



# 6th Fiscal Period Semi-Annual Report

March 1, 2018 to August 31, 2018  
Securities Code: 3462



# Driving the Market as One of Japan's Largest REITs



## CONTENTS

**Message from the Management** p 3  
To Our Unitholders,  
Performance Highlights

**Topics** p 5  
Strengths of NMF

**ESG Initiatives** p 7

**Management Strategy** p 9  
Internal Growth, Market Review

**Financial Strategy** p 15  
Financial Strategy, Balance Sheet  
Highlights

**Portfolio** p 17  
Portfolio Analysis, External Growth,  
Portfolio Gallery

**Investor Information** p 25  
Distribution Policy, Results of Our  
Unitholder Survey, Structure and  
Organization, Investor Information,  
Unitholder Information

**Financial Section** p 31  
Balance Sheet  
Statement of Income and  
Retained Earnings  
Statement of Changes in Net Assets  
Statement of Cash Flows  
Notes to Financial Statements  
Independent Auditor's Report



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

**Shuhei Yoshida**  
Executive Director  
Nomura Real Estate Master Fund, Inc.

### To Our Unitholders

In the 6th fiscal period, NMF steadily advanced external growth by leveraging the Nomura Real Estate Group's property development capabilities and internal growth by making maximum use of the property management pipeline with a focus on strengthening its property brands. As a result, at the end of the 6th fiscal period, NMF's portfolio comprised 281 properties with a total acquisition price of ¥955.9 billion. Thanks to internal growth in upside sectors, including the office building sector, operating revenues totaled ¥34,731 million, operating profit reached ¥13,285 million, and net income came to ¥10,709 million. As a result, the per-unit distribution for the 6th fiscal period came to ¥3,084.

In the 6th fiscal period, NMF carried out its first public offering since its founding, acquired nine

excellent properties developed by the sponsor, and invested in its first ever hotel.

In GRESB's Fiscal 2018 Real Estate Assessment, NMF acquired Green Star and 5 Star ratings and, moreover, was selected as a Global Sector Leader. We are actively promoting management that accounts for environmental, social, and governance (ESG) issues to improve medium- to long-term unitholder value, and we appear to have garnered some accomplishments.

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

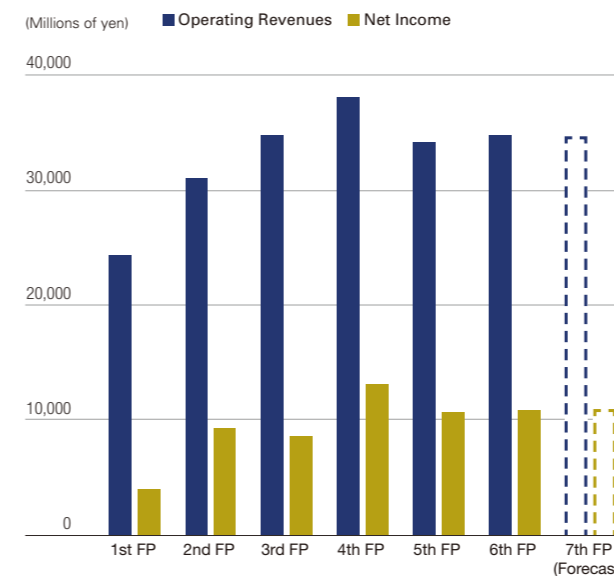
As we move forward, we ask for your continued support and encouragement.

