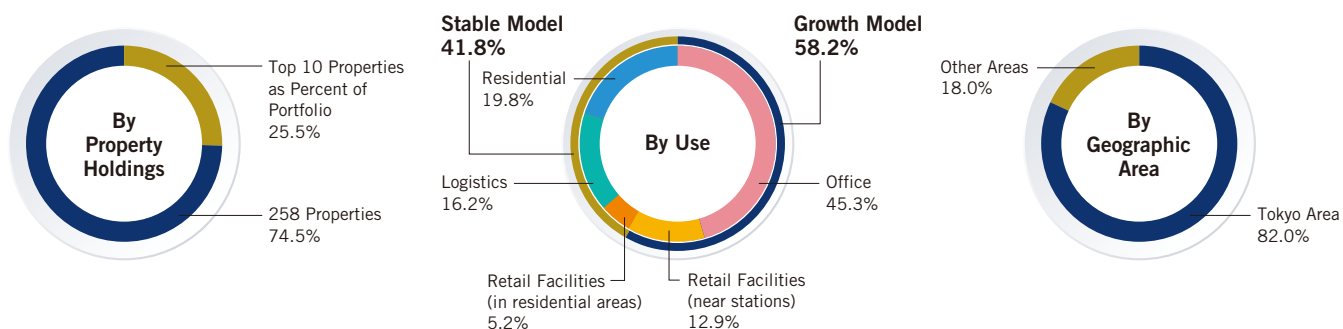


NOMURA
MASTER
FUND

4th Fiscal Period Semi-Annual Report



Our Growth Driver: Diversification



NOMURA REAL ESTATE MASTER FUND, INC.

8-5-1, Nishi-Shinjuku, Shinjuku Ward, Tokyo

DRIVING THE MARKET AS ONE OF JAPAN'S LARGEST REITS

Under its Medium-to Long-term Management Strategy, NMF designated the first three to five years after its establishment as its Quality phase, during which it advanced strategic property replacements (SPRs). The initial plan called for the replacement of 20 to 25 properties worth around ¥50 billion. However, we have seized favorable opportunities and sold 27 properties—mainly properties that were aging or presented risks of declining future

revenues—for approximately ¥81.5 billion as of the end of the fourth fiscal period.

Of course, as the term SPR implies, we not just sold, but also acquired properties. In addition to the more than ¥130 billion in properties acquired through the September 2016 merger with TOP REIT, Inc., we have acquired ¥94.8 billion in high-quality assets, mainly properties developed by the sponsor, Nomura Real Estate Development Co., Ltd.



THE NOMURA REAL ESTATE GROUP'S DIVERSIFIED REIT

We have decided to transition to the second phase of our management strategy, the Growth phase. During the Growth phase, we aim to maintain the portfolio's high quality while pursuing growth in order to further increase unitholder value.



Koichi Owada
Supervisory Director

Shuhei Yoshida
Executive Director

Mineo Uchiyama
Supervisory Director

Since its launch in October 2015, NMF has been making steady progress toward becoming the premiere J-REIT by implementing its Medium- to Long-term Management Strategy, a concrete roadmap for achieving NMF's basic strategies of securing stable income over the medium to long term and ensuring the steady growth of assets under management.

We have greatly surpassed our initial target for the Quality phase of ¥50 billion in asset replacements. As of August 31, 2017, the end of the fourth fiscal period, NMF had sold 27 properties for a total of ¥81.5 billion. We had acquired 19 properties, mainly from the sponsor, Nomura Real Estate Development Co., Ltd., for a total of ¥83.4 billion. Furthermore, we acquired the 19 properties previously owned by TOP REIT, Inc., including office, retail and residential facilities, for a total of ¥137.4 billion through the absorption type merger with said company that came into effect September 1, 2016. Through these replacements, we have enhanced the portfolio's quality.

As a result, as of the end of the fourth fiscal period, NMF's portfolio comprised 268 properties with a total acquisition price of ¥927.3 billion. Thanks to efforts to promote internal growth, mainly in the upside sectors of office

and retail facilities, NMF recorded operating revenues of ¥38,139 million, operating profit of ¥15,735 million and net income of ¥13,190 million in the fourth fiscal period. As a result, the per-unit distribution came to ¥3,037.

After the conclusion of the 4th fiscal period, NMF executed a transaction with the sponsor in which it acquired PMO Shin-Nihonbashi, PMO Hirakawacho, GEMS Daimon and GEMS Kanda, and sold Morisia Tsudanuma. With this, we have largely completed the sale of properties subject to strategic property replacements (SPRs). As such, we have decided to transition to the second phase of our management strategy, the Growth phase. During the Growth phase, NMF will target external growth by leveraging the Nomura Real Estate Group's property development capabilities and internal growth by making more active use of the property management pipeline with a focus on strengthening its property brands. By doing so, we aim to maintain the portfolio's high quality while pursuing growth in order to further increase unitholder value.

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

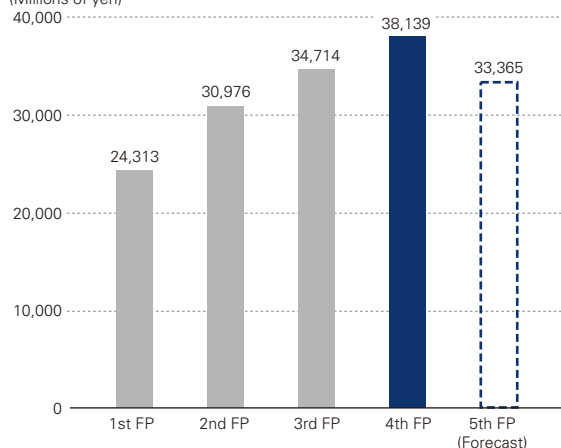
PERFORMANCE HIGHLIGHTS

| | 3rd fiscal period | 4th fiscal period | 5th fiscal period (forecast)* |
|---|----------------------------|----------------------------|----------------------------------|
| Cash distribution per unit (including distribution in excess of net income) | ¥ 3,028 | ¥ 3,037 | ¥ 3,020 |
| Operating revenues | ¥ 34,714 million | ¥ 38,139 million | ¥ 33,365 million |
| Operating profit | ¥ 11,244 million | ¥ 15,735 million | ¥ 12,504 million |
| Ordinary income | ¥ 8,672 million | ¥ 13,190 million | ¥ 10,016 million |
| Net income | ¥ 8,670 million | ¥ 13,190 million | ¥ 10,015 million |
| Total assets acquired | ¥ 932,896 million | ¥ 927,318 million | ¥ 922,128 million |
| Net assets | ¥ 1,105,979 million | ¥ 1,095,828 million | ¥ 1,085,296 million |
| Interest-bearing liabilities | ¥ 498,784 million | ¥ 488,741 million | ¥ 482,698 million |
| LTV | 45.1 % | 44.6 % | 44.5 % |

*The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 4th Fiscal Period Ended August 31, 2017," published October 13, 2017. 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.

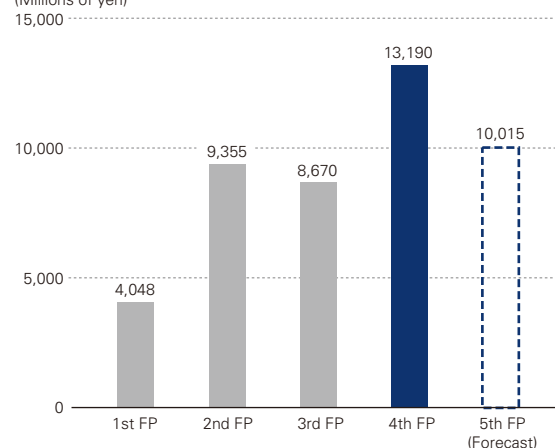
Operating Revenue

(Millions of yen)



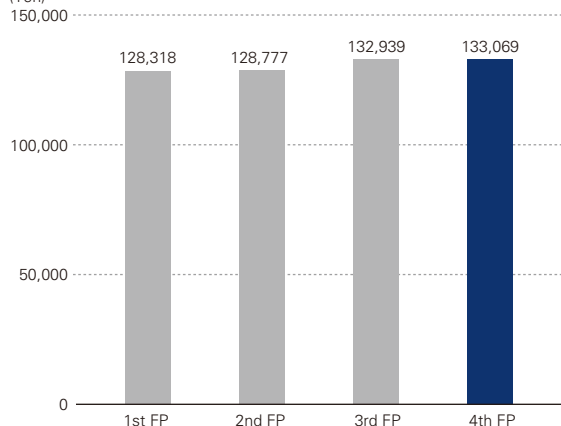
Net Income

(Millions of yen)



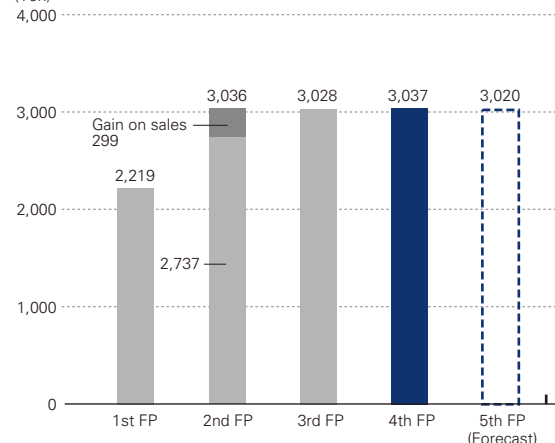
Net Assets per Unit

(Yen)



Cash Distribution per Unit

(Yen)



TRANSITIONING FROM THE QUALITY PHASE TO THE GROWTH PHASE

The new NMF was formed two years ago through the merger of three REITs. We designated the first stage of our Medium-to Long-term Management Strategy as our Quality phase. Our various initiatives have produced results, and during the fourth fiscal period, we largely reached the goals we had set for the Quality phase. Thus, the fourth fiscal period marked the start of our transition to the next phase of our strategy: the Growth phase.



Ken Okada

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

Strategic Property Replacements to Date

I'd like to begin by reviewing the achievements of the two years since the new NMF's establishment in October 2015. Looking at property sales, our original plan was to sell around ¥50 billion in properties over about five years. In just two years, however, we have realized property sales

of about ¥100 billion, roughly double the initial target. Specifically, we've sold 28 properties with an average age of 36.0 years. We've thus met our initial targets for improving the portfolio's quality three years earlier than originally planned. This record of 28 dispositions sets us well apart from other J-REITs. Based in part on shifting cap rates, we decided that it was a good time to sell.

NMF dispositions for the last two years since fund inception in October 2015*

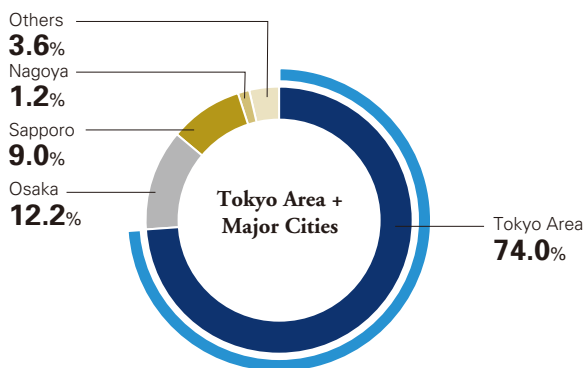
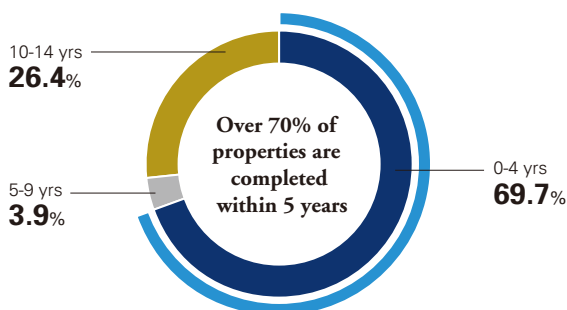
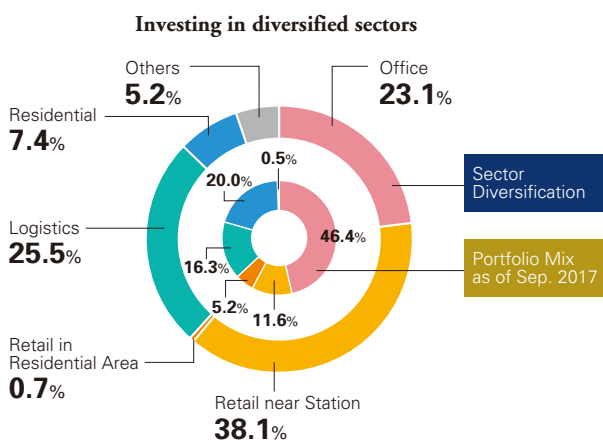
| Original Plan | | Result of Sales | | | | Gain on sales (¥mln) | Distribution | Total ¥1,113 mln (¥299 per unit) in Aug. 2016 |
|---|--------|----------------------|--------------|--------------------------|----------------------|----------------------|-------------------|---|
| Office | Retail | Logistics | Residential | Other | Total | | | |
| Term: 5 years 20~25 properties ¥50,000million | | Number of properties | Building Age | Acquisition price (¥mln) | Sales price (¥mln) | | Internal Reserves | Total ¥3,107 mln (¥742 per unit) |
| | | 11 | 40.0 | 57,768 | 60,138 (60%) | | | |
| | | 5 | 34.0 | 26,199 | 28,660 (29%) | | | |
| | | 4 | 12.6 | 6,580 | 7,304 (7%) | 4,221 | | |
| | | 8 | 25.9 | 3,285 | 3,445 (3%) | | | |
| | | 0 | — | — | — | | | |
| | | 28 | 36.0 | 93,832 | 99,547 (100%) | 4,221 | | |

*The figures show the number of properties NMF has completed dispositions from October 1, 2015 through September 30, 2017. However, the impairment loss as at the 1st Fiscal Period and loss on the sale of Morisia Tsudanuma after the end of the 5th Fiscal Period are excluded from the gains and the losses from sales

TRANSITIONING FROM THE QUALITY PHASE TO THE GROWTH PHASE

Turning to property acquisitions, we are working to achieve external growth mainly focused on properties developed by the sponsor, Nomura Real Estate Development Co., Ltd. In two years, we have acquired 42 properties for more than ¥230 billion yen. Although this figure includes the merger with TOP REIT, which is a somewhat special circumstance, it stands out as exceptionally high in comparison to other J-REITs.

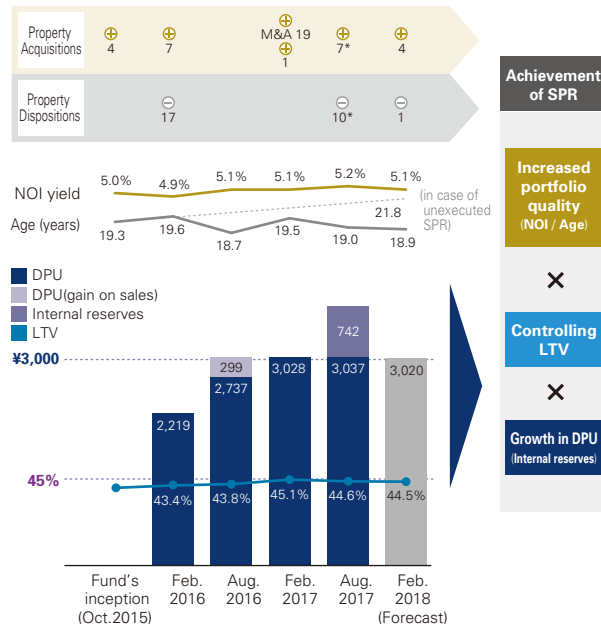
Breakdown of acquisitions for the last two years (excluding M&A: Oct. 2015-Sep. 2017)



As we've implemented the SPRs, we have improved portfolio quality (in terms of NOI and property age), maintained appropriate LTV control and increased the distribution per unit (internal reserves). We have managed to bring the NOI yield up to 5.2% despite difficult property market conditions and a tendency toward decreasing cap rates. In terms of property age, we've reduced the portfolio's average age by about three years compared to where it would be had we not implemented the SPRs. This, too, is an achievement of the Quality phase. Furthermore, the SPRs produced a gain on sales of properties of approximately ¥4.2 billion. Of this, we have designated approximately ¥3.1 billion (¥742 per unit) as retained earnings in order to guard against market changes and other future risks to ensure stable distributions.

Thanks in part to upward rent revisions, for the fourth fiscal period, we were able to pay a distribution per unit of ¥3,037, ¥87 (2.9%) higher than forecast. I believe that we now have the strength to maintain a steady distribution per unit of over ¥3,000 going forward. We are also focusing on building a stable financial base, and we have been able to operate while keeping the LTV ratio at around 45%.

Increased portfolio quality



*Excluded both additional acquisitions and additional dispositions.

In light of these results, we are, for the time being, concluding our SPRs ahead of schedule and transitioning to the Growth phase, the second phase of the Medium-to Long-term Management Strategy, from the fifth fiscal period. Going forward, we will seek to enhance distributions as we aim to promote further growth.

SHIFT TO THE GROWTH PHASE

NMF completed its Quality phase including SPRs in two years, three years ahead of schedule. NMF has advanced to the Growth phase.

As I've said before, I believe that NMF's initiatives implemented over the past two years have shown themselves to be strategically correct.

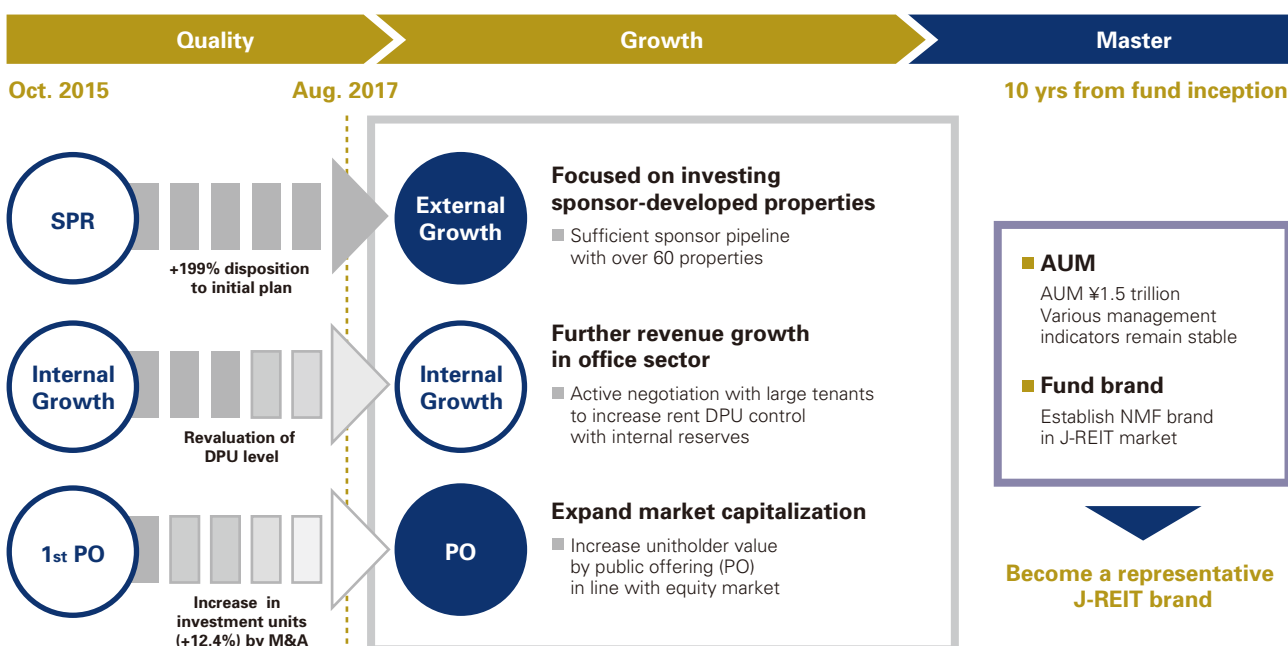
Through SPRs, we have executed property sales that more than doubled our initial target of ¥50 billion, bringing down the portfolio's average property age and generally improving its quality. In terms of internal growth, we are steadily accumulating results, mainly in the office sector, and I think that we have built up the capacity to steadily pay distributions per unit of over ¥3,000 going forward.