### PERFORMANCE HIGHLIGHTS

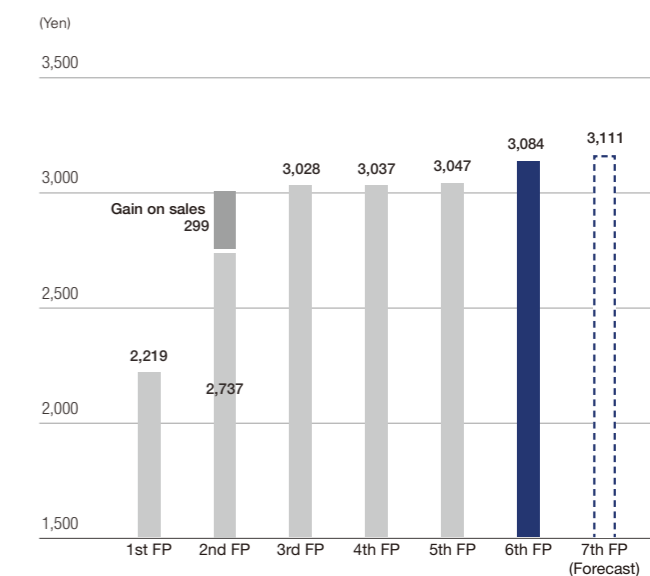
	5th Fiscal Period	6th Fiscal Period	7th Fiscal Period (forecast)*
<b>Cash Distribution per Unit</b> (including distribution in excess of net income)	<b>¥3,047</b>	<b>¥3,084</b>	<b>¥3,111</b>
<b>Operating Revenues</b>	<b>¥34,218</b> million	<b>¥34,731</b> million	<b>¥34,644</b> million
<b>Net Income</b>	<b>¥10,714</b> million	<b>¥10,709</b> million	<b>¥10,825</b> million
<b>Total Assets</b>	<b>¥1,089,820</b> million	<b>¥1,118,644</b> million	<b>¥1,116,093</b> million
<b>Net Assets</b>	<b>¥555,090</b> million	<b>¥571,836</b> million	<b>¥569,010</b> million
<b>Net Assets per Unit</b>	<b>¥132,697</b>	<b>¥132,314</b>	<b>¥131,661</b>

\* The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 6th Fiscal Period Ended August 31, 2018," published October 15, 2018. As such, the actual distribution may differ from this forecast due to future property acquisitions or sales, changes in the real estate market, tenant changes or other changes in the circumstances surrounding NMF. The distribution forecast is not a guarantee of distributions.

#### Operating Revenues and Net Income



#### Cash Distribution per Unit



# Strengths of NMF

NMF conducts stable management with a medium- to long-term focus, centering on three pillars: its diversified type strategy, large scale strategy, and the value chain of the Nomura Real Estate Group

**Strengths 1** Diversified type strategy

**Pursuing stability and growth through sector diversification**

By doing business in sectors where profits are expected to remain stable and relatively untouched by economic fluctuations (such as logistics facilities, retail facilities near residences, and residential facilities) as well as sectors where profits are anticipated to rise due to economic fluctuations (such as office buildings, retail facilities near stations, and hotels), we believe we are able to pursue both stability and growth in profits.

Category	Sector	Percentage
Upside sectors	Office Buildings	45.5%
	Retail Facilities (near stations)	11.2%
	Hotels	0.4%
Stable sectors	Retail Facilities (near residences)	5.6%
	Logistics Facilities	16.8%
	Residential Facilities	20.1%
	Other	0.5%
	<b>Overall</b>	<b>57.0%</b>

**Strengths 2** Large scale strategy

**Reducing risks through diversification**

To ensure stable profits over the medium to long term, NMF will utilize the portfolio diversification effect in its ongoing efforts to reduce risks related to declining revenues from owned assets, portfolio imbalances, and tenant concentration.

**Effectively managing properties by leveraging economy of scale**

By leveraging economy of scale resulting from having one of the largest asset sizes in Japan, NMF will continue to reduce building management costs and construction costs from all-inclusive orders encompassing repair and maintenance work. In addition, we are now able to show tenants and brokerages many properties, enabling more effective leasing activities.

Category	Item	Percentage
Property diversification	Top 10 properties	24.5%
	Others	75.5%
Tenant diversification	Top 10 tenants	20.0%
	Others	80.0%

**Strengths 3** Value chain of the Nomura Real Estate Group

**Established a leasing value chain**

By establishing a property acquisition pipeline and a management pipeline linking itself and the Nomura Real Estate Group, NMF aims to build a positive cycle of mutual growth with the Group and improve unitholder value.

Since we began entering into leasing value chain contracts, we have acquired sponsor-developed properties worth over ¥92.0 billion.

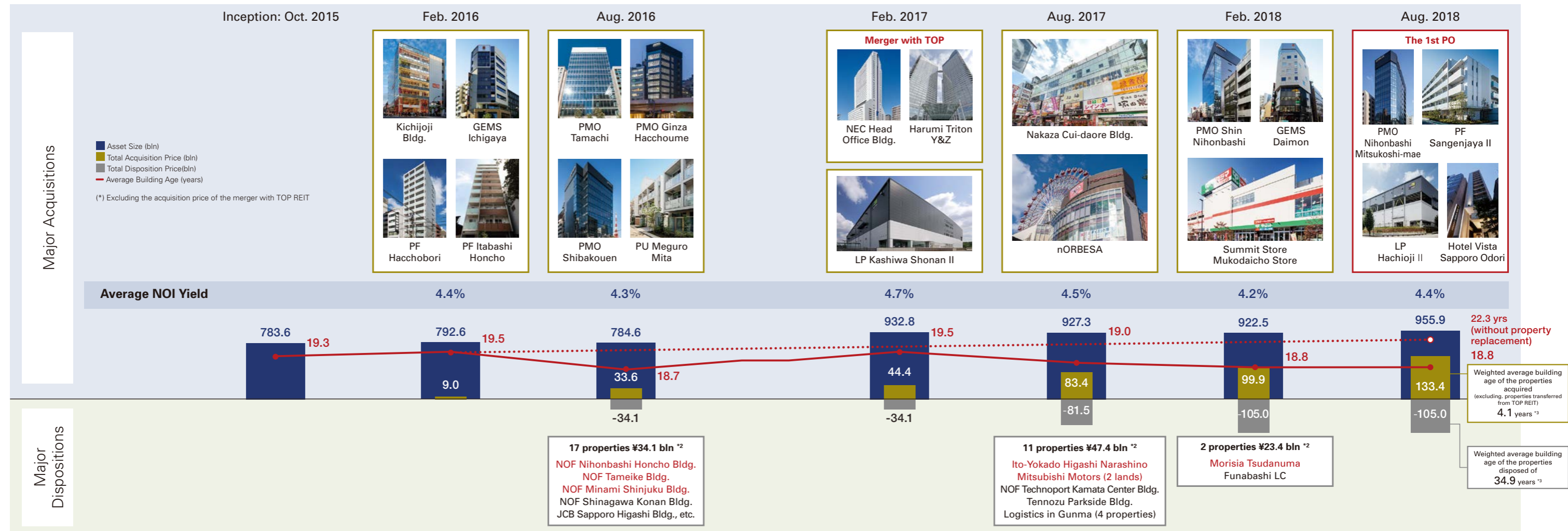
**Sellers of owned properties (as of August 31, 2018)**

Sponsor ratio: **56.9%**

Category	Percentage
Sponsor-developed properties (4 brands*)	22.3%
Sponsor-developed properties (excl. 4 brands*)	34.6%
Externally acquired properties	28.8%
TOP REIT merger	14.3%

\*1 The four brands are PMO, GEMS, Landport, and PROUD FLAT.

**Track Record of Growth since Inception** Achieved asset size expansion and portfolio quality enhancement through property replacement maximizing the Sponsor's support.



\*2 The amount shows disposition price  
\*3 Weighted average building age of the properties acquired / disposed of as of their transaction date.

# ESG Initiatives

NMF is engaged in asset management that takes environment, society and governance (collectively referred to as "ESG") issues into consideration for the benefit of unitholders over the medium to long term.

Please visit our website for more detailed information.



## INTERNATIONAL INITIATIVES AND EXTERNAL CERTIFICATIONS

### NMF's Initiatives

#### Participation in GRESB

**Selected as a Global Sector Leader** World No. 1 in the diversified, listed sector



GRESB selects real estate companies and funds as Sector Leaders if they achieve the highest score in a specific category, including listed, unlisted, property type, and region. NMF was able to secure its No. 1 position (as Global Sector Leader) among 29 companies worldwide in the diversified, listed sector.



**Real Estate Assessment: Green Star, 5 Star**  
NMF acquired a 5 Star rating (five-level rating with the highest being 5 Star) for two consecutive years in the GRESB Rating which shows a participants' relative status vis-à-vis their overall GRESB Score.



**Public Disclosure: A**  
NMF achieved an A rating (five-level rating from A to E with the highest being A) for two consecutive years in the GRESB Public Disclosure Level evaluation scheme introduced in 2017 for our proactive disclosure practices in connection with environmental and sustainability initiatives.

#### Acquiring DBJ Green Building Certification

**Certified Properties:** 48 in total, of which 5 were certified in the period ended August 2018.

**Certified Rate:** 56.3%\* (+2.2 pts from previous period)

#### Newly certified properties

- ★★ Kawasaki More's
- ★ NMF Kayabacho Building, NMF Aoyama 1-chome Building, Nitori Makuhari, FESTA SQUARE

#### Acquiring BELS Certification

**Certified Properties:** 19 in total

**Certified Rate:** 19.7%\*

#### Newly certified properties

- ★★★★★ Landport Kashiwa Shonan I

\* Total floor space basis

### NREAM's Initiatives

As NMF's asset management company, NREAM believes it is necessary to manage assets with consideration for ESG issues to sustainably improve the value of assets under management. In line with this belief, the asset management company became a signatory to both PRI and UNEP FI in December 2017.