In light of these achievements, in the fifth fiscal period we will move out of the Quality phase and into the Growth phase, actively expanding our assets mainly through acquisitions of PMO, GEMS and other properties developed by the sponsor, Nomura Real Estate Development Co., Ltd., while also redoubling efforts to increase rent revenue. Based on these initiatives, during this phase, we will be more focused on growth. Until now, while we have achieved rent revenue increases,



property sales as part of our SPRs have often caused declines in property revenue, somewhat impacting distribution growth. With the transition to the Growth phase, however, we are concluding SPR-related property sales for the time being, so I think that the revenue-increasing effects of such efforts will more clearly translate to distribution growth.

Asset growth, distribution growth, and a public offering to raise our total market capitalization and the size of the fund—advancing these growth measures will be the core of NMF's strategy as we move boldly into the Growth phase.



ROBUST SPONSOR PIPELINE

We are aiming for ongoing external growth using the PMO series and other properties in Nomura Real Estate's pipeline.

In recent years, the real estate market has grown quite heated. Amid these difficult conditions for external property acquisitions, we are acquiring carefully selected new properties from external sources. That said, NMF makes full use of the development pipeline of Nomura Real Estate Development Co., Ltd., its sponsor, and this pipeline has served as the principal driver of its external growth. As a general developer, Nomura Real Estate Co., Ltd., actively develops a wide range of properties, including

Nomura Real Estate's Core Office Brand

PMO
PREMIUM MIDSIZE OFFICE



PMO Shibadaimon

PMO Nihonbashi Mitsukoshimae

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 | Planned Completion | Status |
|------------------------------|------------------|--------------------|--------------------|
| PMO Shibadaimon | Minato, Tokyo | Completed 2014 | Operating |
| ✓ PMO Hirakawacho | Chiyoda, Tokyo | Completed 2016 | NMF Acquired |
| PMO Nihonbashi Edo-dori * | Chuo, Tokyo | Completed 2016 | Operating |
| PMO Nihonbashi Mitsukoshimae | Chuo, Tokyo | Completed 2016 | Operating |
| ✓ PMO Shin-Nihonbashi | Chuo, Tokyo | Completed 2016 | NMF Acquired |
| PMO Kanda Iwamotocho | Chiyoda, Tokyo | Completed 2017 | Operating |
| PMO Nishi-Shinbashi | Minato, Tokyo | Completed 2017 | Operating |
| PMO Uchi-Kanda | Chiyoda, Tokyo | Completed 2017 | Operating |
| PMO Shibuya | Shibuya, Tokyo | Completed 2017 | Operating |
| PMO Hanzomon | Chiyoda, Tokyo | Completed 2017 | Operating |
| PMO Shinjuku-gyoen | Shinjuku, Tokyo | Sep. 2018 | Under Construction |
| PMO Tamachi II | Minato, Tokyo | Feb. 2018 | Under Construction |
| PMO Higashi-Shinbashi | Minato, Tokyo | Apr. 2018 | Under Construction |
| PMO Hatchobori III | Chuo, Tokyo | Mar. 2018 | Under Construction |
| PMO Otemachi | Chiyoda, Tokyo | Jul. 2020 | Under Construction |
| PMO Ochanomizu | Chiyoda, Tokyo | Jul. 2018 | Under Construction |
| PMO Hamamatsucho | Minato, Tokyo | Nov. 2018 | Under Construction |
| PMO Kandasudacho | Chiyoda, Tokyo | Apr. 2020 | Planning |
| PMO Shinkawa 2-chome* | Chuo, Tokyo | Apr. 2018 | Under Construction |
| PMO Akihabara III | Taito, Tokyo | Jan. 2019 | Under Construction |
| PMO Nishi-Shinjuku | Shinjuku, Tokyo | Jun. 2019 | Planning |
| PMO Shibuya II | Shibuya, Tokyo | Aug. 2020 | Planning |
| PMO Gotanda | Shinagawa, Tokyo | Jul. 2019 | Planning |

* Joint venture

Nomura Real Estate's Core Logistics Facility Brand

Landport



Landport Iwatsuki

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 | Planned Completion | Status |
|-------------------------------|--------------------|--------------------|--------------|
| ✓ Landport Kashiwa-shyonan II | Kashiwa, Chiba | Completed 2016 | NMF Acquired |
| ✓ Landport Kashiwa-shyonan I | Kashiwa, Chiba | Completed 2016 | NMF Acquired |
| Landport Iwatsuki | Saitama, Saitama | Completed 2016 | Operating |
| Landport Hachioji II | Hachioji, Tokyo | Completed 2016 | Operating |
| Landport Komaki * | Komaki, Aichi | Completed 2017 | Operating |
| Landport Shinonome | Koto, Tokyo | Aug. 2018 | Planning |
| Landport Narashino | Narashino, Chiba | Dec. 2019 | Planning |
| Landport Kawaguchi | Kawaguchi, Saitama | Jan. 2020 | Planning |
| ⊕ Landport Higashi-Narashino | Narashino, Chiba | Aug. 2019 | Planning |
| Landport Ome I | Ome, Tokyo | Jan. 2019 | Planning |
| Landport Ome II | Ome, Tokyo | Jun. 2020 | Planning |
| Landport Ome III | Ome, Tokyo | Jun. 2020 | Planning |
| Landport Koshigaya | Koshigaya, Saitama | Jun. 2020 | Planning |

* Joint venture

ROBUST SPONSOR PIPELINE

office and retail facilities. Today, two years after NMF's establishment, the sponsor's stock of property has grown to approximately ¥270 billion. Included in this stock are properties that NMF has sold to the sponsor through SPRs, properties that the sponsor is now working to redevelop. For example, the former Mitsubishi Motors Suginami and Mitsubishi Motors Shibuya are being redeveloped as part of the PROUD FLAT series, and the former Ito-Yokado Higashi-Narashino Store is being

redeveloped as the Landport Higashi-Narashino Project. The ability to make transactions across property sectors is one of the strengths of NMF as a diversified REIT with Nomura Real Estate Co., Ltd., a general developer, as its sponsor. NMF will continue to use these strengths to reinforce its external growth, steadily expanding its assets by tapping into the rich new asset acquisition opportunities offered by the sponsor's pipeline.

Nomura Real Estate's Core Retail Facility Brand



GEMS Jingu-mae GEMS Ebisu

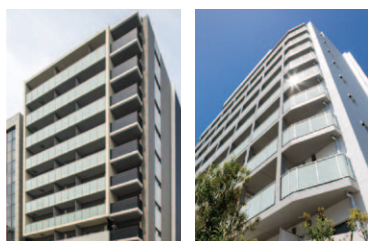
GEMS retail facilities are located mainly in urban areas and comprised primarily of a rich variety of select restaurants.

Facilities offer new lifestyle ideas to brighten and enrich the everyday lives of nearby office workers and residents.

| Name | Location | Planned Completion | Status |
|---------------------------|--------------------|--------------------|--------------------|
| ✓ GEMS Daimon | Minato, Tokyo | Completed 2016 | NMF Acquired |
| ✓ GEMS Kanda | Chiyoda, Tokyo | Completed 2016 | NMF Acquired |
| GEMS Ebisu | Shibuya, Tokyo | Completed 2017 | Operating |
| GEMS Jingu-mae | Shibuya, Tokyo | Apr. 2018 | Under Construction |
| GEMS Kayabacho | Chuo, Tokyo | Feb. 2018 | Under Construction |
| GEMS Namba | Osaka, Osaka | Nov. 2018 | Under Construction |
| GEMS Tamachi | Minato, Tokyo | Feb. 2019 | Under Construction |
| GEMS Nishi-Shinjuku | Shinjuku, Tokyo | Not fixed | Planning |
| GEMS Sangenjaya | Setagaya, Tokyo | May. 2018 | Under Construction |
| GEMS Shin-Yokohama | Yokohama, Kanagawa | Jul. 2018 | Under Construction |
| GEMS Shinbashi | Minato, Tokyo | May. 2018 | Under Construction |
| GEMS Sakae | Nagoya, Aichi | Aug. 2019 | Planning |
| <Other Retail facilities> | | | |
| MIRRAZA Jingu-mae* | Shibuya, Tokyo | Jun. 2017 | Operating |
| Jinbo-cho | Chiyoda, Tokyo | May. 2019 | Planning |
| ⊗ Suginami | Suginami, Tokyo | Sep. 2018 | Planning |
| Hiroo | Shibuya, Tokyo | May. 2019 | Planning |

* Renovation of existing retail property. Scheduled completion refers to the scheduled completion of the renovation.

Nomura Real Estate's Core Residential Facility Brand



PROUD FLAT Sotokanda PROUD FLAT Noborito

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 | Planned Completion | Status |
|--------------------------------|--------------------|--------------------|--------------------|
| PROUD FLAT Sangenjaya II | Setagaya, Tokyo | Completed 2014 | Operating |
| PROUD FLAT Higashi-Kanda | Chiyoda, Tokyo | Completed 2015 | Operating |
| PROUD FLAT Mitsukoshi-mae | Chuo, Tokyo | Completed 2015 | Operating |
| PROUD FLAT Sugamo II | Toshima, Tokyo | Completed 2015 | Operating |
| PROUD FLAT Yoyogi Hachiman | Shibuya, Tokyo | Completed 2016 | Operating |
| PROUD FLAT Soto Kanda | Chiyoda, Tokyo | Completed 2016 | Operating |
| PROUD FLAT Noborito | Kawasaki, Kanagawa | Completed 2016 | Operating |
| PROUD FLAT Nakaochiai | Shinjuku, Tokyo | Completed 2016 | Operating |
| PROUD FLAT Asakusabashi | Taito, Tokyo | Completed 2017 | Operating |
| PROUD FLAT Monzen Nakacho V | Koto, Tokyo | Oct. 2017 | Under Construction |
| PROUD FLAT Miyazakidai | Kawasaki, Kanagawa | Feb. 2018 | Under Construction |
| PROUD FLAT Togoshi | Shinagawa, Tokyo | Jan. 2019 | Planning |
| PROUD FLAT Asakusabashi II | Taito, Tokyo | Jan. 2019 | Planning |
| PROUD FLAT Higashi-Nihonbashi | Chuo, Tokyo | Oct. 2018 | Under Construction |
| PROUD FLAT Asakusabashi III | Taito, Tokyo | Aug. 2018 | Under Construction |
| PROUD FLAT Asakusa Kaminarimon | Taito, Tokyo | Jan. 2019 | Under Construction |
| PROUD FLAT Ryogoku | Sumida, Tokyo | Nov. 2018 | Planning |
| ⊗ Tomigaya 2-chome | Shibuya, Tokyo | Feb. 2019 | Planning |
| Kiba 5-chome | Koto, Tokyo | Feb. 2020 | Planning |

✓ Properties already acquired by NMF ⊗ Properties being redeveloped through SPRs

*1 Based on Nomura Real Estate Holdings, Inc.'s presentation materials for the first half of the six months from April to September 30, 2017.

*2 As of the date of this document's publication, NMF has not made plans to acquire any of the above properties (except those indicated as already acquired by NMF).

NMF'S ESG INITIATIVES

NMF works with the Asset Management Company to enhance unitholder value over the medium to long term by carrying out asset management with consideration for the environment, society and governance.

Social concern for the environment is rising. NMF has now obtained a 5-star ranking, the highest on the five-grade scale that compares overall scores on the GRESB Real Estate Assessment, a sustainability benchmark for real estate companies and property management entities. Furthermore, in recognition of excellent disclosure of environment- and sustainability-related initiatives, NMF has received an "A" rating, the highest on a five-grade scale, under the GRESB Public Disclosure Level evaluation scheme launched in 2017.



We are also actively working to obtain DBJ Green Building certification. In the fourth fiscal period, nine properties were newly certified, bringing the total portion of the portfolio that is certified up to 47.2% (leasable floor space basis). We will continue working to obtain high environmental performance ratings.

Nine newly certified properties

| | | |
|---|---|---|
|  DBJ Green Building 2017 |  DBJ Green Building 2017 |  DBJ Green Building 2017 |
| PMO Tamachi | Universal CityWalk Osaka | Izumiya Obayashi |
| PMO Ginza Hatchome | PMO Shibakoen | Kawaguchi Ryoke Logistics Center |
| Hanyu Logistics Center | MF Shinjuku EAST Building | |
| | Sagamihara Shopping Center | |

- Acquiring certification under BELS (Building-Housing Energy-efficiency Labeling System) → Acquired for 19.8% of portfolio (total floor space basis)
- Implementing energy efficiency assessments: Considering further measures to reduce environmental burden
- Improving water use efficiency → Installed water-saving auto-sanitizers and smart irrigation facilities
- Launched sustainable procurement → Added environment-oriented conditions to agreements with contractors
- Held locally rooted community events → Hosted a summer festival at Recipe SHIMOKITA and events at Morisia Tsudanuma
- Active information disclosure (via website) → Began disclosure of information on energy use, water use and greenhouse gas emissions. Expanded information on related initiatives



In addition to GRESB, NMF also takes part in evaluations by other globally notable ESG ratings organizations, including oekom research, Vigeo Eiris and Sustainalytics, and is working to obtain ratings from such organizations.

oekom research

vigeo eiris

SUSTAINALYTICS

INTERNAL GROWTH

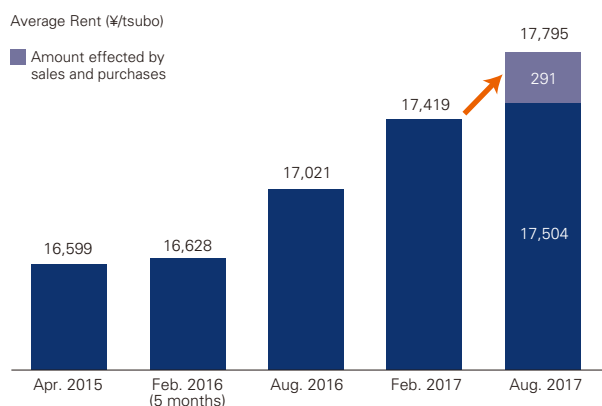
Like external growth, internal growth is one of the strategies we are focusing most on. In particular, we regard the office sector as the main driver of internal growth, and it is helping to increase distributions.

Office

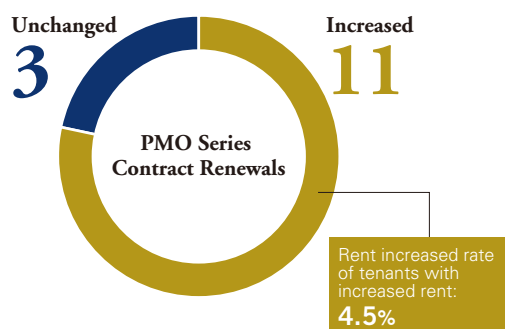
In the fourth fiscal period, the overall average monthly rent for our office properties rose from ¥17,419 per tsubo (3.31 m²) to ¥17,504. This is a per-tsubo rent increase of 85 yen, or 0.5%, from the period before.

In the fourth fiscal period, rent increases with major tenants were especially notable. Of all tenants with which we negotiated rent revisions, including those at Shinjuku Nomura Building and Harumi Island Triton Square Office Tower Y, approximately 31.4% (on a rent basis) were major tenants leasing spaces of over 500 tsubo. In addition, 14 tenants at PMO properties, which are the core of our office property acquisitions, renewed their contracts with us. With 11 of these, accounting for more than 70% of the total, we achieved upward rent revisions averaging 4.5%.

Average rent for 3rd period was increased 0.5% from previous period (¥17,419/tsubo ¥17,504/tsubo)



Contract Renewals at PMO series



NMF raised rents for 11 of the 14 tenants that renewed contracts during the 4th period (and decreased rents for none). The rate of increase is above average.

Retail

In the retail sector, almost all our portfolio properties have fixed rent, providing stable revenue. In terms of upside, sales-linked rents—mainly at Universal CityWalk Osaka—are providing revenue increases, and we continue to focus efforts on increasing occupancy rates at our existing properties.

nORBESA Acquired in Mar. 2017

A renewed tenant mix on the first floor, from a tax-free store to a store featuring specialty foods and goods in Hokkaido, helped attract new customers and resulted in a 6.3 % rent increase during the 4th period.



Hokkaido Kurashi Hyakuten opened on the first floor in June 2017. Shown in the above photos, the popular store is operated by Sapporo Drug Store, which is expanding their business to stimulate the regional economy through a comprehensive partnership with the government of Hokkaido.

In logistics, we have no contract revisions scheduled until the sixth fiscal period, so we expect stable operations for the time being. Currently, we are working to sign new contracts for Landport Atsugi. We have reached agreements for three-fourths of the property's total 14,518 tsubo and have been successfully increasing rents. The occupancy of all our other logistics properties is 100%.

In residential facilities, during the fourth fiscal period, there were 1,200 contract revisions, of which we increased rents for 680. As a result, we achieved an average rent increase for all residential properties of about ¥60 per tsubo.

Although the residential sector is relatively non-volatile, we have been reliably achieving growth of ¥60 per tsubo each period.

The office, retail and residential sectors have all been acting as growth drivers, helping to increase distributions.

FINANCIAL HIGHLIGHTS

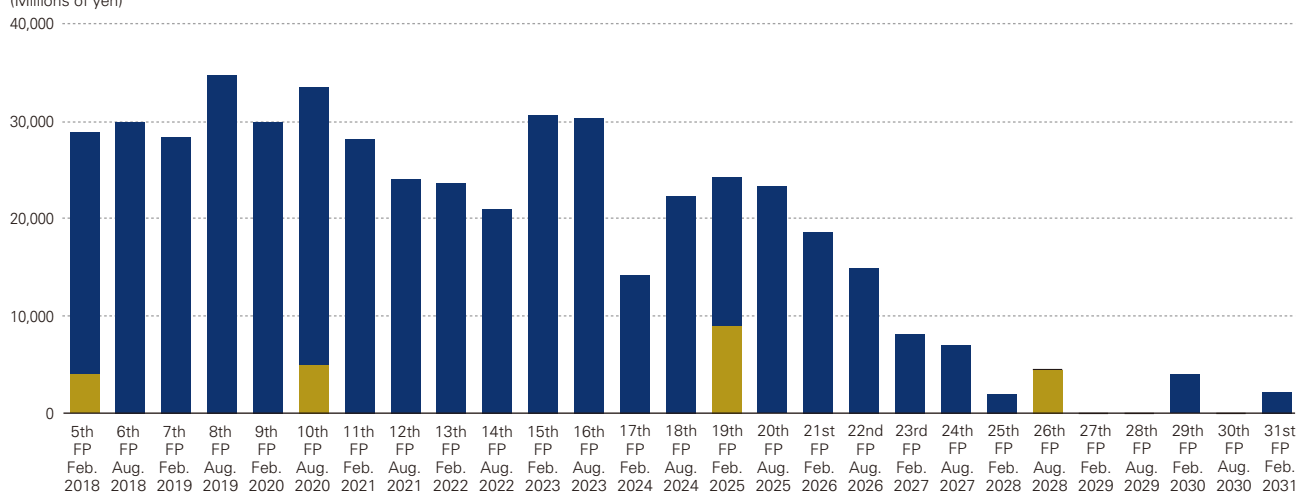
NMF continues to take advantage of low interest rates to extend the maturities and lower the interest rates of its borrowings through refinancing.

| LTV | Interest-bearing Liabilities | Ratio of Long-term Debt | Ratio of Fixed-rate Debt |
|--------------|------------------------------|-------------------------|--------------------------|
| 44.6% | ¥488,741 million | 88.0% | 94.9% |

Diversification of Repayment Dates

Diversification of Repayment Dates

■ Borrowings ■ Investment corporation bonds
(Millions of yen)



Financing in the Fourth Fiscal Period

New Borrowings

| New Funding*1 | |
|----------------------------|------------------------|
| Total | ¥26,700 million |
| Average interest rate | 0.48% |
| Average remaining duration | 1.0 years |

*1 The entire above amount was borrowed through commitment lines and was repaid before maturity in three installments on May 26th, June 20th and July 19th, 2017. Average interest rate and duration are calculated using the figures at the time of procurement.

Refinancing

| Debt Repaid (At time of repayment) | |
|------------------------------------|------------------------|
| Total | ¥50,070 million |
| Average interest rate | 0.91% |
| Average remaining duration | 5.1 years |

New Funding*2

| New Funding (At period-end) | |
|-----------------------------|------------------------|
| Total | ¥50,070 million |
| Average interest rate | 0.54% |
| Average remaining duration | 6.5 years |

*2 Of the total amount, ¥5,000 million was borrowed through a commitment line and repaid in full before maturity, on May 26th, 2017. For this borrowing, the interest rate and duration used to calculate the average interest rate and duration are those at the time of procurement; for all other borrowings, the respective period-end figures were used.

Credit Ratings

| Rating Agency | Rating | Outlook |
|---------------|---|---------|
| JCR | AA | Stable |
| R&I | A+ | Stable |
| S&P | Long-term Corporate Rating: A Short-term Corporate Rating: A-1 | Stable |

Commitment Lines

| | Commitment Line 1 | Commitment Line 2 |
|--------------------------------------|---|---|
| Loan Limit (commitment period) | ¥40.0 billion (one year) | ¥10.0 billion (three years) |
| Participating Financial Institutions | The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Mitsubishi UFJ Trust and Banking Corporation Sumitomo Mitsui Trust Bank, Limited | The Bank of Tokyo-Mitsubishi UFJ, Ltd. Sumitomo Mitsui Banking Corporation |

*In addition to the above commitment lines, NMF has established a one-year 30.0 billion uncommitted line of credit.

BALANCE SHEET HIGHLIGHTS

4th fiscal period DPU: ¥3,037 (¥87 higher than forecast)

5th fiscal period DPU forecast: ¥3,020

(Millions of yen)

| | Ended Aug. 31, 2017 (4th FP) | | Differences (B)-(A) | Ended Feb. 28, 2018 (5th FP) | | Differences (C)-(B) |
|--|---------------------------------|-----------|------------------------|------------------------------------|---------|------------------------|
| | Forecasts(A) | Result(B) | | Forecasts(C) | (C)-(B) | |
| Operating revenue | 35,869 | 38,139 | 2,269 | 33,365 | -4,774 | |
| Rental revenues | 31,620 | 31,656 | 36 | 30,551 | -1,105 | |
| Other rental revenues | 3,197 | 3,375 | 177 | 2,810 | -565 | |
| Gain on sales of real estate | 1,052 | 3,107 | 2,055 | 3 | -3,103 | |
| Operating expense | 22,457 | 22,403 | -53 | 20,860 | -1,542 | |
| Rental business expenses | 15,841 | 15,962 | 121 | 14,652 | -1,310 | |
| Repair expenses | 1,827 | 2,083 | 255 | 1,548 | -534 | |
| Tax and public dues | 2,878 | 2,883 | 4 | 2,700 | -183 | |
| Depreciation and amortization | 4,951 | 4,862 | -89 | 4,752 | -109 | |
| Others | 6,183 | 6,133 | -49 | 5,651 | -482 | |
| Asset management fees | 3,057 | 3,063 | 5 | 2,960 | -102 | |
| Amortization of goodwill | 2,622 | 2,622 | — | 2,622 | — | |
| Other operating expenses | 936 | 755 | -181 | 625 | -129 | |
| Operating profit | 13,412 | 15,735 | 2,323 | 12,504 | -3,231 | |
| Non-operating revenues | — | 24 | 24 | — | -24 | |
| Non-operating expenses | 2,634 | 2,569 | -64 | 2,487 | -82 | |
| Interest expenses and other financial costs | 2,627 | 2,563 | -64 | 2,479 | -83 | |
| Other non-operating expenses | 6 | 6 | — | 8 | 1 | |
| Ordinary income | 10,777 | 13,190 | 2,413 | 10,016 | -3,174 | |
| Net income | 10,776 | 13,190 | 2,413 | 10,015 | -3,174 | |
| Earnings a | 10,436 | 12,704 | 2,267 | 10,286 | -2,417 | |
| Distribution in excess of profit b | 1,903 | — | -1,903 | 2,346 | 2,346 | |
| Total distributions a + b | 12,340 | 12,704 | 363 | 12,633 | -71 | |
| Internal reserves c | 1,052 | 3,107 | 2,055 | 3 | -3,103 | |
| DPU | 2,950 | 3,037 | 87 | 3,020 | -17 | |
| Distributions of earnings | 2,495 | 3,037 | 542 | 2,459 | -578 | |
| Distributions in excess of retained earnings per unit | — | — | — | 295 | 295 | |
| Distributions in excess of retained earnings per unit (other distributions in excess of net earnings) | 455 | — | -455 | 266 | 266 | |
| Total assets | 1,109,104 | 1,095,828 | -13,275 | 1,085,296 | -10,531 | |
| Acquisition price | 939,838 | 927,318 | -12,520 | 922,128 | -5,190 | |
| Interest-bearing debt | 504,941 | 488,741 | -16,200 | 482,698 | -6,042 | |
| LTV | 45.5% | 44.6% | -0.9% | 44.5% | -0.1% | |
| Market capitalization | — | 607,808 | — | — | — | |
| NOI | 23,927 | 23,931 | 3 | 23,461 | -469 | |
| FFO | 17,299 | 17,568 | 269 | 17,388 | -179 | |

* Figures have been truncated at millions of yen.

Main factors accounting for differences between Aug. 2017 period forecasts and results

+ Positive

- Increase rental revenues +¥373 mln due to internal growth and acquisitions
- Gain on sales +¥2,055 mln (internal reserves)
- Decrease other operating +¥181 mln expenses

- Negative

- Decrease rental revenues -¥159 mln due to disposition (Merad Owada, Ota Nitta LC, Ota Higashi-shinmachi LC, Ota Kiyohara LC, Chiyodamachi LC)
- Increase rental expenses -¥121 mln (Increase in repair expenses of existing properties)

Main factors accounting for differences between Aug. 2017 period results and Feb. 2018 forecasts

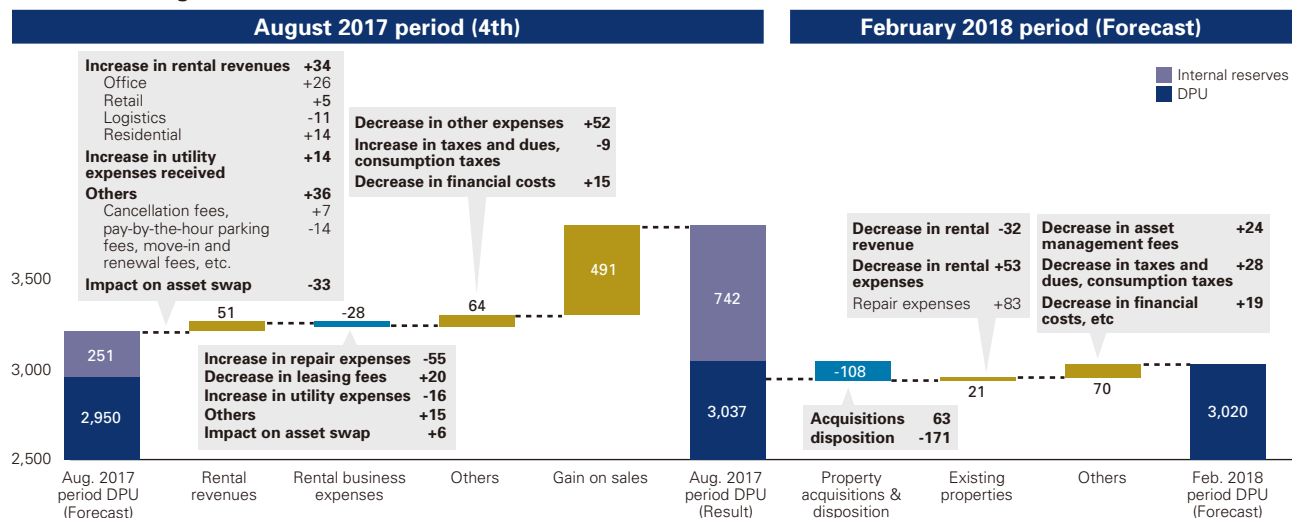
+ Positive

- Increase rental revenues +¥404 mln due to acquisition
- Decrease in rental +¥1,448 mln expenses (Decrease in repair expenses, tax and property management fees due to disposition)

- Negative

- Decrease in rental revenue -¥1,835 mln due to disposition
- Decrease in gain on sales -¥3,103 mln

Factors in change of DPU (¥/unit)



PORTFOLIO LIST (AS OF THE END OF THE 4TH FISCAL PERIOD)

| Settlement Number | Property Name | Location | Acquisition Price (Millions of yen) | Settlement Number | Property Name | Location | Acquisition Price (Millions of yen) |
|---------------------------------|--|----------------------|-------------------------------------|---------------------------------|--|----------------------|-------------------------------------|
| Office Buildings | | | | Rt-T-012 | Sundai Azamino | Yokohama, Kanagawa | 1,700 |
| Of-T-001 | Shinjuku Nomura Building | Shinjuku, Tokyo | 43,900 | Rt-T-013 | EQUINIA Aobadai | Yokohama, Kanagawa | 1,560 |
| Of-T-002 | NRE Tennozu Building | Shinagawa, Tokyo | 20,500 | Rt-T-014 | Megalos Kanagawa | Yokohama, Kanagawa | 1,000 |
| Of-T-003 | Kojimachi Millennium Garden | Chiyoda, Tokyo | 26,700 | Rt-T-015 | Mitsubishi Motors Meguro | Meguro, Tokyo | 2,740 |
| Of-T-006 | NMF Shinjuku Minamiguchi Building | Shibuya, Tokyo | 10,000 | Rt-T-016 | Mitsubishi Motors Chofu | Chofu, Tokyo | 1,760 |
| Of-T-007 | NMF Shibuya Koen-dori Building | Shibuya, Tokyo | 10,400 | Rt-T-018 | Mitsubishi Motors Nerima | Nerima, Tokyo | 1,240 |
| Of-T-008 | Secom Medical Building | Chiyoda, Tokyo | 11,100 | Rt-T-019 | Mitsubishi Motors Kawasaki | Kawasaki, Kanagawa | 950 |
| Of-T-009 | NMF Shiba Building | Minato, Tokyo | 7,040 | Rt-T-020 | Mitsubishi Motors Takaido | Suginami, Tokyo | 850 |
| Of-T-010 | Nishi Shinjuku Showa Building | Shinjuku, Tokyo | 8,140 | Rt-T-021 | Mitsubishi Motors Katsushika | Katsushika, Tokyo | 800 |
| Of-T-011 | NRE Shibuya Dogenzaka Building | Shibuya, Tokyo | 5,310 | Rt-T-022 | Mitsubishi Motors Higashikurume | Higashikurume, Tokyo | 800 |
| Of-T-013 | Iwamoto-cho Toyo Building | Chiyoda, Tokyo | 4,050 | Rt-T-023 | Mitsubishi Motors Setagaya | Setagaya, Tokyo | 770 |
| Of-T-015 | NMF Surugadai Building | Chiyoda, Tokyo | 4,690 | Rt-T-025 | Mitsubishi Motors Sekimachi | Nerima, Tokyo | 600 |
| Of-T-016 | PMO Nihonbashi Honcho | Chuo, Tokyo | 4,320 | Rt-T-026 | Mitsubishi Motors Higashiyamato | Higashiyamato, Tokyo | 450 |
| Of-T-017 | PMO Nihonbashi Kayabacho | Chuo, Tokyo | 5,010 | Rt-T-027 | Mitsubishi Motors Motosumiyoshi | Kawasaki, Kanagawa | 370 |
| Of-T-018 | NMF Gotanda Ekimae Building | Shinagawa, Tokyo | 4,430 | Rt-T-028 | Mitsubishi Motors Kawagoe | Kawagoe, Saitama | 350 |
| Of-T-019 | NRE Higashi-nihonbashi Building | Chuo, Tokyo | 3,570 | Rt-T-029 | Mitsubishi Motors Edogawa | Edogawa, Tokyo | 200 |
| Of-T-020 | PMO Akihabara | Chiyoda, Tokyo | 4,240 | Rt-T-030 | Mitsubishi Motors Sayama | Sayama, Saitama | 160 |
| Of-T-021 | Hatchobori NF Building | Chuo, Tokyo | 2,480 | Rt-T-031 | NRE Kichijoji Building | Musashino, Tokyo | 10,410 |
| Of-T-022 | NMF Kanda Iwamotocho Building | Chiyoda, Tokyo | 4,160 | Rt-T-032 | GEMS Ichigaya | Chiyoda, Tokyo | 2,080 |
| Of-T-023 | NMF Takanawa Building | Shinagawa, Tokyo | 2,830 | Rt-T-033 | Sagamihara Shopping Center | Sagamihara, Kanagawa | 6,840 |
| Of-T-024 | PMO Hatchobori | Chuo, Tokyo | 2,880 | Rt-T-034 | Musashiurawa Shopping Square | Saitama, Saitama | 2,720 |
| Of-T-026 | PMO Nihonbashi Odenmacho | Chuo, Tokyo | 2,210 | Rt-T-036 | Summit Store Naritahigashi (Land) | Suginami, Tokyo | 700 |
| Of-T-028 | PMO Higashi-nihonbashi | Chuo, Tokyo | 1,690 | Rt-S-001 | Universal CityWalk Osaka | Osaka, Osaka | 15,500 |
| Of-T-029 | NRE Ueno Building | Taito, Tokyo | 6,470 | Rt-S-002 | Izumiya Senrioka | Suita, Osaka | 8,930 |
| Of-T-031 | NF Hongo Building | Bunkyo, Tokyo | 4,890 | Rt-S-004 | Izumiya Yao | Yao, Osaka | 4,406 |
| Of-T-034 | Crystal Park Building | Musashino, Tokyo | 3,390 | Rt-S-005 | Izumiya Obayashi | Takarazuka, Hyogo | 3,020 |
| Of-T-035 | NMF Kichijoji Honcho Building | Musashino, Tokyo | 1,780 | Rt-S-006 | Ichibancho stear | Sendai, Miyagi | 4,700 |
| Of-T-036 | Faret Tachikawa Center Square | Tachikawa, Tokyo | 3,850 | Rt-S-007 | EQUINIA Aobadori | Sendai, Miyagi | 1,640 |
| Of-T-037 | NMF Kawasaki Higashiguchi Building | Kawasaki, Kanagawa | 7,830 | Rt-S-008 | MEL Building | Sendai, Miyagi | 1,060 |
| Of-T-038 | NMF Yokohama Nishiguchi Building | Yokohama, Kanagawa | 5,460 | Rt-S-009 | nORBESA | Sapporo, Hokkaido | 8,500 |
| Of-T-039 | NMF Shin-Yokohama Building | Yokohama, Kanagawa | 2,620 | Rt-S-010 | Nakaza Cui-daore Building | Osaka, Osaka | 11,600 |
| Of-T-041 | PMO Tamachi | Minato, Tokyo | 6,210 | Subtotal (42 properties) | | | 167,723 |
| Of-T-042 | PMO Ginza Hatchome | Chuo, Tokyo | 3,970 | Logistics Facilities | | | |
| Of-T-043 | PMO Shibakoen | Minato, Tokyo | 3,900 | Lg-T-001 | Landport Urayasu | Urayasu, Chiba | 17,400 |
| Of-T-044 | NEC Head Office Building | Minato, Tokyo | 44,100 | Lg-T-002 | Landport Itabashi | Itabashi, Tokyo | 15,710 |
| Of-T-045 | Harumi Island Triton Square Office Tower Y | Chuo, Tokyo | 18,200 | Lg-T-003 | Landport Kawagoe | Kawagoe, Saitama | 13,700 |
| Of-T-046 | NMF Aoyama 1-chome Building | Minato, Tokyo | 10,400 | Lg-T-004 | Landport Atsugi | Atsugi, Kanagawa | 11,410 |
| Of-T-047 | NMF Takebashi Building | Chiyoda, Tokyo | 8,330 | Lg-T-005 | Sagamihara Tana Logistics Center | Sagamihara, Kanagawa | 10,600 |
| Of-T-048 | Harumi Island Triton Square Office Tower Z | Chuo, Tokyo | 8,180 | Lg-T-006 | Sagamihara Onodai Logistics Center | Sagamihara, Kanagawa | 8,700 |
| Of-T-049 | NMF Kayabacho Building | Chuo, Tokyo | 6,070 | Lg-T-007 | Landport Hachioji | Hachioji, Tokyo | 8,250 |
| Of-T-050 | NMF Shinjuku EAST Building | Shinjuku, Tokyo | 5,710 | Lg-T-008 | Landport Kasukabe | Kasukabe, Saitama | 7,340 |
| Of-T-051 | NMF Shiba-Koen Building | Minato, Tokyo | 3,620 | Lg-T-009 | Funabashi Logistics Center | Funabashi, Chiba | 4,660 |
| Of-T-052 | NMF Ginza 4-chome Building | Chuo, Tokyo | 1,850 | Lg-T-010 | Atsugi Minami Logistics Center B Tower | Atsugi, Kanagawa | 4,590 |
| Of-T-053 | Faret East Building | Tachikawa, Tokyo | 1,850 | Lg-T-011 | Hanyu Logistics Center | Hanyu, Saitama | 3,810 |
| Of-S-001 | Sapporo North Plaza | Sapporo, Hokkaido | 6,250 | Lg-T-012 | Kawaguchi Logistics Center B Tower | Kawaguchi, Saitama | 3,750 |
| Of-S-002 | NRE Sapporo Building | Sapporo, Hokkaido | 4,140 | Lg-T-013 | Kawaguchi Logistics Center A Tower | Kawaguchi, Saitama | 2,830 |
| Of-S-004 | NMF Sendai Aoba-dori Building | Sendai, Sendai | 2,030 | Lg-T-014 | Atsugi Minami Logistics Center A Tower | Atsugi, Kanagawa | 2,690 |
| Of-S-005 | NOF Utsunomiya Building | Utsunomiya, Tochigi | 2,320 | Lg-T-015 | Kawaguchi Ryoike Logistics Center | Kawaguchi, Saitama | 10,790 |
| Of-S-006 | NMF Nagoya Fushimi Building | Nagoya, Aichi | 2,240 | Lg-T-016 | Landport Kashiwa Shonan II | Kashiwa, Chiba | 10,800 |
| Of-S-007 | NMF Nagoya Yanagibashi Building | Nagoya, Aichi | 2,280 | Lg-T-017 | Landport Kashiwa Shonan I | Kashiwa, Chiba | 9,900 |
| Of-S-008 | Omron Kyoto Center Building | Kyoto, Kyoto | 18,300 | Lg-S-005 | Hirakata Kuzuha Logistics Center | Hirakata, Osaka | 3,460 |
| Of-S-009 | SORA Shin-Osaka 21 | Osaka, Osaka | 12,100 | Subtotal (18 properties) | | | 150,390 |
| Of-S-010 | NRE Osaka Building | Osaka, Osaka | 6,100 | Residential Facilities | | | |
| Of-S-011 | NRE Nishi-Umeda Building | Osaka, Osaka | 3,450 | Rs-T-001 | PROUD FLAT Shirokane Takanawa | Minato, Tokyo | 3,400 |
| Of-S-012 | NRE Yotsubashi Building | Osaka, Osaka | 4,000 | Rs-T-002 | PROUD FLAT Yoyogi Uehara | Shibuya, Tokyo | 989 |
| Of-S-013 | NRE Hiroshima Building | Hiroshima, Hiroshima | 2,280 | Rs-T-003 | PROUD FLAT Hatsudai | Shibuya, Tokyo | 713 |
| Of-S-014 | NMF Hakata Ekimae Building | Fukuoka, Fukuoka | 4,210 | Rs-T-004 | PROUD FLAT Shibuya Sakuragaoka | Shibuya, Tokyo | 750 |
| Of-S-015 | NMF Tenjin-Minami Building | Fukuoka, Fukuoka | 2,230 | Rs-T-005 | PROUD FLAT Gakuhei Daigaku | Meguro, Tokyo | 746 |
| Subtotal (57 properties) | | | 420,260 | Rs-T-006 | PROUD FLAT Meguro Gyoninzaka | Meguro, Tokyo | 939 |
| Retail Facilities | | | | Rs-T-007 | PROUD FLAT Sumida Riverside | Chuo, Tokyo | 2,280 |
| Rt-T-001 | Morisia Tsudanuma | Narashino, Chiba | 16,600 | Rs-T-008 | PROUD FLAT Kagurazaka | Shinjuku, Tokyo | 1,590 |
| Rt-T-002 | Yokosuka More's City | Yokosuka, Kanagawa | 13,640 | Rs-T-009 | PROUD FLAT Waseda | Shinjuku, Tokyo | 1,110 |
| Rt-T-003 | Recipe SHIMOKITA | Setagaya, Tokyo | 10,407 | Rs-T-010 | PROUD FLAT Shinjuku Kawadacho | Shinjuku, Tokyo | 947 |
| Rt-T-004 | Kawasaki More's | Kawasaki, Kanagawa | 6,080 | Rs-T-011 | PROUD FLAT Sangen Jaya | Setagaya, Tokyo | 1,190 |
| Rt-T-005 | EQUINIA Shinjuku | Shinjuku, Tokyo | 4,260 | Rs-T-012 | PROUD FLAT Kamata | Ota, Tokyo | 1,160 |
| Rt-T-006 | EQUINIA Ikebukuro | Toshima, Tokyo | 3,990 | Rs-T-013 | PROUD FLAT Kamata II | Ota, Tokyo | 3,320 |
| Rt-T-007 | covrina machida | Machida, Tokyo | 3,440 | Rs-T-014 | PROUD FLAT Shin-Otsuka | Toshima, Tokyo | 623 |
| Rt-T-008 | Nitori Makuhari | Chiba, Chiba | 3,080 | Rs-T-015 | PROUD FLAT Kiyosumi Shirakawa | Koto, Tokyo | 928 |
| Rt-T-009 | Konami Sports Club Fuchu | Fuchu, Tokyo | 2,730 | Rs-T-016 | PROUD FLAT Monzen Nakacho II | Koto, Tokyo | 652 |
| Rt-T-010 | FESTA SQUARE | Saitama, Saitama | 2,600 | Rs-T-017 | PROUD FLAT Monzen Nakacho I | Koto, Tokyo | 1,030 |
| Rt-T-011 | GEMS Shibuya | Shibuya, Tokyo | 2,490 | | | | |