#### Principles for Responsible Investment (PRI)

An international network of investors established in 2006 working to realize the Six Principles for the financial industry under the leadership of Kofi Annan, the then UN Secretary General. As of April 2018, about 2,000 institutions have signed on to PRI.

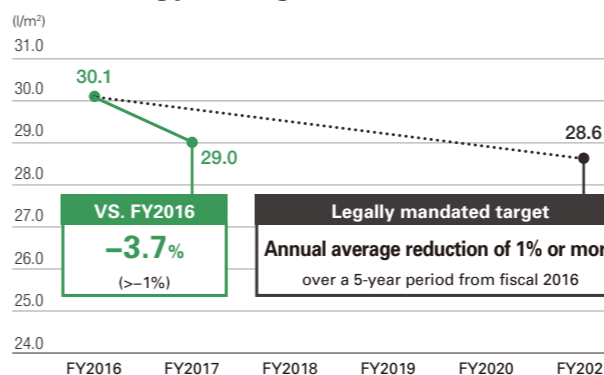


#### United Nations Environment Programme Finance Initiative (UNEP FI)

Established in 1992, this partnership between UNEP and financial institutions aims to promote the adoption of financial systems that integrate economic development and consideration for ESG issues. The asset management company is an active participant in the Property Working Group.

## E Initiatives for the Environment

### Reducing Energy Use Intensity Based on the Energy Savings Act



### Participating in the Ministry of the Environment's Light-Down Campaign

We participate in the CO<sub>2</sub> Reduction/Light-Down Campaign that the Ministry of the Environment launched in 2003 to help stop global warming.



## S Initiatives for Society

### The Nomura Real Estate Group Promotes Diversity

- Promoted various working styles
- Conducted employee satisfaction surveys by NRE
- Promoted working-style reforms  
Promoted by setting up a telecommuting system and satellite offices.

Item	FY2016	FY2017
Female employee ratio	28.60%	29.75%
Female manager ratio	5.38%	5.45%
Female junior manager ratio	14.80%	15.08%
Attrition rate by gender	—	Male: 3.57% Female: 4.46%
People who took parental leave (male)	119 (2)	86 (3)
Parental leave return ratio	—	92.59%
People who took caregiving leave	2	4
Employees aged 60 or up	434	404
Number of foreign national employees	7	14
Disabled people employment ratio	1.97%	1.90%

Note: The disabled people employment ratio for fiscal 2017 is as of June 1, 2018. The figure includes Group companies included in the scope of the disabled people ratio system.

### Taking Specific Measures That Reduce Environmental Impact

● Invested capital in owned properties to reduce our environmental impact (The examples below are from 2018 onwards.)

Saving Energy with LEDs	Upgrading Toilets	Upgrading Air Conditioners
<ul style="list-style-type: none"> <li>● Shinjuku Nomura Building</li> <li>● NRE Tennozu Building</li> <li>● Landport Urayasu</li> <li>● Landport Hachioji</li> <li>● Recipe SHIMOKITA</li> </ul>	<ul style="list-style-type: none"> <li>● NMF Aoyama 1-chome Building</li> <li>● NMF Shin-Yokohama Building</li> <li>● NMF Sendai Aoba-dori Building</li> </ul>	<ul style="list-style-type: none"> <li>● NMF Shiba-Koen Building</li> <li>● NRE Osaka Building</li> <li>● Izumiya Yao</li> <li>● Nakaza Cui-daore Building</li> </ul>

#### Conducted energy-saving checks



## G Initiatives for Governance

### NMF's Board of Directors

Composition	Executive director (1 person): Lawyer Supervisory directors (2 people): Certified public accountant Real estate appraiser	In order to ensure neutrality in conducting operations of NMF, all three Board members (one executive director and two supervisory directors) are chosen from among independent professionals.
Meeting frequency	Once a month (and as necessary)	
Term	2 years in principle for executive and supervisory directors	

### Corporate governance/compliance structure

NREAM thoroughly prevents conflicts of interest, manages risks and complies with laws and regulations by establishing a governance system that gives top priority to compliance.