PORTFOLIO LIST (AS OF THE END OF THE 4TH FISCAL PERIOD)

| Settlement Number | Property Name | Location | Acquisition Price (Millions of yen) | Settlement Number | Property Name | Location | Acquisition Price (Millions of yen) |
|-------------------|------------------------------------|--------------------|-------------------------------------|----------------------------------|---|------------------------|-------------------------------------|
| Rs-T-018 | PROUD FLAT Fujimidai | Nerima, Tokyo | 1,470 | Rs-T-096 | PRIME URBAN Musashi Koganei | Koganei, Tokyo | 1,910 |
| Rs-T-019 | PROUD FLAT Asakusa Komagata | Taito, Tokyo | 1,920 | Rs-T-097 | PRIME URBAN Musashino Hills | Koganei, Tokyo | 1,280 |
| Rs-T-020 | PROUD FLAT Yokohama | Yokohama, Kanagawa | 2,090 | Rs-T-098 | PRIME URBAN Koganei Honcho | Koganei, Tokyo | 791 |
| Rs-T-021 | PROUD FLAT Kamioooka | Yokohama, Kanagawa | 2,710 | Rs-T-099 | PRIME URBAN Kumegawa | Higashimurayama, Tokyo | 1,520 |
| Rs-T-022 | PROUD FLAT Tsurumi II | Yokohama, Kanagawa | 1,650 | Rs-T-100 | PRIME URBAN Musashi Kosugi comodo | Kawasaki, Kanagawa | 1,940 |
| Rs-T-023 | PRIME URBAN Azabu Juban | Minato, Tokyo | 1,100 | Rs-T-101 | PRIME URBAN Kawasaki | Kawasaki, Kanagawa | 962 |
| Rs-T-024 | PRIME URBAN Akasaka | Minato, Tokyo | 938 | Rs-T-102 | PRIME URBAN Shinyurigaoka | Kawasaki, Kanagawa | 1,020 |
| Rs-T-025 | PRIME URBAN Tamachi | Minato, Tokyo | 972 | Rs-T-103 | PRIME URBAN Tsurumi Teraya | Yokohama, Kanagawa | 493 |
| Rs-T-026 | PRIME URBAN Shibaura LOFT | Minato, Tokyo | 1,830 | Rs-T-105 | PRIME URBAN Urayasu | Urayasu, Chiba | 804 |
| Rs-T-028 | PRIME URBAN Yoyogi | Shibuya, Tokyo | 359 | Rs-T-106 | PRIME URBAN Gyotoku I | Ichikawa, Chiba | 633 |
| Rs-T-029 | PRIME URBAN Ebisu II | Shibuya, Tokyo | 1,140 | Rs-T-107 | PRIME URBAN Gyotoku II | Ichikawa, Chiba | 730 |
| Rs-T-030 | PRIME URBAN Bancho | Chiyoda, Tokyo | 1,090 | Rs-T-108 | PRIME URBAN Gyotoku Ekimae | Ichikawa, Chiba | 488 |
| Rs-T-031 | PRIME URBAN Chiyoda Fujimi | Chiyoda, Tokyo | 679 | Rs-T-109 | PRIME URBAN Gyotoku Ekimae II | Ichikawa, Chiba | 469 |
| Rs-T-032 | PRIME URBAN Iidabashi | Chiyoda, Tokyo | 2,040 | Rs-T-110 | PRIME URBAN Gyotoku III | Ichikawa, Chiba | 747 |
| Rs-T-033 | PRIME URBAN Ebisu | Meguro, Tokyo | 1,260 | Rs-T-111 | PRIME URBAN Nishi Funabashi | Funabashi, Chiba | 761 |
| Rs-T-034 | PRIME URBAN Naka Meguro | Meguro, Tokyo | 1,410 | Rs-T-112 | PRIME URBAN Kawaguchi | Kawaguchi, Saitama | 1,580 |
| Rs-T-035 | PRIME URBAN Gakugei Daigaku | Meguro, Tokyo | 775 | Rs-T-113 | PROUD FLAT Hatchobori | Chuo, Tokyo | 920 |
| Rs-T-036 | PRIME URBAN Senzoku | Meguro, Tokyo | 474 | Rs-T-114 | PROUD FLAT Itabashi Honcho | Itabashi, Tokyo | 720 |
| Rs-T-037 | PRIME URBAN Meguro Riverside | Meguro, Tokyo | 414 | Rs-T-115 | PRIME URBAN Meguro Mita | Meguro, Tokyo | 1,058 |
| Rs-T-038 | PRIME URBAN Meguro Ohashi Hills | Meguro, Tokyo | 2,970 | Rs-T-116 | Fukasawa House Towers H&I | Setagaya, Tokyo | 7,140 |
| Rs-T-039 | PRIME URBAN Meguro Aobadai | Meguro, Tokyo | 1,310 | Rs-T-117 | PRIME URBAN Toyosu | Koto, Tokyo | 5,290 |
| Rs-T-040 | PRIME URBAN Gakugei Daigaku II | Meguro, Tokyo | 1,080 | Rs-T-118 | PRIME URBAN Nihonbashi Kayabacho | Chuo, Tokyo | 2,850 |
| Rs-T-041 | PRIME URBAN Naka Meguro II | Meguro, Tokyo | 2,850 | Rs-T-119 | PRIME URBAN Yoga II | Setagaya, Tokyo | 1,320 |
| Rs-T-042 | PRIME URBAN Kachidoki | Chuo, Tokyo | 2,570 | Rs-T-120 | PRIME URBAN Musashi-Koganei II | Koganei, Tokyo | 1,310 |
| Rs-T-043 | PRIME URBAN Shinkawa | Chuo, Tokyo | 2,100 | Rs-T-121 | PRIME URBAN Gakugei Daigaku Parkfront | Meguro, Tokyo | 1,300 |
| Rs-T-044 | PRIME URBAN Nihonbashi Yokoyamacho | Chuo, Tokyo | 4,220 | Rs-T-122 | PROUD FLAT Omori III | Shinagawa, Tokyo | 1,110 |
| Rs-T-045 | PRIME URBAN Nihonbashi Hamacho | Chuo, Tokyo | 1,550 | Rs-T-123 | PROUD FLAT Kinshicho | Sumida, Tokyo | 785 |
| Rs-T-046 | PRIME URBAN Hongo Ikizaka | Bunkyo, Tokyo | 557 | Rs-S-001 | PROUD FLAT Itsutsubashi | Sendai, Miyagi | 652 |
| Rs-T-047 | PRIME URBAN Hakusan | Bunkyo, Tokyo | 866 | Rs-S-002 | PROUD FLAT Kawaramachi | Sendai, Miyagi | 735 |
| Rs-T-048 | PRIME URBAN Yotsuya Gaien Higashi | Shinjuku, Tokyo | 1,490 | Rs-S-003 | PROUD FLAT Shin Osaka | Osaka, Osaka | 1,620 |
| Rs-T-050 | PRIME URBAN Nishi Shinjuku I | Shinjuku, Tokyo | 1,090 | Rs-S-005 | PRIME URBAN Kita Juyo Jo | Sapporo, Hokkaido | 274 |
| Rs-T-051 | PRIME URBAN Nishi Shinjuku II | Shinjuku, Tokyo | 885 | Rs-S-006 | PRIME URBAN Odori Koen I | Sapporo, Hokkaido | 502 |
| Rs-T-052 | PRIME URBAN Shinjuku Naitomachi | Shinjuku, Tokyo | 430 | Rs-S-007 | PRIME URBAN Odori Koen II | Sapporo, Hokkaido | 334 |
| Rs-T-053 | PRIME URBAN Nishi Waseda | Shinjuku, Tokyo | 421 | Rs-S-008 | PRIME URBAN Kita Juichi Jo | Sapporo, Hokkaido | 547 |
| Rs-T-054 | PRIME URBAN Shinjuku Ochiai | Shinjuku, Tokyo | 594 | Rs-S-009 | PRIME URBAN Miyanosawa | Sapporo, Hokkaido | 475 |
| Rs-T-055 | PRIME URBAN Mejiro | Shinjuku, Tokyo | 1,430 | Rs-S-010 | PRIME URBAN Odori Higashi | Sapporo, Hokkaido | 394 |
| Rs-T-056 | PRIME URBAN Kagurazaka | Shinjuku, Tokyo | 2,900 | Rs-S-011 | PRIME URBAN Chiji Kokan | Sapporo, Hokkaido | 249 |
| Rs-T-057 | PRIME URBAN Sangen Jaya III | Setagaya, Tokyo | 718 | Rs-S-012 | PRIME URBAN Maruyama | Sapporo, Hokkaido | 229 |
| Rs-T-058 | PRIME URBAN Chitose Karasuyama | Setagaya, Tokyo | 717 | Rs-S-013 | PRIME URBAN Kita Nijuyo Jo | Sapporo, Hokkaido | 437 |
| Rs-T-060 | PRIME URBAN Sangen Jaya | Setagaya, Tokyo | 724 | Rs-S-014 | PRIME URBAN Sapporo Idaimae | Sapporo, Hokkaido | 616 |
| Rs-T-061 | PRIME URBAN Minami Karasuyama | Setagaya, Tokyo | 667 | Rs-S-015 | PRIME URBAN Sapporo Riverfront | Sapporo, Hokkaido | 4,480 |
| Rs-T-062 | PRIME URBAN Karasuyama Galleria | Setagaya, Tokyo | 549 | Rs-S-016 | PRIME URBAN Kita Sanjo Dori | Sapporo, Hokkaido | 1,730 |
| Rs-T-063 | PRIME URBAN Karasuyama Court | Setagaya, Tokyo | 338 | Rs-S-017 | PRIME URBAN Nagamachi Ichome | Sendai, Miyagi | 1,140 |
| Rs-T-065 | PRIME URBAN Chitose Funabashi | Setagaya, Tokyo | 746 | Rs-S-018 | PRIME URBAN Yaotome Chuo | Sendai, Miyagi | 466 |
| Rs-T-066 | PRIME URBAN Yoga | Setagaya, Tokyo | 1,390 | Rs-S-019 | PRIME URBAN Tsutsumidori Amamiya | Sendai, Miyagi | 949 |
| Rs-T-067 | PRIME URBAN Shinagawa Nishi | Shinagawa, Tokyo | 494 | Rs-S-020 | PRIME URBAN Aoi | Nagoya, Aichi | 712 |
| Rs-T-068 | PRIME URBAN Osaki | Shinagawa, Tokyo | 1,860 | Rs-S-021 | PRIME URBAN Kanayama | Nagoya, Aichi | 553 |
| Rs-T-069 | PRIME URBAN Oimachi II | Shinagawa, Tokyo | 1,040 | Rs-S-022 | PRIME URBAN Tsurumai | Nagoya, Aichi | 1,020 |
| Rs-T-070 | PRIME URBAN Yukiyaya | Ota, Tokyo | 951 | Rs-S-023 | PRIME URBAN Kamimaezu | Nagoya, Aichi | 1,590 |
| Rs-T-071 | PRIME URBAN Omori | Ota, Tokyo | 905 | Rs-S-024 | PRIME URBAN Izumi | Nagoya, Aichi | 3,770 |
| Rs-T-072 | PRIME URBAN Denenchofu Minami | Ota, Tokyo | 774 | Rs-S-025 | PRIME URBAN Esaka I | Suita, Osaka | 652 |
| Rs-T-073 | PRIME URBAN Nagahara Kamiikedai | Ota, Tokyo | 1,720 | Rs-S-026 | PRIME URBAN Esaka II | Suita, Osaka | 794 |
| Rs-T-075 | PRIME URBAN Nakano Kamitakada | Nakano, Tokyo | 498 | Rs-S-027 | PRIME URBAN Esaka III | Suita, Osaka | 1,190 |
| Rs-T-076 | PRIME URBAN Takaido | Suginami, Tokyo | 1,060 | Rs-S-028 | PRIME URBAN Tamatsukuri | Osaka, Osaka | 1,020 |
| Rs-T-077 | PRIME URBAN Nishi Ogikubo | Suginami, Tokyo | 414 | Rs-S-029 | PRIME URBAN Sakaisuji Honmachi | Osaka, Osaka | 1,810 |
| Rs-T-078 | PRIME URBAN Nishi Ogikubo II | Suginami, Tokyo | 1,790 | Rs-S-030 | PRIME URBAN Hakata | Fukuoka, Fukuoka | 588 |
| Rs-T-079 | PRIME URBAN Otsuka | Toshima, Tokyo | 730 | Rs-S-031 | PRIME URBAN Yakuin Minami | Fukuoka, Fukuoka | 265 |
| Rs-T-080 | PRIME URBAN Komagome | Toshima, Tokyo | 437 | Rs-S-032 | PRIME URBAN Kashii | Fukuoka, Fukuoka | 398 |
| Rs-T-081 | PRIME URBAN Ikebukuro | Toshima, Tokyo | 3,800 | Rs-S-033 | PRIME URBAN Hakata Higashi | Fukuoka, Fukuoka | 622 |
| Rs-T-082 | PRIME URBAN Monzen Nakacho | Koto, Tokyo | 2,420 | Rs-S-034 | PRIME URBAN Chihaya | Fukuoka, Fukuoka | 604 |
| Rs-T-083 | PRIME URBAN Kameido | Koto, Tokyo | 779 | Rs-S-035 | PRIME URBAN Chikusa | Nagoya, Aichi | 1,110 |
| Rs-T-084 | PRIME URBAN Sumiyoshi | Koto, Tokyo | 632 | Subtotal (150 properties) | | | 184,045 |
| Rs-T-085 | PRIME URBAN Mukojima | Sumida, Tokyo | 528 | Others | | | |
| Rs-T-086 | PRIME URBAN Kinshi Koen | Sumida, Tokyo | 1,290 | Ot-T-001 | Ryotokuji University Shin-Urayasu Campus (Land) | Urayasu, Chiba | 4,900 |
| Rs-T-087 | PRIME URBAN Kinshicho | Sumida, Tokyo | 758 | Subtotal (1 property) | | | 4,900 |
| Rs-T-088 | PRIME URBAN Hirai | Edogawa, Tokyo | 722 | Total (268 properties) | | | 927,318 |
| Rs-T-089 | PRIME URBAN Kasai | Edogawa, Tokyo | 640 | | | | |
| Rs-T-090 | PRIME URBAN Kasai II | Edogawa, Tokyo | 981 | | | | |
| Rs-T-091 | PRIME URBAN Kasai East | Edogawa, Tokyo | 1,140 | | | | |
| Rs-T-093 | PRIME URBAN Itabashi Kuyakushomae | Itabashi, Tokyo | 1,080 | | | | |
| Rs-T-094 | PRIME URBAN Asakusa | Taito, Tokyo | 384 | | | | |
| Rs-T-095 | PRIME URBAN Machiya South Court | Arakawa, Tokyo | 1,910 | | | | |

PORTFOLIO GALLERY (AS OF THE END OF THE 4TH FISCAL PERIOD)



NMF Office Portfolio

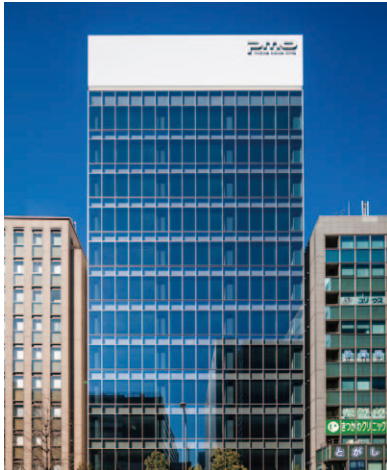
NMF's investment in office facilities centers on properties developed by Nomura Real Estate Development, including the Premium Midsize Office (PMO) brand, with a focus on state-of-the-art features to meet ever-changing tenant needs.

Total Office Portfolio

57 properties

Total Acquisition Price for Portfolio

¥420,260 million



PMO Tamachi

Acquisition Price: **¥6,210 million**Location: **Minato, Tokyo**Completion: **February 2014**

PMO Ginza Hatchome

Acquisition Price: **¥3,970 million**Location: **Chuo, Tokyo**Completion: **April 2014**

PMO Shibakoen

Acquisition Price: **¥3,900 million**Location: **Minato, Tokyo**Completion: **July 2014**

NMF Takebashi Building

Acquisition Price: **¥8,330 million**Location: **Chiyoda, Tokyo**Completion: **March 1973**

NMF Shinjuku EAST Building

Acquisition Price: **¥5,710 million**Location: **Shinjuku, Tokyo**Completion: **October 2002**

NRE Ueno Building

Acquisition Price: **¥6,470 million**Location: **Taito, Tokyo**Completion: **March 1990**

NMF Aoyama 1-chome Building

Acquisition Price: **¥10,400 million**Location: **Minato, Tokyo**Completion: **April 1989**

SORA Shin-Osaka 21

Acquisition Price: **¥12,100 million**Location: **Osaka, Osaka**Completion: **July 1994**

Secom Medical Building

Acquisition Price: **¥11,100 million**Location: **Chiyoda, Tokyo**Completion: **February 2005**

PORTFOLIO GALLERY (AS OF THE END OF THE 4TH FISCAL PERIOD)



NMF Retail Portfolio

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

Total Office Portfolio

42 properties

Total Acquisition Price for Portfolio

¥167,723 million



GEMS Shibuya

Acquisition Price: **¥2,490 million**

Location: **Shibuya, Tokyo**

Completion: **September 2012**



GEMS Ichigaya

Acquisition Price: **¥2,080 million**

Location: **Chiyoda, Tokyo**

Completion: **October 2014**



nORBESA

Acquisition Price: **¥8,500 million**

Location: **Sapporo, Hokkaido**

Completion: **April 2006**



Musashiurawa Shopping Square

Acquisition Price: **¥2,720 million**

Location: **Saitama, Saitama**

Completion: **October 2005**



Megalos Kanagawa

Acquisition Price: **¥1,000 million**

Location: **Yokohama, Kanagawa**

Completion: **May 2002**



Sagamihara Shopping Center

Acquisition Price: **¥6,840 million**

Location: **Sagamihara, Kanagawa**

Completion: **August 1993 etc.**



Nakaza Cui-daore Building

Acquisition Price: **¥11,600 million**

Location: **Osaka, Osaka**

Completion: **February 2004**



covirna Machida

Acquisition Price: **¥3,440 million**

Location: **Machida, Tokyo**

Completion: **September 1981**

PORTFOLIO GALLERY (AS OF THE END OF THE 4TH FISCAL PERIOD)



NMF Logistics Portfolio

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

Total Office Portfolio

18 properties

Total Acquisition Price for Portfolio

¥150,390 million



Landport Kashiwa Shonan I

Acquisition Price: **¥9,900 million**

Location: **Kashiwa, Chiba**

Completion: **January 2016**



Landport Kashiwa Shonan II

Acquisition Price: **¥10,800 million**

Location: **Kashiwa, Chiba**

Completion: **April 2016**



Landport Hachioji

Acquisition Price: **¥8,250 million**

Location: **Hachioji, Tokyo**

Completion: **November 2008**



Landport Kasukabe

Acquisition Price: **¥7,340 million**

Location: **Kasukabe, Saitama**

Completion: **June 2009**



Sagamihara Onodai Logistics Center

Acquisition Price: **¥8,700 million**

Location: **Sagamihara, Kanagawa**

Completion: **August 2000**



Kawaguchi Ryoke Logistics Center

Acquisition Price: **¥10,790 million**

Location: **Kawaguchi, Saitama**

Completion: **October 2003**



Atsugi Minami Logistics Center B Tower

Acquisition Price: **¥4,590 million**

Location: **Atsugi, Kanagawa**

Completion: **May 2005**

PORTFOLIO GALLERY (AS OF THE END OF THE 4TH FISCAL PERIOD)

PROUD
FLAT

NMF Residential Portfolio

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

Total Office Portfolio

150 properties

Total Acquisition Price for Portfolio

¥184,045 million



PROUD FLAT Shirokane Takanawa

Acquisition Price: **¥3,400 million**

Location: **Minato, Tokyo**

Completion: **July 2008**



PROUD FLAT Sangen Jaya

Acquisition Price: **¥1,190 million**

Location: **Setagaya, Tokyo**

Completion: **January 2007**



PROUD FLAT Monzen Nakacho I

Acquisition Price: **¥1,030 million**

Location: **Koto, Tokyo**

Completion: **July 2008**



PROUD FLAT Kamioooka

Acquisition Price: **¥2,710 million**

Location: **Yokohama, Kanagawa**

Completion: **March 2008**



PROUD FLAT Asakusa Komagata

Acquisition Price: **¥1,920 million**

Location: **Taito, Tokyo**

Completion: **March 2008**



PROUD FLAT Kagurazaka

Acquisition Price: **¥1,590 million**

Location: **Shinjuku, Tokyo**

Completion: **November 2006**



Fukasawa House Towers H&I

Acquisition Price: **¥7,140 million**

Location: **Setagaya, Tokyo**

Completion: **June 2004**



PRIME URBAN Naka Meguro

Acquisition Price: **¥1,410 million**

Location: **Meguro, Tokyo**

Completion: **December 2004**



PRIME URBAN Shibaura LOFT

Acquisition Price: **¥1,830 million**

Location: **Minato, Tokyo**

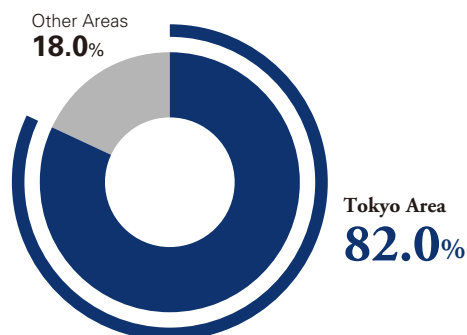
Completion: **July 2006**

PORTFOLIO SUMMARY

| | Properties | Acquisition price(¥mln) | Appraisal value(¥mln) | Building age (years) | Floor area(m ²) |
|-----------------------------------|------------|-------------------------|---------------------------|----------------------|-----------------------------------|
| Total | 268 | ¥927,318 million | ¥1,002,130 million | 19.0 years | 2,266,670.51 m² |
| Office | 57 | ¥420,260 million | ¥442,060 million | 24.8 years | 779,234.79 m² |
| Retail (Near stations) | 18 | ¥119,657 million | ¥132,910 million | 19.8 years | 244,323.27 m² |
| Retail (Residential areas) | 24 | ¥48,066 million | ¥56,004 million | 18.7 years | 194,840.14 m² |
| Logistics | 18 | ¥150,390 million | ¥176,050 million | 10.5 years | 691,065.29 m² |
| Residential | 150 | ¥184,045 million | ¥189,976 million | 12.5 years | 357,207.02 m² |
| Other | 1 | ¥4,900 million | ¥5,130 million | — | — |

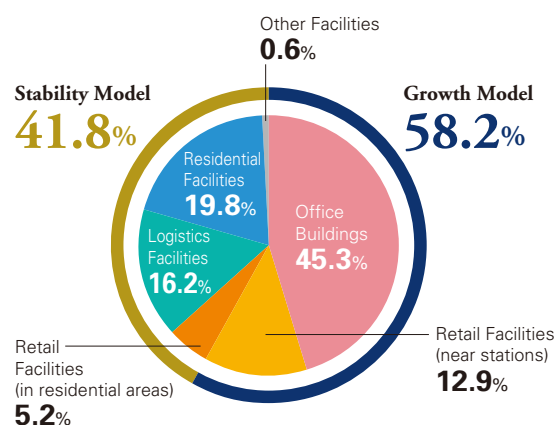
Diversification by Area

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



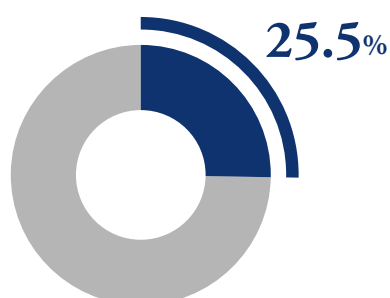
Diversification by Use

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



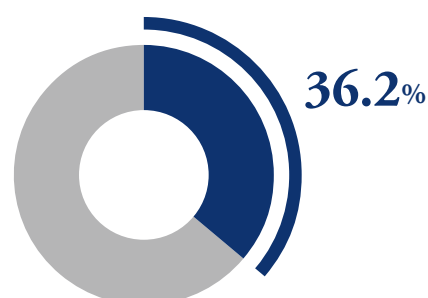
Diversification by Property

Top Ten Properties as a Percentage of Portfolio

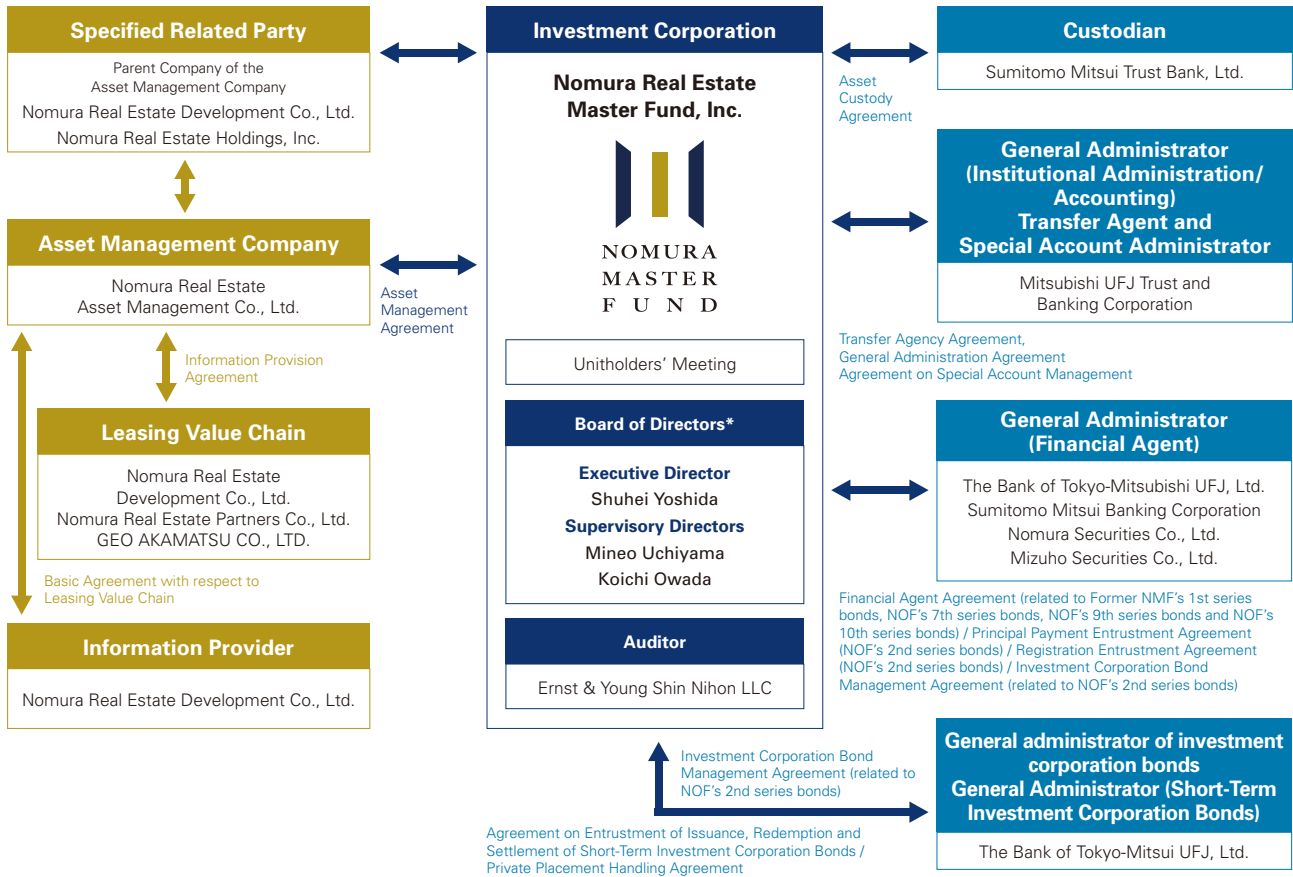


Diversification by Tenant

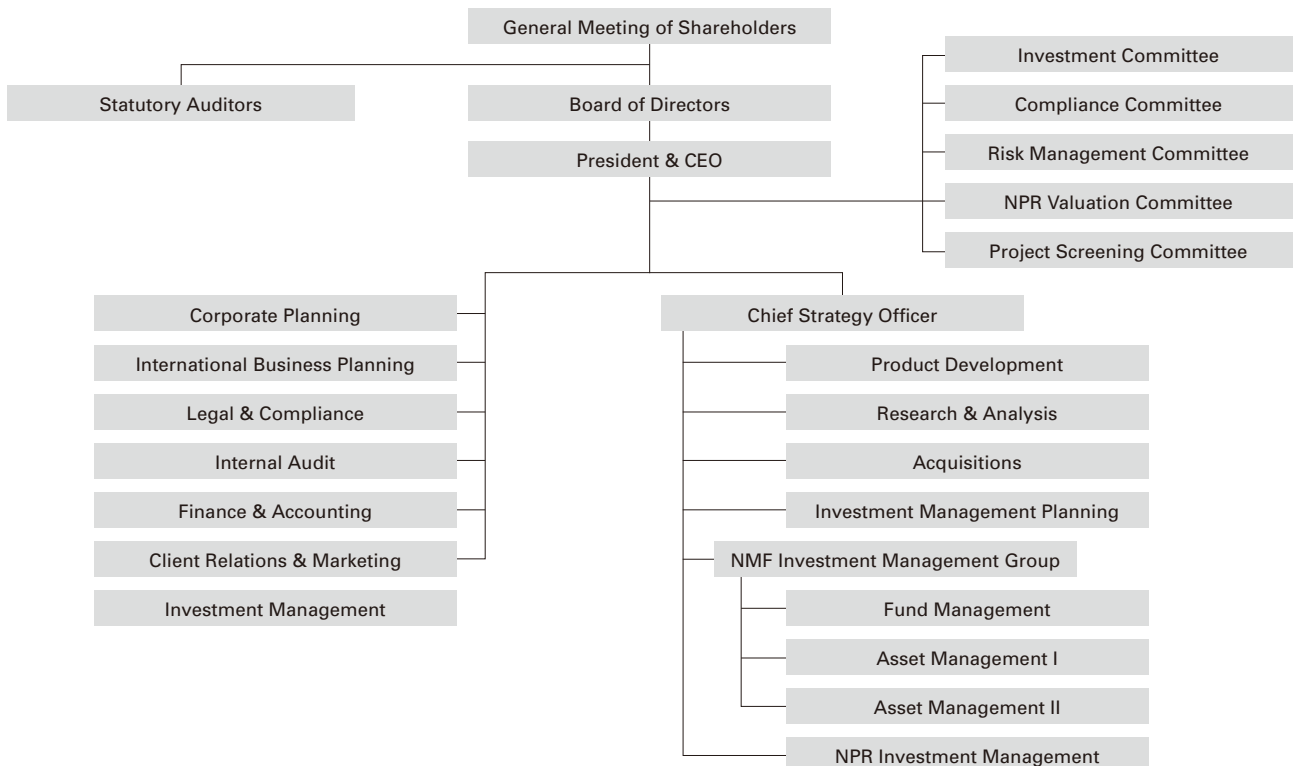
Top Ten Tenants as a Percentage of Portfolio



Structure of NMF



Organization of NREAM



BALANCE SHEET

Thousands of Yen

| | As of August 31, 2017 | As of February 28, 2017 |
|---|-----------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and bank deposits | ¥71,227,676 | ¥73,331,039 |
| Rental receivables | 787,203 | 464,183 |
| Income taxes receivable | 56 | — |
| Consumption taxes receivable | — | 147,670 |
| Other current assets | 1,289,537 | 1,237,456 |
| Total current assets | 73,304,472 | 75,180,348 |
| Property and Equipment: | | |
| Land | 629,968,513 | 629,423,318 |
| Buildings and structures | 306,496,171 | 309,299,034 |
| Machinery and equipment | 828,600 | 760,188 |
| Tools, furniture and fixtures | 609,927 | 497,128 |
| Leased assets | 23,901 | 24,495 |
| Construction in progress | 5,229 | 22,180 |
| Subtotal | 937,932,341 | 940,026,343 |
| Less accumulated depreciation | (23,357,245) | (19,763,573) |
| Net property and equipment | 914,575,096 | 920,262,770 |
| Investments and Other Assets: | | |
| Goodwill | 96,075,952 | 98,698,194 |
| Leasehold rights | 8,580,708 | 8,581,094 |
| Intangible assets | 33,060 | 36,868 |
| Long-term prepaid expenses | 1,692,617 | 1,600,246 |
| Long-term deposits | 566,019 | 533,242 |
| Security deposits | 945,754 | 956,754 |
| Derivatives Assets | 35,372 | 108,612 |
| Deferred investment corporation bond issuance costs | 19,667 | 21,039 |
| Total investments and other assets | 107,949,149 | 110,536,049 |
| Total Assets | ¥1,095,828,717 | ¥1,105,979,167 |

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

BALANCE SHEET

Thousands of Yen

| | As of August 31, 2017 | As of February 28, 2017 |
|--|-----------------------|-------------------------|
| LIABILITIES | | |
| Current Liabilities: | | |
| Trade accounts payable | ¥3,078,365 | ¥2,410,374 |
| Short-term debt | — | 5,000,000 |
| Current portion of investment corporation bonds | 4,000,000 | 9,000,000 |
| Current portion of long-term debt | 54,760,600 | 69,975,600 |
| Lease obligations | 6,630 | 8,651 |
| Other accounts payable | 1,536,891 | 2,294,600 |
| Accrued expenses | 333,667 | 361,542 |
| Accrued income taxes | 605 | 1,550 |
| Accrued consumption taxes | 1,227,566 | — |
| Rent received in advance | 4,942,250 | 5,083,682 |
| Unearned revenue | 300,134 | 366,627 |
| Derivative liabilities | 50,649 | 98,866 |
| Other current liabilities | 299,281 | 297,926 |
| Total current liabilities | 70,536,638 | 94,899,418 |
| Long-term Liabilities: | | |
| Investment corporation bonds | 18,500,000 | 18,500,000 |
| Long-term debt | 411,480,600 | 396,308,400 |
| Lease obligations | 2,956 | 5,395 |
| Long-term advanced received | 574,828 | 713,191 |
| Security deposits from tenants | 36,575,246 | 37,892,970 |
| Derivative liabilities | 1,509,405 | 1,555,381 |
| Total long-term liabilities | 468,643,035 | 454,975,337 |
| Total Liabilities | 539,179,673 | 549,874,755 |
| NET ASSETS | | |
| Unitholders' Equity: | | |
| Unitholders' capital | 162,592,574 | 161,883,753 |
| Surplus | | |
| Capital surplus | 394,012,959 | 394,012,959 |
| Allowance for temporary difference adjustment | (7,367,727) | (5,374,246) |
| Other deductions from capital surplus | (5,801,917) | (3,800,508) |
| Total deductions from capital surplus | (13,169,644) | (9,174,754) |
| Net capital surplus | 380,843,315 | 384,838,205 |
| Retained earnings | 14,737,837 | 10,928,088 |
| Total surplus | 395,581,152 | 395,766,293 |
| Total unitholders' equity | 558,173,726 | 557,650,046 |
| Valuation and Translation Adjustments: | | |
| Deferred gains or losses on hedges | (1,524,682) | (1,545,634) |
| Total valuation and translation adjustments | (1,524,682) | (1,545,634) |
| Total Net Assets | 556,649,044 | 556,104,412 |
| Total Liabilities and Net Assets | ¥1,095,828,717 | ¥1,105,979,167 |

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

STATEMENT OF INCOME AND RETAINED EARNINGS

Thousands of Yen

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|--|--|--|
| OPERATING REVENUES AND EXPENSES | | |
| Operating Revenues: | | |
| Real estate rental revenues | ¥35,032,000 | ¥34,714,979 |
| Gain on sales of real estate | 3,107,662 | — |
| | 38,139,662 | 34,714,979 |
| Operating Expenses: | | |
| Real estate rental expenses | 15,962,926 | 15,791,522 |
| Impairment Loss | — | 269,797 |
| Asset management fees | 3,063,129 | 2,783,115 |
| Asset custody fees | 56,591 | 48,740 |
| Administrative service fees | 174,470 | 155,545 |
| Merger expenses | — | 1,374,890 |
| Amortization of goodwill | 2,622,243 | 2,622,243 |
| Other operating expenses | 524,491 | 424,331 |
| | 22,403,850 | 23,470,183 |
| Operating Income | 15,735,812 | 11,244,796 |
| NON-OPERATING REVENUES AND EXPENSES | | |
| Non-Operating Revenues: | | |
| Interest income | 366 | 358 |
| Reversal of dividends payable | 23,673 | 23,391 |
| Interest on refund | 853 | 2 |
| Other non-operating revenues | 48 | 82 |
| | 24,940 | 23,833 |
| Non-Operating Expenses: | | |
| Interest expense | 1,950,878 | 1,886,021 |
| Interest expenses on investment corporation bonds | 206,638 | 279,333 |
| Amortization of investment corporation bond issuance costs | 1,372 | 1,372 |
| Loan arrangement fees | 405,750 | 423,783 |
| Other non-operating expenses | 5,311 | 5,560 |
| | 2,569,949 | 2,596,069 |
| Ordinary Income | 13,190,803 | 8,672,560 |
| Income before Income Taxes | 13,190,803 | 8,672,560 |
| Income Taxes: | | |
| Current | 605 | 1,605 |
| | 605 | 1,605 |
| Net Income | 13,190,198 | 8,670,955 |
| Retained earnings brought forward | 1,547,639 | 2,257,133 |
| Retained Earnings at End of Period | ¥14,737,837 | ¥10,928,088 |

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

STATEMENT OF CHANGES IN NET ASSETS

For the period from March 1, 2017 to August 31, 2017

Thousands of Yen

| | Unitholders' Equity | | | | | | |
|---|---------------------|----------------------|---|---------------------------------------|--------------------------------------|----------------------|---------------------|
| | Units | Unitholders' Capital | Capital Surplus | Surplus | | | Net capital surplus |
| | | | | Capital surplus | | | |
| | | | | Deductions from capital surplus | | | |
| | | | Allowance for temporary difference adjustment | Other deductions from capital surplus | Total deduction from capital surplus | | |
| Balance as of March 1, 2017 | 4,183,130 | ¥161,883,753 | ¥394,012,959 | (¥5,374,246) | (¥3,800,508) | (¥9,174,754) | ¥384,838,205 |
| Distributions of retained earnings | — | — | — | — | — | — | — |
| Reversal of allowance for temporary difference adjustments | — | 708,821 | — | 708,821 | (708,821) | — | — |
| Distributions in excess of net earnings from allowance for temporary difference adjustments | — | — | — | (2,702,302) | — | (2,702,302) | (2,702,302) |
| Other distributions in excess of net earnings | — | — | — | — | (1,292,588) | (1,292,588) | (1,292,588) |
| Net income | — | — | — | — | — | — | — |
| Net changes of items other than unitholders' equity | — | — | — | — | — | — | — |
| Balance as of August 31, 2017 | 4,183,130 | ¥162,592,574 | ¥394,012,959 | (¥7,367,727) | (¥5,801,917) | (¥13,169,644) | ¥380,843,315 |