<b>Compliance Committee</b>	Deliberates approval of significant transactions with related parties, etc., and confirms legal compliance.
<b>Investment Committee</b>	Deliberates basic policies, etc., on asset management and investment advisory activities and makes decisions as NREAM.

### Training programs provided by NREAM

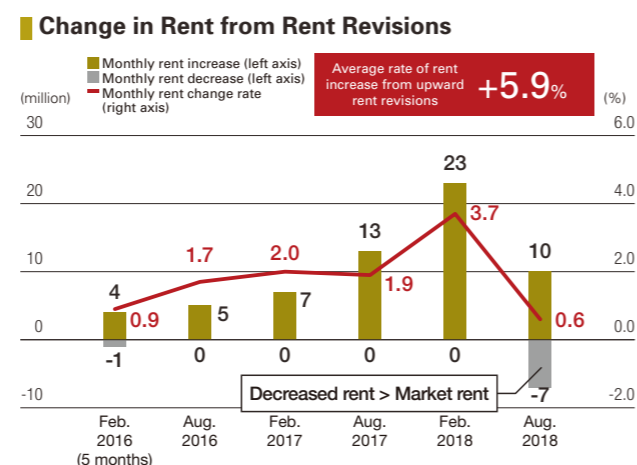
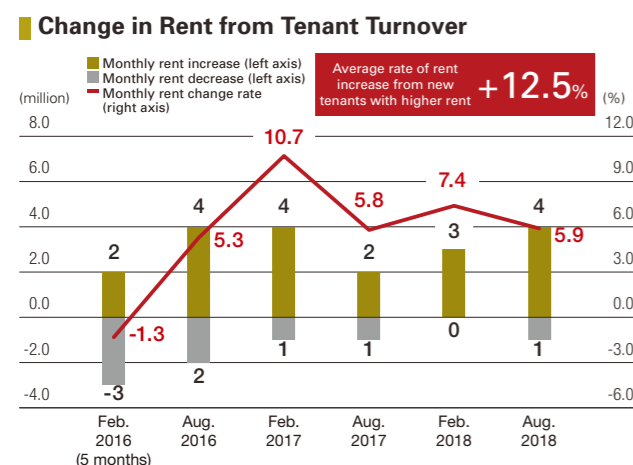
Compliance training:	12 times a year
BCP training:	Once a year in principle
ER training:	About 2 times a year
Appraisal training:	About 2 times a year
Other business-related training:	About 6 times a year

# Internal Growth

Management Status

## Office

Achieved average rent increase of 0.4% (5th FP: ¥18,060/*tsubo* → 6th FP: ¥18,126/*tsubo*)

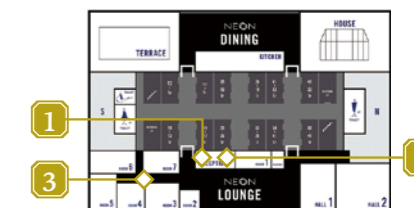


# Opened the innovative space NEON in the Shinjuku Nomura Building

Responding to recent trends in work styles and other social needs, Nomura Real Estate and NMF offer a new, more personally fulfilling way to spend time in the office that helps motivate each office worker and encourage their growth. By supporting workers' growth and motivation, we ensure that our office services contribute to the development of not only tenant companies but also the neighborhood and society as a whole.

## Floor Layout and Patrons' Opinions

The design concept underlying NEON is something we call park life. Like a park, its main area is an open space that fits right in with everyday life—a space where all types of people can come and go freely. Another one of our goals is to help office workers find an appealing spot where they can create a new working style. Inside the facility, we have put up original art and products designed to harmonize with the facility concept to provide patrons with comfort and inspiration upon viewing.



### 1 Concierge

To build a second community centering on office workers, we have stationed a concierge in the facility to support workers in planning events, building personal networks outside of their company, studying, and other activities

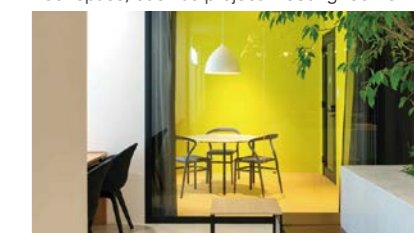
### 2 Café

The café offers a menu focused on supporting mental and physical health to heighten office workers' drive. This, of course, includes superb coffee and, for busy workers, daily bento box options from popular chains and bento boxes that come with an extra dish.