Thousands of Yen

| | Unitholders' Equity | | | Valuation and Translation Adjustments | | |
|---|---------------------|---------------------|---------------------------|---------------------------------------|---|---------------------|
| | Surplus | | Total unitholders' equity | Deferred Gains or Losses on Hedges | Total Valuation and Translation Adjustments | Total Net Assets |
| | Retained earnings | Total surplus | | | | |
| Balance as of March 1, 2017 | ¥10,928,088 | ¥395,766,293 | ¥557,650,046 | (¥1,545,634) | (¥1,545,634) | ¥556,104,412 |
| Distributions of retained earnings | (8,671,628) | (8,671,628) | (8,671,628) | — | — | (8,671,628) |
| Reversal of allowance for temporary difference adjustments | (708,821) | (708,821) | — | — | — | — |
| Distributions in excess of net earnings from allowance for temporary difference adjustments | — | (2,702,302) | (2,702,302) | — | — | (2,702,302) |
| Other distributions in excess of net earnings | — | (1,292,588) | (1,292,588) | — | — | (1,292,588) |
| Net income | 13,190,198 | 13,190,198 | 13,190,198 | — | — | 13,190,198 |
| Net changes of items other than unitholders' equity | — | — | — | 20,952 | 20,952 | 20,952 |
| Balance as of August 31, 2017 | ¥14,737,837 | ¥395,581,152 | ¥558,173,726 | (¥1,524,682) | (¥1,524,682) | ¥556,649,044 |

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

For the period from September 1, 2016 to February 28, 2017

Thousands of Yen

| | Unitholders' Equity | | | | | | |
|--|---------------------|----------------------|---|---------------------------------------|--------------------------------------|---------------------|---------------------|
| | Units | Unitholders' Capital | Capital Surplus | Surplus | | | Net capital surplus |
| | | | | Capital surplus | | | |
| | | | | Deductions from capital surplus | | | |
| | | | Allowance for temporary difference adjustment | Other deductions from capital surplus | Total deduction from capital surplus | | |
| Balance as of September 1, 2016 | 3,722,010 | ¥161,120,405 | ¥315,299,775 | (¥6,137,594) | (¥941,669) | (¥7,079,263) | ¥308,220,512 |
| Increase by merger | 461,120 | — | 78,713,184 | — | — | — | 78,713,184 |
| Distributions of retained earnings | — | — | — | — | — | — | — |
| Reversal of allowance for temporary difference adjustments | — | 763,348 | — | 763,348 | (763,348) | — | — |
| Other distributions in excess of net earnings | — | — | — | — | (2,095,491) | (2,095,491) | (2,095,491) |
| Net income | — | — | — | — | — | — | — |
| Net changes of items other than unitholders' equity | — | — | — | — | — | — | — |
| Balance as of February 28, 2017 | 4,183,130 | ¥161,883,753 | ¥394,012,959 | (¥5,374,246) | (¥3,800,508) | (¥9,174,754) | ¥384,838,205 |

Thousands of Yen

| | Unitholders' Equity | | | Valuation and Translation Adjustments | | |
|--|---------------------|---------------------|---------------------------|---------------------------------------|---|---------------------|
| | Surplus | | Total unitholders' equity | Deferred Gains or Losses on Hedges | Total Valuation and Translation Adjustments | Total Net Assets |
| | Retained earnings | Total surplus | | | | |
| Balance as of September 1, 2016 | ¥12,225,011 | ¥320,445,523 | ¥481,565,928 | (¥2,254,454) | (¥2,254,454) | ¥479,311,474 |
| Increase by merger | — | 78,713,184 | 78,713,184 | — | — | 78,713,184 |
| Distributions of retained earnings | (9,204,530) | (9,204,530) | (9,204,530) | — | — | (9,204,530) |
| Reversal of allowance for temporary difference adjustments | (763,348) | (763,348) | — | — | — | — |
| Other distributions in excess of net earnings | — | (2,095,491) | (2,095,491) | — | — | (2,095,491) |
| Net income | 8,670,955 | 8,670,955 | 8,670,955 | — | — | 8,670,955 |
| Net changes of items other than unitholders' equity | — | — | — | 708,820 | 708,820 | 708,820 |
| Balance as of February 28, 2017 | ¥10,928,088 | ¥395,766,293 | ¥557,650,046 | (¥1,545,634) | (¥1,545,634) | ¥556,104,412 |

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

STATEMENT OF CASH FLOWS

Thousands of Yen

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|---|--|--|
| CASH FLOWS | | |
| Cash Flows from Operating Activities | | |
| Income before income taxes | ¥13,190,803 | ¥8,672,560 |
| Depreciation | 4,862,891 | 4,757,916 |
| Impairment loss | — | 269,797 |
| Amortization of goodwill | 2,622,243 | 2,622,243 |
| Amortization of investment corporation bond issuance costs | 1,372 | 1,372 |
| Interest income | (366) | (358) |
| Interest expense | 2,157,516 | 2,165,354 |
| Loss on disposal of property and equipment | 4,998 | 5,259 |
| Increase (Decrease) in allowance for doubtful accounts | — | (54) |
| Decrease (Increase) in rental receivables | (324,497) | 176,868 |
| Decrease (Increase) in long-term prepaid expenses | (92,370) | (227,234) |
| Decrease (Increase) in long-term deposits | (32,777) | 3,407 |
| Increase (Decrease) in trade accounts payable | 667,990 | (466,026) |
| Increase (Decrease) in other accounts payable | (59,416) | (106,694) |
| Decrease (Increase) in consumption taxes receivables | 147,670 | (147,670) |
| Increase (Decrease) in accrued consumption taxes | 1,227,566 | (698,979) |
| Increase (Decrease) in accrued expenses | 9,344 | (144,523) |
| Increase (Decrease) in rent received in advance | (141,432) | (599) |
| Decrease in property and equipment in trust due to sales | 43,502,593 | — |
| Other | (54,162) | 272,228 |
| Subtotal | 67,689,966 | 17,154,867 |
| Interest received | 366 | 358 |
| Interest paid | (2,389,746) | (2,383,092) |
| Income taxes paid | (1,606) | 367 |
| Net cash provided by (used in) operating activities | 65,298,980 | 14,772,500 |
| Cash Flows from Investing Activities | | |
| Payments for purchases of property and equipment | (43,360,739) | (13,686,180) |
| Payments for purchases of leasehold rights and intangible assets | (470) | (7,949) |
| Reimbursement of security deposits to tenants | (2,881,873) | (809,438) |
| Proceeds from security deposits from tenants | 1,565,683 | 895,270 |
| Proceeds from security deposits | 11,000 | 50 |
| Net cash provided by (used in) investing activities | (44,666,399) | (13,608,247) |
| Cash Flows from Financing Activities | | |
| Proceeds from short-term debt | 31,700,000 | 5,000,000 |
| Repayments of short-term debt | (36,700,000) | — |
| Proceeds from long-term debt | 45,070,000 | 42,950,000 |
| Repayment of long-term debt | (45,112,800) | (44,055,300) |
| Redemption of investment corporation bonds | (5,000,000) | (5,000,000) |
| Distributions to unitholders | (8,699,524) | (10,219,933) |
| Distributions in excess of net earnings from allowance for temporary difference adjustments | (2,701,640) | (1,782) |
| Other distributions in excess of net earnings | (1,291,980) | (2,092,350) |
| Net cash provided by (used in) financing activities | (22,735,944) | (13,419,365) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (2,103,363) | (12,255,112) |
| Cash and Cash Equivalents at Beginning of Period | 73,331,039 | 75,270,568 |
| Increase in Cash and Cash Equivalents Resulting from Merger | — | 10,315,583 |
| Cash and Cash Equivalents at End of Period | ¥71,227,676 | ¥73,331,039 |

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

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

2. Basis of presentation

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

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

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

3. Summary of significant accounting policies

Cash and cash equivalents

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

Property and equipment

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

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

Intangible assets

Intangible assets are amortized by the straight-line method.

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

Long-term prepaid expenses

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

NOTES TO FINANCIAL STATEMENTS

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Allowance for doubtful accounts

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

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥3,333 thousand for the fiscal period ended February 28, 2017, and ¥135,274 thousand for the fiscal period ended August 31, 2017.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

4. Cash and cash equivalents

Cash and cash equivalents as of August 31, 2017 and February 28, 2017 consist of the following:

| | Thousands of Yen | |
|---------------------------|-----------------------|-------------------------|
| | As of August 31, 2017 | As of February 28, 2017 |
| Cash and bank deposits | ¥71,227,676 | ¥73,331,039 |
| Cash and cash equivalents | ¥71,227,676 | ¥73,331,039 |

NOTES TO FINANCIAL STATEMENTS

Important contents of the non-cash transactions

Below is a breakdown of the main components of the assets and liabilities transferred from TOP REIT, Inc., as a result of the merger with said company in the period under review. The increase in capital surplus due to the merger was ¥78,713,184 thousand.

| | Thousands of Yen | |
|-----------------------|--|--|
| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
| Current assets | — | ¥10,701,317 |
| Non-current assets | — | 138,313,333 |
| Total assets | — | ¥149,014,650 |
| Current liabilities | — | ¥43,815,959 |
| Long-term liabilities | — | 53,500,119 |
| Total liabilities | — | ¥97,316,078 |

5. Assets pledged as collateral and secured liabilities

The assets pledged as collateral are as follows:

| | Thousands of Yen | |
|--------------------|-----------------------|-------------------------|
| | As of August 31, 2017 | As of February 28, 2017 |
| Buildings in trust | ¥3,319,061 | ¥3,335,340 |
| Land in trust | 6,096,368 | 6,096,368 |
| Total | ¥9,415,429 | ¥9,431,708 |

The secured liabilities are as follows:

| | Thousands of Yen | |
|---|-----------------------|-------------------------|
| | As of August 31, 2017 | As of February 28, 2017 |
| 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 August 31, 2017 and February 28, 2017 consist of the following:

| | Thousands of Yen | | | |
|--|-----------------------|--------------|-------------------------|--------------|
| | As of August 31, 2017 | | As of February 28, 2017 | |
| Land | ¥214,805,613 | ¥214,805,613 | ¥193,986,143 | ¥193,986,143 |
| Buildings and structures | 118,505,725 | | 112,734,556 | |
| Accumulated depreciation | (6,669,922) | 111,835,803 | (4,897,682) | 107,836,874 |
| Machinery and equipment | 597,359 | | 591,582 | |
| Accumulated depreciation | (235,885) | 361,474 | (172,580) | 419,002 |
| Tools, furniture and fixtures | 143,823 | | 109,031 | |
| Accumulated depreciation | (23,985) | 119,838 | (13,537) | 95,494 |
| Land in trust | 415,162,900 | 415,162,900 | 435,437,175 | 435,437,175 |
| Buildings and structures in trust | 187,990,446 | | 196,564,478 | |
| Accumulated depreciation | (16,282,808) | 171,707,638 | (14,585,392) | 181,979,086 |
| Machinery and equipment in trust | 231,241 | | 168,606 | |
| Accumulated depreciation | (24,553) | 206,688 | (14,366) | 154,240 |
| Tools, furniture and fixtures in trust | 466,104 | | 388,097 | |
| Accumulated depreciation | (105,142) | 360,962 | (68,629) | 319,468 |
| Lease assets in trust | 23,901 | | 24,495 | |
| Accumulated depreciation | (14,950) | 8,951 | (11,387) | 13,108 |
| Construction in progress | 5,229 | 5,229 | 22,180 | 22,180 |
| Total | ¥914,575,096 | ¥914,575,096 | ¥920,262,770 | ¥920,262,770 |

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 August 31, 2017 and February 28, 2017 consist of the following:

| | As of August 31, 2017 | | As of February 28, 2017 | |
|--|------------------------------|---|------------------------------|---|
| | 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 13, 2017 ^(Note 2) | — | — | ¥4,000,000 | 0.33606% |
| Unsecured loans from a bank due on March 27, 2017 | — | — | 1,000,000 | 0.21000% |
| Unsecured loans from banks due on April 18, 2017 | — | — | 5,000,000 | 0.58205% |
| Unsecured loans from banks due on June 12, 2017 | — | — | 3,900,000 | 1.43500% |
| Unsecured loans from banks due on June 30, 2017 | — | — | 17,500,000 | Note 4 |
| Unsecured loans from a bank due on August 28, 2017 | — | — | 750,000 | 0.43727% |
| Unsecured loans from banks due on August 28, 2017 | — | — | 5,000,000 | 0.21000% |
| Unsecured loans from banks due on August 28, 2017 | — | — | 9,000,000 | 1.12850% |
| Unsecured loans from banks due on August 28, 2017 | — | — | 3,920,000 | 1.08500% |
| Unsecured loans from banks due on September 26, 2017 | ¥4,000,000 | 0.15000% | 4,000,000 | 0.15000% |
| Unsecured loans from banks due on December 26, 2017 | 12,900,000 | 1.03775% | 12,900,000 | 1.03775% |
| Unsecured loans from a bank due on February 26, 2018 | 1,000,000 | 1.84650% | 1,000,000 | 1.84650% |
| Unsecured loans from banks due on February 26, 2018 | 1,500,000 | 0.43727% | 1,500,000 | 0.43727% |
| Unsecured loans from banks due on February 27, 2018 | 5,420,000 | 1.12013% | 5,420,000 | 1.12013% |
| Unsecured loans from a bank due on March 27, 2018 | 2,355,000 | 1.08448% | — | — |
| Unsecured loans from banks due on March 27, 2018 | 4,670,000 | 0.63000% | — | — |
| Unsecured loans from banks due on April 27, 2018 | 1,230,000 | 0.63000% | — | — |
| Unsecured loans from banks due on May 28, 2018 | 12,200,000 | 0.86250% | — | — |
| Unsecured loans from a bank due on June 26, 2018 | 2,000,000 | 1.09000% | — | — |
| Unsecured loans from a bank due on August 27, 2018 | 2,000,000 | 1.03500% | — | — |
| Unsecured loans from banks due on August 27, 2018 | 5,400,000 | 0.99000% | — | — |
| Unsecured loans from a bank due on May 26, 2025 ^(Note 3) | 42,800 | 2.17000% | 42,800 | 2.17000% |
| Unsecured loans from a bank due on May 26, 2025 ^(Note 3) | 42,800 | 2.21812% | 42,800 | 2.21812% |
| Total | ¥54,760,600 | | ¥74,975,600 | |

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

Note 2: The borrowing was ¥1,000 million repaid on May 26, 2016 in advance to the maturity date.

Note 3: Repay ¥10.7 million of principal at each repayment date during the period between August 26, 2013, and February 26, 2025, and repay ¥497.1 million on May 26, 2025, the last repayment date.

Note 4: Based on an agreement, of the ¥17,500 million, the weighted average interest rates were 0.51000% applicable to ¥9,000 million and 0.79450% applicable to the remaining ¥8,500 million in consideration of the effect of interest rate swaps used for the purpose of avoiding interest rate fluctuation risk.

- (1) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2017. The total unused amounts of such credit facilities were ¥10,000 million as of August 31, 2017.
- (2) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the fiscal period ended August 31, 2017. The total unused amounts of such credit facilities were ¥40,000 million as of August 31, 2017.
- (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 February 28, 2017. The total unused amounts of such credit facilities were ¥10,000 million as of February 28, 2017.
- (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 February 28, 2017. The total unused amounts of such credit facilities were ¥35,000 million as of February 28, 2017.

8. Long-term debt

Long-term debt as of August 31, 2017 and February 28, 2017 consist of the following:

| | As of August 31, 2017 | | As of February 28, 2017 | |
|--|------------------------------|---|------------------------------|---|
| | 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 27, 2018 | — | — | ¥4,670,000 | 0.63000% |
| Unsecured loans from a bank due on March 27, 2018 | — | — | 2,355,000 | 1.08448% |
| Unsecured loans from banks due on April 27, 2018 | — | — | 1,230,000 | 0.63000% |
| Unsecured loans from banks due on May 28, 2018 | — | — | 12,200,000 | 0.86250% |
| Unsecured loans from a bank due on June 26, 2018 | — | — | 2,000,000 | 1.09000% |
| Unsecured loans from a bank due on August 27, 2018 | — | — | 2,000,000 | 1.03500% |
| Unsecured loans from banks due on August 27, 2018 | — | — | 5,400,000 | 0.99000% |

NOTES TO FINANCIAL STATEMENTS

| | As of August 31, 2017 | | As of February 28, 2017 | |
|--|------------------------------|---|------------------------------|---|
| | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) |
| Unsecured loans from banks due on November 26, 2018 | ¥2,000,000 | 0.93600% | 2,000,000 | 0.93600% |
| Unsecured loans from banks due on November 26, 2018 | 4,000,000 | 0.72500% | 4,000,000 | 0.72500% |
| Unsecured loans from banks due on November 26, 2018 | 3,000,000 | 0.77650% | 3,000,000 | 0.77650% |
| Unsecured loans from a bank due on November 26, 2018 | 1,000,000 | 0.48250% | 1,000,000 | 0.48250% |
| Unsecured loans from banks due on November 26, 2018 | 1,700,000 | 0.50250% | 1,700,000 | 0.50250% |
| Unsecured loans from banks due on December 26, 2018 | 6,375,000 | 0.14000% | — | — |
| Unsecured loans from banks due on February 26, 2019 | 3,000,000 | 1.44450% | 3,000,000 | 1.44450% |
| Unsecured loans from a bank due on February 26, 2019 | 2,000,000 | 0.90759% | 2,000,000 | 0.90759% |
| Unsecured loans from banks due on February 26, 2019 | 5,300,000 | 0.87695% | 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 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 | 5,700,000 | 1.25200% | 5,700,000 | 1.25200% |
| 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 | 0.20000% | 3,000,000 | 0.20000% |
| Unsecured loans from banks due on October 28, 2019 | 4,000,000 | 0.17000% | — | — |
| Unsecured loans from banks due on November 26, 2019 | 1,600,000 | 1.16500% | 1,600,000 | 1.16500% |
| Unsecured loans from banks due on November 26, 2019 | 4,000,000 | 0.72650% | 4,000,000 | 0.72650% |
| Unsecured loans from banks due on November 26, 2019 | 5,600,000 | 0.54065% | 5,600,000 | 0.54065% |
| Unsecured loans from banks due on November 26, 2019 | 3,450,000 | 0.37420% | 3,450,000 | 0.37420% |
| Unsecured loans from banks due on February 26, 2020 | 5,750,000 | 1.01150% | 5,750,000 | 1.01150% |
| Unsecured loans from banks due on February 26, 2020 | 2,500,000 | 0.64685% | 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 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 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 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% |

NOTES TO FINANCIAL STATEMENTS

| | As of August 31, 2017 | | As of February 28, 2017 | |
|--|------------------------------|---|------------------------------|---|
| | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) |
| Unsecured loans from a bank due on August 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 a bank due on January 26, 2022 | 3,500,000 | 1.48300% | 3,500,000 | 1.48300% |
| Unsecured loans from banks due on February 28, 2022 | 4,500,000 | 1.31850% | 4,500,000 | 1.31850% |
| Unsecured loans from a bank due on February 28, 2022 | 2,750,000 | 1.29600% | 2,750,000 | 1.29600% |
| Unsecured loans from banks due on February 28, 2022 | 4,000,000 | 1.16000% | 4,000,000 | 1.16000% |
| Unsecured loans from banks due on May 26, 2022 | 5,500,000 | 1.25900% | 5,500,000 | 1.25900% |
| Unsecured loans from banks due on May 31, 2022 | 4,500,000 | 0.82500% | 4,500,000 | 0.82500% |
| Unsecured loans from banks due on 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 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 | 4,550,000 | 1.11000% | 4,550,000 | 1.11000% |
| 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 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 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% | — | — |
| 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% |

NOTES TO FINANCIAL STATEMENTS

| | As of August 31, 2017 | | As of February 28, 2017 | |
|--|------------------------------|---|------------------------------|---|
| | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) | Amount (Thousands of Yen) | Weighted-average interest rate ^(Note 1) |
| Unsecured loans from a bank due on November 26, 2024 | 1,800,000 | 0.55979% | 1,800,000 | 0.55979% |
| 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% | — | — |
| 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% | — | — |
| 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% | — | — |
| Unsecured loans from banks due on August 26, 2025 | 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% | — | — |
| Unsecured loans from a bank due on November 26, 2025 | 1,300,000 | 0.64278% | — | — |
| Unsecured loans from banks due on February 26, 2026 | 4,000,000 | 0.74080% | 4,000,000 | 0.74080% |
| 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 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% | — | — |
| Unsecured loans from banks due on August 26, 2026 | 3,000,000 | 0.67483% | — | — |
| 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% | — | — |
| Unsecured loans from banks due on November 26, 2026 | 4,165,000 | 0.73506% | — | — |
| Unsecured loans from banks due on May 26, 2027 | 3,060,000 | 0.78177% | — | — |
| Unsecured loans from banks due on August 26, 2027 | 4,000,000 | 0.76843% | — | — |
| Unsecured loans from a bank due on November 26, 2027 | 2,000,000 | 0.89209% | 2,000,000 | 0.89209% |
| 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) | 775,300 | 2.17000% | 796,700 | 2.17000% |
| Unsecured loans from a bank due on May 26, 2025 (Note 2) | 775,300 | 2.21812% | 796,700 | 2.21812% |
| Total | ¥411,480,600 | | ¥396,308,400 | |

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

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

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

| | Thousands of Yen | | | |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
| As of February 28, 2017 | ¥51,940,600 | ¥60,685,600 | ¥56,655,600 | ¥47,715,600 |
| As of August 31, 2017 | ¥63,160,600 | ¥58,385,600 | ¥52,235,600 | ¥44,715,600 |

NOTES TO FINANCIAL STATEMENTS

9. Investment corporation bonds

Details of investment corporation bonds outstanding are summarized as follows.

| | As of August 31, 2017 | | As of February 28, 2017 | |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Amount (Thousands of Yen) | Interest rate ^(Note) | Amount (Thousands of Yen) | Interest rate ^(Note) |
| NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020 | ¥5,000,000 | 2.47% | ¥5,000,000 | 2.47% |
| NOF's 6th series of unsecured investment corporation bonds due on March 17, 2017 | — | — | 5,000,000 | 2.21% |
| NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028 | 4,500,000 | 2.9% | 4,500,000 | 2.9% |
| NOF's 9th series of unsecured investment corporation bonds due on November 24, 2017 | 4,000,000 | 1.52% | 4,000,000 | 1.52% |
| Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024 | 3,000,000 | 0.87% | 3,000,000 | 0.87% |
| NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024 | 6,000,000 | 1.02% | 6,000,000 | 1.02% |
| Total | ¥22,500,000 | | ¥27,500,000 | |

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

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

| | Thousands of Yen | | | | |
|------------------------------|-------------------|-----------|------------|------------|-----------|
| | Within a year | 1-2 years | 2-3 years | 3-4 years | 4-5 years |
| As of February 28, 2017 | ¥9,000,000 | — | — | ¥5,000,000 | — |
| As of August 31, 2017 | ¥4,000,000 | — | ¥5,000,000 | — | — |

10. Unitholders' equity

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

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 March 1, 2017 to August 31, 2017

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 | ¥4,244,641 | ¥1,622,398 | ¥2,622,243 | — | ¥4,244,641 | — |
| Land, buildings, etc. | Merger expenses | 4,029,136 | 1,497,394 | (6,320) | — | 1,491,074 | — |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized at the end of the fiscal period | 2,867,595 | 2,254,454 | — | (¥708,821) | 1,545,633 | Changes in fair value of derivative transactions |
| Land, buildings, etc. | Impairment loss | 269,797 | — | 86,379 | — | 86,379 | — |
| Long-term deposits | Shortfall of reserve for repair | 15,186 | — | — | — | — | — |
| Increase - subtotal | | — | 5,374,246 | 2,702,302 | (708,821) | 7,367,727 | — |
| Buildings, building improvements, etc. | Depreciation deficiency equivalent | (1,302,167) | — | — | — | — | — |
| Unearned revenue, etc. | Write-down of loss on interest rate swap due to merger | (216,262) | — | — | — | — | — |
| Other | — | (¥76,769) | — | — | — | — | — |
| Decrease - subtotal | | — | — | — | — | — | — |
| Total | | — | ¥5,374,246 | ¥2,702,302 | (¥708,821) | ¥7,367,727 | — |

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) Impairment loss

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

(4) Deferred gains or losses on hedges.

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

For the period from September 1, 2016 to February 28, 2017

1. Reason, related assets and amounts

| | | Thousands of Yen | | | | | |
|--|---|-------------------|---------------------------------------|-----------------------------------|------------------------|--------------------------------------|--|
| Related assets, etc. | Reason | Initial amount | Balance at the end of previous period | Allowance set aside during period | Reversal during period | Balance at the end of current period | Reason for reversal |
| Goodwill | Amortization of goodwill | ¥1,622,398 | ¥1,622,398 | — | — | ¥1,622,398 | — |
| Land, buildings, etc. | Merger expenses | 2,638,862 | 1,568,581 | — | (¥71,187) | 1,497,394 | Sale of property and amortization of merger expenses |
| Land, buildings, etc. | Impairment loss | 79,020 | 79,020 | — | (79,020) | — | Sale of property on which impairment was recognized |
| Deferred gains or losses on hedges | Loss on interest-rate swaps recognized at the end of the fiscal period | 2,867,595 | 2,867,595 | — | (613,141) | 2,254,454 | Changes in fair value of derivative transactions |
| Increase - subtotal | | 7,207,875 | 6,137,594 | — | (763,348) | 5,374,246 | — |
| Buildings, building improvements, etc. | Depreciation deficiency equivalent | (790,132) | — | — | — | — | — |
| Investment corporation bond issuance costs | Investment corporation bonds issuance cost amortization deficiency equivalent | (97,558) | — | — | — | — | — |
| Unearned revenue, etc. | Write-down of loss on interest rate swap due to merger | (172,304) | — | — | — | — | — |
| Other | — | (10,287) | — | — | — | — | — |
| Decrease - subtotal | | (1,070,281) | — | — | — | — | — |
| Total | | ¥6,137,594 | ¥6,137,594 | — | (¥763,348) | ¥5,374,246 | — |

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 | |
| Investment securities | Upon redemption, etc., the corresponding amount is scheduled to be reversed. |

(3) Impairment loss

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

(4) Deferred gains or losses on hedges.

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

NOTES TO FINANCIAL STATEMENTS

12. Per unit information

The net asset values per unit and the net income per unit as of August 31, 2017 and February 28, 2017 were as follows:

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|---------------------|--|--|
| Net assets per unit | ¥133,069 | ¥132,939 |
| Net income per unit | ¥3,153 | ¥2,072 |

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

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

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|---|--|--|
| Net income (Thousands of Yen) | ¥13,190,198 | ¥8,670,955 |
| Amount not available to ordinary unitholders (Thousands of Yen) | — | — |
| Net income available to ordinary unitholders (Thousands of Yen) | ¥13,190,198 | ¥8,670,955 |
| Average number of units during the period (Units) | 4,183,130 | 4,183,130 |

13. Related party transactions

For the periods from March 1, 2017 to August 31, 2017 and from September 1, 2016 to February 28, 2017

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 31.74% for the fiscal period ended August 31, 2017. 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 ¥12,704,166 thousand for the fiscal period ended August 31, 2017 respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

| | For the period from March 1, 2017 to August 31, 2017 | Thousands of Yen For the period from September 1, 2016 to February 28, 2017 |
|---|--|--|
| Deferred tax asset: | | |
| Valuation difference on other assets acquired by merger | ¥21,965,966 | ¥24,633,095 |
| Deferred gains or losses on hedges | 481,704 | 488,323 |
| Unearned revenue | 275,398 | 339,961 |
| Write-offs for long-term prepaid expenses | 25,634 | 28,780 |
| Impairment losses of non-repudiation | — | 85,628 |
| Depreciation costs of trust leasehold rights | 855 | 733 |
| Accrued enterprise tax | — | 39 |
| Subtotal | ¥22,749,557 | ¥25,576,559 |
| Valuation allowance | (¥22,749,557) | (¥25,576,559) |
| Total non-current deferred tax assets | — | — |
| Total deferred tax assets | — | — |
| Net deferred tax assets | — | — |

NOTES TO FINANCIAL STATEMENTS

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

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|-------------------------------|--|--|
| Statutory tax rate | 31.74% | 31.74% |
| Deductible cash distributions | (16.57%) | (41.62%) |
| Valuation of allowance | (21.48%) | 0.30% |
| Amortization of goodwill | 6.31% | 9.60% |
| Other | 0.00% | 0.01% |
| Effective tax rate | 0.00% | 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

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

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

3. Supplementary Explanation on Estimated Fair Value of Financial Instruments

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "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 March 1, 2017 to August 31, 2017

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2017.

| | Carrying value ^(Note 1) | Fair value ^(Note 2) | Difference |
|---|------------------------------------|--------------------------------|------------------|
| | | | Thousands of Yen |
| (i) Cash and bank deposits | ¥71,227,676 | ¥71,227,676 | — |
| (ii) Short-term debt | — | — | — |
| (iii) Current portion of investment corporation bonds | (4,000,000) | (4,011,828) | ¥11,828 |
| (iv) Current portion of long-term debt | (54,760,600) | (54,912,627) | 152,027 |
| (v) Investment corporation bonds | (18,500,000) | (19,932,756) | 1,432,756 |
| (vi) Long-term debt | (411,480,600) | (417,122,162) | ¥5,641,562 |
| (vii) Derivative transactions | (¥1,539,851) | (¥1,539,851) | — |

NOTES TO FINANCIAL STATEMENTS

For the period from September 1, 2016 to February 28, 2017

The following table summarizes the carrying value and the estimated fair values of financial instruments as of February 28, 2017.

| | Carrying value ^(Note 1) | Fair value ^(Note 2) | Difference |
|---|------------------------------------|--------------------------------|------------|
| (i) Cash and bank deposits | ¥73,331,039 | ¥73,331,039 | — |
| (ii) Short-term debt | (5,000,000) | (5,000,000) | — |
| (iii) Current portion of investment corporation bonds | (9,000,000) | (9,042,508) | ¥42,508 |
| (iv) Current portion of long-term debt | (69,975,600) | (69,997,721) | 22,121 |
| (v) Investment corporation bonds | (18,500,000) | (19,979,231) | 1,479,231 |
| (vi) Long-term debt | (396,308,400) | (399,857,342) | 3,548,942 |
| (vii) Derivative transactions | (¥1,563,490) | (¥1,563,490) | — |

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.

(iii) Current portion of investment corporation bonds and (iv) Investment corporation bonds

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

(v) Current portion of long-term debt and (vi) 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.

(vii) Derivative transactions

See "22. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of August 31, 2017

| | 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 | ¥71,227,676 | — | — | — | — | — |
| Total | ¥71,227,676 | — | — | — | — | — |

Redemption schedule for cash and bank deposits as of February 28, 2017

| | 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 | ¥73,331,039 | — | — | — | — | — |
| Total | ¥73,331,039 | — | — | — | — | — |

Note 4: Redemption schedule for cash and bank deposits as of August 31, 2017

| | 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 | — | — | — | — | — | — |
| Investment corporation bonds | ¥4,000,000 | — | ¥5,000,000 | — | — | ¥13,500,000 |
| Long-term debt | ¥54,760,600 | ¥63,160,600 | ¥58,385,600 | ¥52,235,600 | ¥44,715,600 | ¥192,983,200 |
| Total | ¥58,760,600 | ¥63,160,600 | ¥63,385,600 | ¥52,235,600 | ¥44,715,600 | ¥206,483,200 |

Redemption schedule for cash and bank deposits as of February 28, 2017

| | 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 | ¥5,000,000 | — | — | — | — | — |
| Investment corporation bonds | ¥9,000,000 | — | — | ¥5,000,000 | — | ¥13,500,000 |
| Long-term debt | ¥69,975,600 | ¥51,940,600 | ¥60,685,600 | ¥56,655,600 | ¥47,715,600 | ¥179,311,000 |
| Total | ¥83,975,600 | ¥51,940,600 | ¥60,685,600 | ¥61,655,600 | ¥47,715,600 | ¥192,811,000 |

NOTES TO FINANCIAL STATEMENTS

16. Investment and rental properties

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

| | Thousands of Yen | |
|---|--|--|
| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
| Carrying value | | |
| Balance at beginning of the period | ¥928,836,719 | ¥782,457,778 |
| Amount of increase (decrease) during the period | (5,680,915) | 146,378,940 |
| Balance at end of the period | 923,155,804 | 928,836,719 |
| Fair value at end of the period | ¥1,002,630,000 | ¥996,084,000 |

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 19 properties as a result of the absorption-type merger with TOP REIT, Inc. (total of ¥137,495,038 thousand) and the acquisition of Landport Kashiwa Shonan II (¥10,916,634 thousand). The decrease during the previous period is mainly attributable to depreciation (¥4,754,117 thousand). The increase during the current period is mainly attributable to the acquisition of nORBESA (¥8,638,004 thousand), NRE Kichijoji Building (¥5,141,844 thousand), Nakaza Cui-daore Building (¥12,165,807 thousand), Landport Kashiwa Shonan I (¥10,040,496 thousand), PRIME URBAN Gakugei Daigaku Parkfront (¥1,402,842 thousand), Proud Flat Omori III (¥1,165,489 thousand), Proud Flat Kinshicho (¥831,191 thousand), Summit Store Narita-Higashi (Land) (¥744,810 thousand). The decrease during the current period is mainly attributable to the sale of NOF Technoport Kamata Center Building (¥4,725,469 thousand), NOF Nihonbashi Honcho Building (¥10,889,175 thousand), Tennozu Park Side Building (¥12,467,899 thousand), Mitsubishi Motors Shibuya (¥1,586,458 thousand), Mitsubishi Motors Suginami (¥748,922), Ito-Yokado Higashi-Narashino Store (¥641,752 thousand), Merad Owada (¥6,510,260 thousand), Ota Nitta Logistics Center (¥3,081,630 thousand), Ota Higashishinnmachi Logistics Center (¥1,958,017 thousand), Ota Kiyohara Logistics Center (¥578,054 thousand) and Chiyodamachi Logistics Center (¥314,953 thousand) as well as depreciation (¥4,858,613 thousand).

Note 3: Fair value at the end of the period is the appraisal value or survey price determined by an outside real estate appraiser. However, the scheduled transfer price is used as the fair value for NOF Technoport Kamata Center Building, NOF Nihonbashi Honcho Building, Tennozu Park Side Building, Mitsubishi Motors Shibuya, Mitsubishi Motors Suginami and Ito-Yokado Higashi-Narashino Store in the previous period and for Morisia Tsudanuma in the current period.

The real estate rental revenues and expenses for the fiscal period ended August 31, 2017 are presented in "18. Breakdown of Real Estate Rental Revenues and Expenses".

17. Segment information

For the periods from March 1, 2017 to August 31, 2017 and from September 1, 2016 to February 28, 2017

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

For the period from March 1, 2017 to August 31, 2017

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

For the period from September 1, 2016 to February 28, 2017

| Customer name | Revenues (Thousands of Yen) | Related segment name |
|---------------------------------------|-----------------------------|-----------------------------|
| Nomura Real Estate Partners Co., Ltd. | ¥4,499,817 | Rental real estate business |

NOTES TO FINANCIAL STATEMENTS

18. Breakdown of real estate rental revenues and expenses

Real estate rental revenues and expenses for the fiscal period ended August 31, 2017 and February 28, 2017 consist of the following:

| | Thousands of Yen | |
|------------------------------|--|--|
| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
| Real estate rental revenues | ¥35,032,000 | ¥34,714,979 |
| Rental revenues | 31,656,774 | 31,730,412 |
| Rental revenues | 29,096,278 | 29,030,376 |
| Common area charges | 2,560,496 | 2,700,036 |
| Other rental revenues | 3,375,226 | 2,984,567 |
| Parking revenues | 661,984 | 689,795 |
| Incidental income | 2,507,620 | 2,174,961 |
| Other miscellaneous revenues | 205,622 | 119,811 |
| Real estate rental expenses | 15,962,926 | 15,791,522 |
| Property management costs | 1,697,881 | 1,692,981 |
| Property management fees | 955,304 | 901,770 |
| Property and other taxes | 2,883,602 | 3,016,773 |
| Utility expenses | 2,013,032 | 1,807,086 |
| Casualty insurance | 46,032 | 45,751 |
| Repairs and maintenance | 2,083,226 | 2,135,500 |
| Land rents | 208,035 | 208,052 |
| Depreciation | 4,862,343 | 4,757,368 |
| Other rental expenses | 1,213,471 | 1,226,241 |
| Real estate rental profits | ¥19,069,074 | ¥18,923,457 |

19. Impairment loss

In the previous period ended, the Company recorded impairment loss on the following asset group.

| Property name | Use | Type | Location | Impairment loss (Thousands of Yen) |
|---------------------------------------|--------|---------------------------------|----------|---------------------------------------|
| Tennozu Park Side Building | Office | Buildings, land, in trust, etc. | Tokyo | ¥220,723 |
| NOF Technoport Kamata Center Building | Office | Buildings, land, in trust, etc. | Tokyo | 49,074 |

For the purpose of calculating impairment loss, each property is considered an asset group. NMF reached sales agreements for NOF Technoport Kamata Center Building and Tennozu Park Side Building on December 22, 2016, and April 4, 2017, respectively. As a result, the properties' book values were reduced to their respective recoverable amounts and the difference was recorded as impairment loss under operating expenses.

Any impairment loss recognized as a result of sales is regarded as having the characteristics of an operating expense and is therefore recorded under operating expenses in accordance with Article 48 Paragraph 2 of the Regulations Concerning Accounting of Investment Corporations.

Also, the recoverable amounts of the asset groups are measured using the respective net realizable values or values in use. The net realizable values are calculated by subtracting the expected disposal costs from the actual sales prices. In the calculation of values in use, the discount rate is not taken into account because the estimated periods of future cash flows are all short term.

20. Breakdown of gain and loss on sales of real estate

| | Thousands of Yen | |
|-----------------------------------|--|--|
| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
| Gain on sale of real estate | | |
| Proceeds from sale of real estate | ¥47,414,250 | — |
| Cost of real estate | 43,502,593 | — |
| Other related sales expense | 803,995 | — |
| Gain on sale of real estate | ¥3,107,662 | — |
| Loss on sale of real estate | | |
| Proceeds from sale of real estate | — | — |
| Cost of real estate | — | — |
| Other related sales expense | — | — |
| Loss on sale of real estate | — | — |

NOTES TO FINANCIAL STATEMENTS

21. Leases

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of August 31, 2017 and February 28, 2017 are summarized as follows:

| | Thousands of Yen | |
|---------------------|-----------------------|-------------------------|
| | As of August 31, 2017 | As of February 28, 2017 |
| Due within one year | ¥32,493,388 | ¥32,053,051 |
| Due after one year | 82,875,214 | 83,352,588 |
| Total | ¥115,368,602 | ¥115,405,639 |

22. Derivatives and hedge accounting

Derivative transactions as of August 31, 2017

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

| Hedge accounting method | Type of derivative instruments | Main hedged item | Notional amount | | Fair value ^(Note 2) |
|--|--|------------------|---------------------|---------------------|----------------------------------|
| | | | ^(Note 1) | Due after one year | |
| Principal treatment method | Interest rate swaps: Received/floating and paid/fixed | Long-term debt | ¥154,100,000 | ¥129,380,000 | (¥1,539,851) ^(Note 3) |
| Special treatment of interest rate swaps | Interest rate swaps: Received/floating and paid/fixed | Long-term debt | 101,718,100 | 89,475,300 | (1,402,532) ^(Note 4) |
| Total | | | ¥255,818,100 | ¥218,855,300 | (¥2,942,383) |

Note 1: Contract amount is based on notional amount.