### 3 NEON ROOM

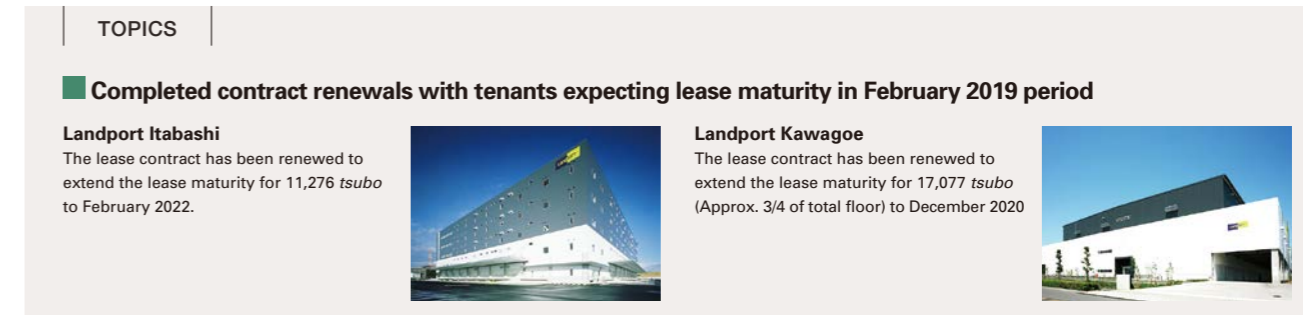
**Small meeting rooms that completely alter your state of mind**

We have set up 7 types of meeting rooms seating 6 to 12 people and featuring various fragrances and color schemes to pique the five senses. There are four modes of background music to choose from. Regular time slots can be reserved to meet temporary needs for additional floor space, such as project meeting rooms.

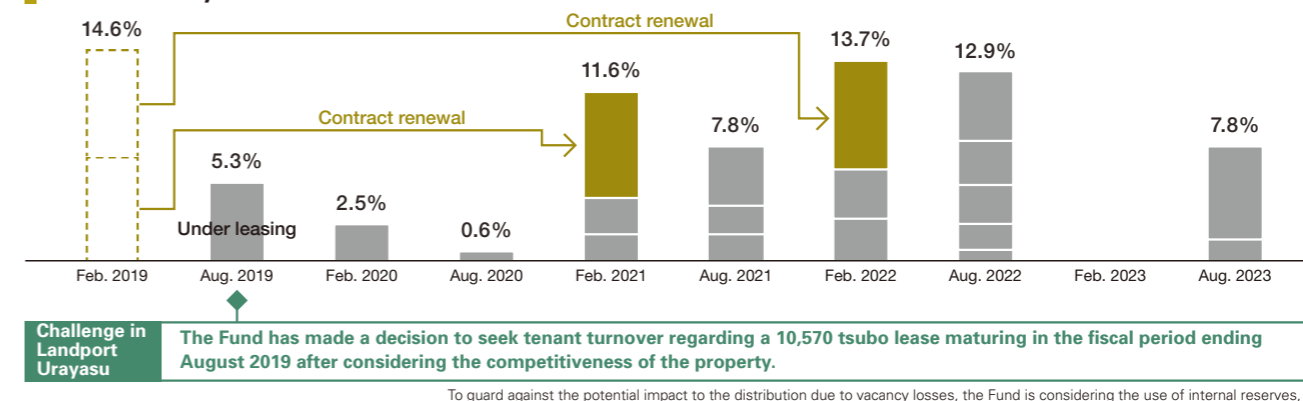


## Logistics

Securing a stable cash flow through contract renewal with tenants by entering into negotiations at an early stage.



## Lease Maturity (Rent basis)



# Internal Growth

Management Status

## Retail

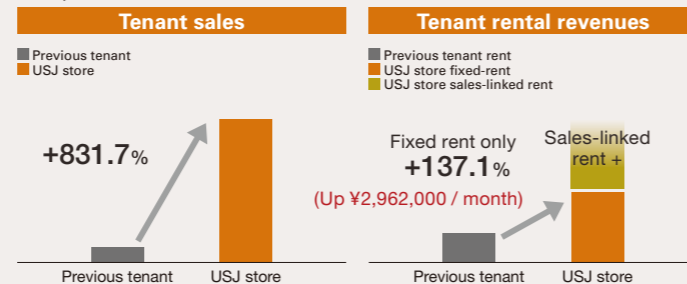
NMF secured internal growth thanks to tenant turnover based on stable fixed rents.