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

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

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

Derivative transactions as of February 28, 2017

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

| Hedge accounting method | Type of derivative instruments | Main hedged item | Notional amount | | Fair value ^(Note 2) |
|--|--|------------------|---------------------|---------------------|----------------------------------|
| | | | ^(Note 1) | Due after one year | |
| Principal treatment method | Interest rate swaps: Received/floating and paid/fixed | Long-term debt | ¥175,500,000 | ¥134,780,000 | (¥1,563,490) ^(Note 3) |
| Special treatment of interest rate swaps | Interest rate swaps: Received/floating and paid/fixed | Long-term debt | 101,739,500 | 101,696,700 | (1,399,669) ^(Note 4) |
| Total | | | ¥277,239,500 | ¥236,476,700 | (¥2,963,160) |

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, (¥17,856 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥1,399,669 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest rate swaps.

NOTES TO FINANCIAL STATEMENTS

23. Cash distributions

| | For the period from March 1, 2017 to August 31, 2017 | For the period from September 1, 2016 to February 28, 2017 |
|---|--|--|
| 1. Retained earnings at end of period | ¥14,737,836,769 | ¥10,928,087,899 |
| 2. Distributions in excess of retained earnings | — | ¥3,994,889,150 |
| Of which, allowance for temporary difference adjustment | — | ¥2,702,301,980 |
| Of which, other distributions in excess of net income | — | ¥1,292,587,170 |
| 3. Incorporation into unitholders' capital | ¥198,551,954 | ¥708,820,764 |
| Of which, reversal of allowance for temporary difference adjustments | ¥198,551,954 | ¥708,820,764 |
| 4. Distributions | ¥12,704,165,810 | ¥12,666,517,640 |
| [Distributions (per unit)] | (¥3,037) | (¥3,028) |
| Of which, distributions of earnings | ¥12,704,165,810 | ¥8,671,628,490 |
| [Of which, distributions of earnings (per unit)] | (¥3,037) | (¥2,073) |
| Of which, allowance for temporary difference adjustments | — | ¥2,702,301,980 |
| [Of which, allowance for temporary difference adjustments (per unit)] | — | (¥646) |
| Of which, other distributions in excess of net income | — | ¥1,292,587,170 |
| [Of which, other distributions in excess of net income (per unit)] | — | (¥309) |
| 4. Retained earnings carried forward | ¥1,835,119,005 | ¥1,547,638,645 |

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 pay ¥12,704,165,810 in distributions, for a distribution per unit of ¥3,037. This figure was calculated as ¥13,190,198,124 in net income plus ¥2,622,242,820 in amortization of goodwill minus ¥3,107,662,242 in gains on sale of real estate, for a subtotal of ¥12,704,778,702, from which the portion for which per-unit distributions would be less than ¥1 was excluded.

Note that, for the fiscal period under review, the distribution consists entirely of the distribution of earnings, and there is no distribution in excess of earnings as defined in Article 36, Paragraph 2 of NMF's Articles of Incorporation.

24. Information on allowance for temporary difference adjustments

For the period from March 1, 2017 to August 31, 2017

1. Reason for reversal, related assets and amounts

| Related assets, etc. | Reason for reversal | Thousands of Yen Provision of allowance for temporary difference adjustments |
|------------------------------------|---|---|
| Land, buildings, etc. | Sale and depreciation of properties for which merger expenses were recorded | (¥91,222) |
| Land, buildings, etc. | Sale of property on which impairment was recognized | (86,379) |
| Deferred gains or losses on hedges | Changes in fair value of derivatives | (20,951) |
| Total | | (¥198,552) |

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

NOTES TO FINANCIAL STATEMENTS

3. Impairment loss

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

4. Deferred gains or losses on hedges

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

For the period from September 1, 2016 to February 28, 2017

1. Reason of provision, related assets and amounts

| | | Thousands of Yen |
|--|--|---|
| Related assets, etc. | Reason of provision | Provision of allowance for temporary difference adjustments |
| Goodwill | Amortization of goodwill | ¥2,622,243 |
| Land, buildings, etc. | Merger expenses | 1,390,273 |
| Land, buildings, etc. | Impairment loss | 269,797 |
| Long-term deposits | Shortfall of reserve for repairs | 15,186 |
| Increase - subtotal | | 4,297,499 |
| Buildings, building improvements, etc. | Depreciation deficiency equivalent | (1,302,166) |
| Unearned income, etc. | Reversal of loss on interest rate swap due to merger | (216,262) |
| Other | — | (76,769) |
| Decrease - subtotal | | (1,595,197) |
| Total | | ¥2,702,302 |

2. Reason for reversal, related assets and amounts

| | | Thousands of Yen |
|------------------------------------|--|--|
| Related assets, etc. | Reason for reversal | Reversal of allowance for temporary difference adjustments |
| Land, buildings, etc. | Sale of property and amortization of merger expenses | —* |
| Deferred gains or losses on hedges | Changes in fair value of derivative transactions | (¥708,820) |
| Total | | (¥708,820) |

* The amount cancelled in the period under review (¥6,319 thousand) was deducted from "Depreciation deficiency equivalent" under 1 above.

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 | |
| Investment securities | Upon redemption, etc., the corresponding amount is scheduled to be reversed. |

(3) Impairment loss

At the time of the sale of the relevant property, the corresponding amount is scheduled to be reversed.

(4) Long-term deposits

In principle, Long-term deposits are not reversed.

(5) Deferred gains or losses on hedges

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

NOTES TO FINANCIAL STATEMENTS

25. Business combination**For the period from March 1, 2017 to August 31, 2017**

Not applicable.

For the period from September 1, 2016 to February 28, 2017

Business Combination through Acquisition

1. Overview of Business Combination

(1) Name and Business Description of Acquiree

| Name of acquire | Business description |
|-------------------------------------|------------------------------|
| TOP REIT, Inc. (hereinafter, "TOP") | Real estate investment trust |

(2) Main Reasons for Business Combination

NMF believes that the absorption-type merger with TOP presented a rare opportunity for external growth in the heated real estate acquisition market. Furthermore, the absorption-type merger with TOP increased NMF's ratio of investment in properties for which future internal growth can be expected, specifically properties that are in upside sectors or located within Tokyo's five central wards. TOP expected that, because the absorption-type merger would make Nomura Real Estate Group, a general real estate developer, its sponsor, said merger would promote external growth by reinforcing the property pipeline. Furthermore, TOP expected that the absorption-type merger would significantly diversify its portfolio and thereby improve its income stability. Thus, having reached the shared understanding that the absorption-type merger would best increase their respective unitholder value, NMF and TOP entered into an absorption-type merger agreement.

(3) Date of Business Combination

September 1, 2016

(4) Legal Form of Business Combination

An absorption-type merger with NMF as the surviving corporation and TOP as the absorbed corporation.

(5) Name of the Investment Corporation after Business Combination

Nomura Real Estate Master Fund, Inc.

(6) Main Reasons for Determining Acquiring Company

NMF was determined to be the acquiring company in accordance with the Accounting Standards for Business Combinations and other relevant standards based on a comprehensive consideration of such factors as corporate scale, including each company's total assets and net income; the ratio of voting rights that would be controlled by each company's unitholders after the absorption-type merger; and the composition of the Board of Directors after the absorption-type merger.

2. Period for which the Operating Results of Acquiree Included in the Statement of Income and Retained Earnings

| Name of acquire | Operating results period |
|-----------------|--|
| TOP | September 1, 2016 to February 28, 2017 |

3. Acquisition Cost of Acquiree and the Breakdown

| Name of acquire | Acquisition cost |
|-----------------|----------------------|
| TOP | ¥78,713,184 thousand |

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

(1) Exchange Ratio of Investment Units

| | NMF | TOP |
|--------------|------|------|
| Merger Ratio | 1.00 | 2.62 |

(2) Method of Calculation

Each investment corporation appointed a financial advisor (hereafter "FA") for the absorption-type merger and requested that said financial advisor perform a financial analysis of the merger ratio. NMF appointed Nomura Securities Co., Ltd., and TOP appointed Daiwa Securities Co., Ltd. Based on comprehensive consideration of such factors as each corporation's financial performance, assets and liabilities, and future outlook, as well as the merits of the absorption-type merger for each corporation and the results of the financial analyses conducted by the two FAs, NMF and TOP reached an agreement with regard to the above merger ratio through careful negotiation and concluded on absorption-type merger agreement.

NOTES TO FINANCIAL STATEMENTS

(3) Number of Investment Units Issued

| Names of acquirees | Investment units issued |
|--------------------|-------------------------|
| TOP | 461,120 units |

5. Details on and Amount of Main Merger Expenses

| Description | Amount |
|-----------------------------|---------------------|
| FA fees | ¥240,000 thousand |
| Acquisition fees for merger | ¥1,374,890 thousand |

6. Amount and Reason for Goodwill

(1) Amount of Goodwill

¥27,014,612 thousand

(2) Reason

Goodwill resulted from the acquisition of the acquiree, TOP, and represents the excess of the acquisition cost (¥78,713,184 thousand) over the fair value of its net assets (¥51,698,571 thousand).

(3) Method of Goodwill Amortization and Amortization Period

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

7. Breakdown of Assets Acquired and Liabilities Assumed (As of the date of the business combination)

| | Thousands of Yen |
|-----------------------|------------------|
| Current assets | ¥10,701,317 |
| Non-current assets | 138,313,333 |
| Total assets | ¥149,014,650 |
| Current liabilities | ¥43,815,959 |
| Long-term liabilities | 53,500,119 |
| Total liabilities | ¥97,316,078 |

8. Estimated Impact on the Statement of Income and Retained Earnings for the Fiscal Period under Review Assuming the Business Combination Was Completed at the Beginning of the Fiscal Period

There was no impact since the acquisition date is the same as the beginning date of the fiscal period

26. Significant subsequent events

Asset Sales

NMF reached an agreement to sell and sold the following asset after the conclusion of the 4th fiscal period (August 31, 2017).

(1) Morisia Tsudanuma

- Type of asset: Trust beneficiary interest in mainly real estate
- Use: Retail facility
- Contract date: September 29, 2017
- Transfer date: September 29, 2017
- Transfer price: ¥18,000 million
- Buyer: Nomura Real Estate Development Co., Ltd.
- Impact on 5th fiscal period earnings (Scheduled): ¥3 million

The impact of (1), above, on earnings for the 5th fiscal period (September 1, 2017 to February 28, 2018) will be recorded as gain on sales of real estate under operating revenues.

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at August 31, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows from March 1, 2017 to August 31, 2017 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Master Fund, Inc. as at August 31, 2017, and its financial performance and cash flows from March 1, 2017 to August 31, 2017 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

November 24, 2017
Tokyo, Japan

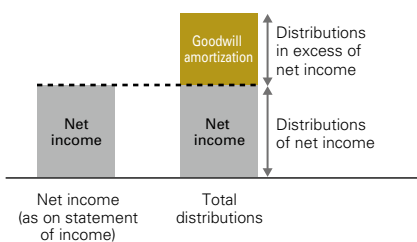
Distribution Policy

To ensure stable distributions over the medium and long term, we have adopted a new policy for handling gains on sales.* Under this new policy, by adjusting distributions in excess of net income, an amount equivalent to gain on sales of properties may be designated as retained earnings.

*This does not constitute a change to NMF's basic distribution policy.

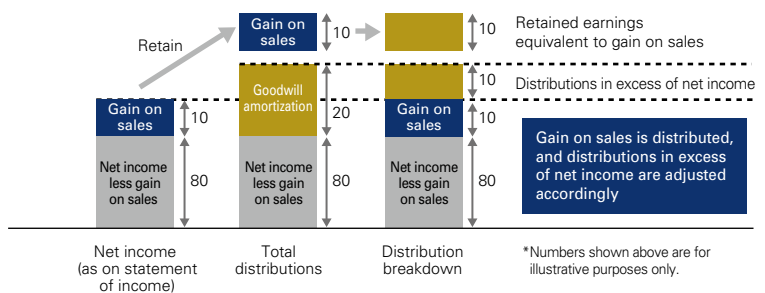
Basic Distribution Policy

Distribute net income + goodwill amortization expenses

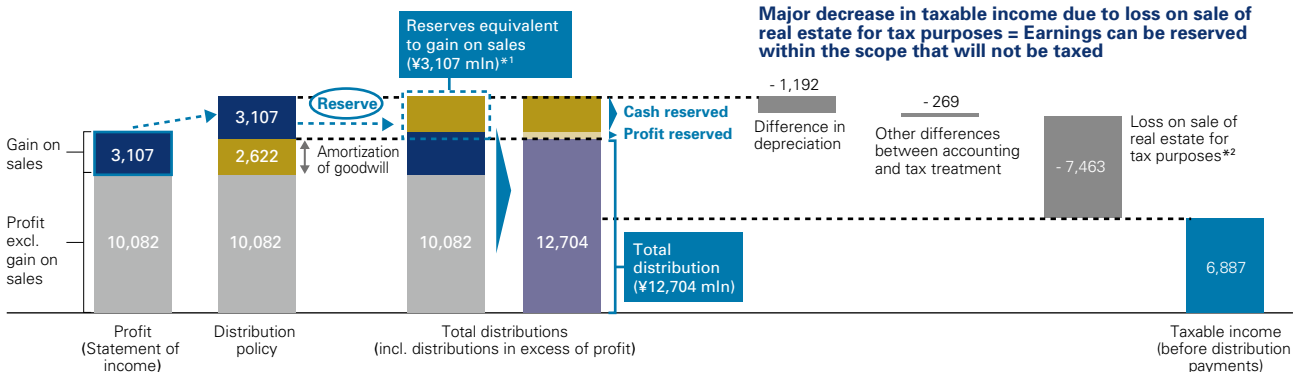


Distribution Policy for Periods with Gain on Sales

To ensure stable distributions over the medium and long term, by adjusting distributions in excess of net income, a cash amount equivalent to gain on sales may be designated as retained earnings.



Reserves Equivalent to Gain on Sales in 4th Fiscal Period



*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 goodwill amortization expenses as reserves within the scope that will not be subject to income tax. For the 4th fiscal period, NMF will reserve earnings in excess of the amount of distributions in excess of net income (distribution reducing unitholders' capital for tax purposes), but because it recorded a loss on sales for tax purposes and other decreases, it does not expect the reserves equivalent to the period's gain on sales to be taxed.
 *2 Because a property's book value for tax purposes is the book value used by absorbed companies prior to their mergers, property sales may result in a loss on sale for tax purposes even when they result in a gain on sale for accounting purposes.

Convocation of the 1st General Meeting of Unitholders

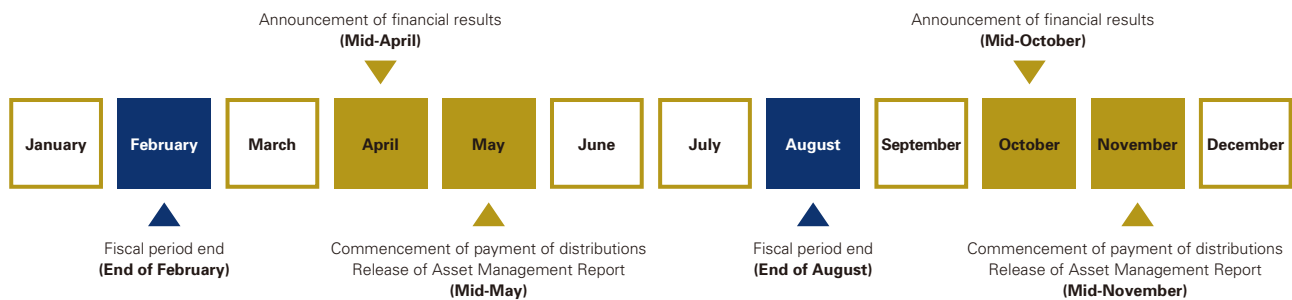
NMF's 1st General Meeting of Unitholders was held on May 26, 2017. Below is a summary of the proposals approved at said meeting.

| Proposal | Summary |
|--|---|
| Proposal No. 1 Partial Amendment to Articles of Incorporation | <ul style="list-style-type: none"> NMF made necessary amendments to the Articles of Incorporation to enable it to lease investment assets other than real estate, such as renewable energy power generation facilities and movable assets acquired by NMF. To establish an asset management fee structure that better reflects unitholders' interests, NMF decreased the rate of the existing asset management fee linked to total assets and introduced a new asset management fee linked to net income. |
| Proposal No. 2 Appointment of One (1) Executive Director | Shuhei Yoshida was appointed to a two-year term beginning June 1, 2017. |
| Proposal No. 3 Appointment of Two (2) Supervisory Directors | Mineo Uchiyama and Koichi Owada were each appointed to a two-year term beginning June 1, 2017. |

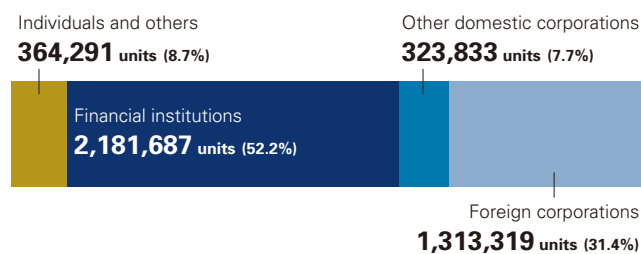
| | | |
|---|--|--|
| Asset management fee structure from the start of the fifth fiscal period (September 1, 2017) onward | Asset management fee I Total assets (excluding goodwill) × 0.45% (annual basis) | Asset management fee II Net income* × 5.5% (annual basis) |
|---|--|--|

* "Net income" here refers to income before income taxes as calculated according to the standards of Japanese Generally Accepted Accounting Principles (but before the deductions of management fee II and non-deductible consumption tax related to management fee II) plus goodwill deductions, minus gain on negative goodwill, and after the settlement of any losses carried forward.

IR Calendar



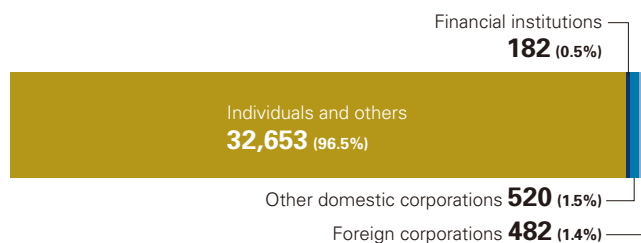
Distribution of Investment Units



Top 10 Unitholders

| Unitholder | Units held | Share |
|---|------------------|---------------|
| 1 Japan Trustee Services Bank, Ltd. | 894,314 | 21.38% |
| 2 The Master Trust Bank of Japan, Ltd. | 407,922 | 9.75% |
| 3 Trust & Custody Services Bank, Ltd. | 317,891 | 7.60% |
| 4 Nomura Real Estate Development Co., Ltd. | 210,671 | 5.04% |
| 5 The Nomura Trust and Banking Co., Ltd. | 164,166 | 3.92% |
| 6 NOMURA BANK (LUXEMBOURG) S.A. | 109,848 | 2.63% |
| 7 STATE STREET BANK WEST CLIENT - TREATY 505234 | 108,689 | 2.60% |
| 8 STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233 | 79,635 | 1.90% |
| 9 STATE STREET BANK AND TRUST COMPANY 505012 | 63,961 | 1.53% |
| 10 STATE STREET BANK AND TRUST COMPANY 505223 | 58,622 | 1.40% |
| Total | 2,415,719 | 57.75% |

Number of Unitholders



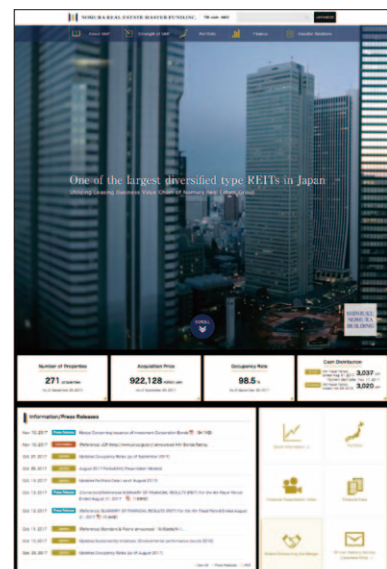
Website

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

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

- Overview of NMF and its features; information about the Asset Management Company
- 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 contents and use it to provide timely information.





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