### TOPICS

At University City Walk, NMF succeeded in persuading Universal Studios Japan to establish its largest official store outside the environs of the franchise's theme park.

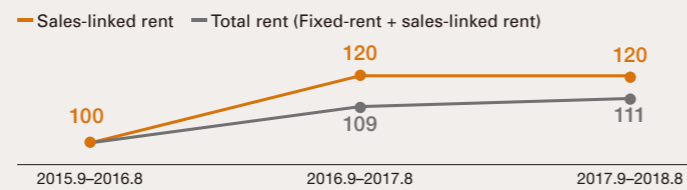


- We saw rental revenues jump in comparison to those garnered from the previous tenant due to the use of combined fixed and sales-linked rent.
- Due to high public interest, the USJ store's sales have surpassed those of the previous tenant.



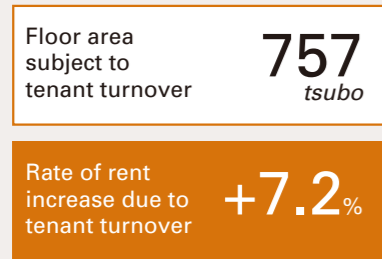
Note: The graphs present a comparison of sales for 7/20-8/31 with those in the same period of the previous year (and part of 2016). Based on the agreement, sales-linked rent is collected in a lump sum once per year.

### Rent Trends for Universal City Walk Osaka (indexed)



Note: Sales for 2015.9 - 2016.8 are indexed at 100.

### Change in rent due to tenant turnover (excluding tenants with sales-linked rent)



Examples: (floor area subject to turnover, rate of rent increase from tenant turnover)

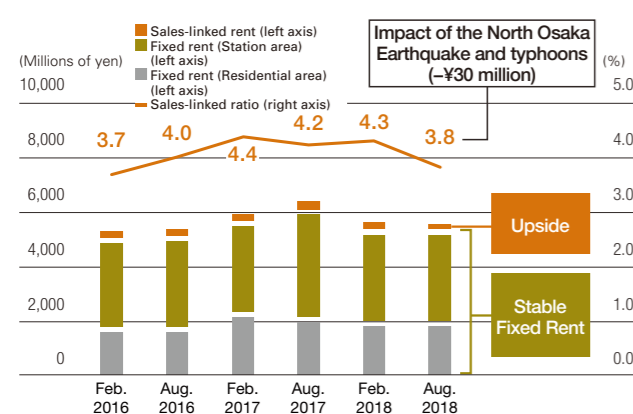


[Station area] nORBESA  
268 tsubo (+32.3%)



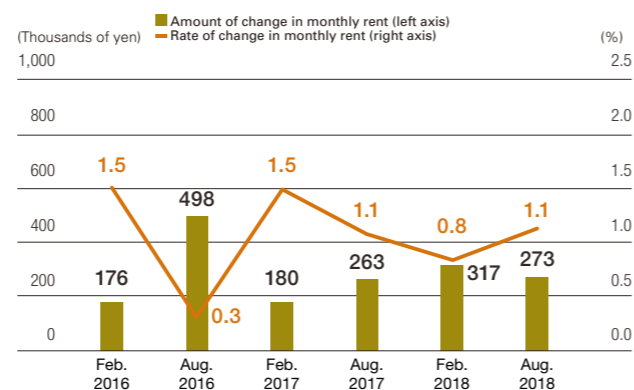
[Station area] EQUINIA Shinjuku  
127 tsubo (+33.3%)

### Rent Revenue Breakdown (Retail Overall)



Impact of the North Osaka Earthquake and typhoons (-¥30 million)

### Change in Rent Due to Rent Revisions (Retail properties in station area)



## Residential Facilities

Pursuing increases in residential sector rents, with a focus on the greater Tokyo area through move-ins & move-outs.

### TOPICS

#### Change in rent due to tenant turnover or contract renewal

- Change in rent due to tenant turnover**  
793 out of 1,259 units (63.0%) replaced with increased rent  
Change in monthly rent +2.0% (+¥2,557,000/month)
- Change in rent due to contract renewal**  
119 out of 2,117 units (5.6%) renewed contracts with increased rent  
Change in monthly rent +0.1% (+¥278,000/month)

#### Efforts to increase rent upon tenant replacement

Model rooms set up showcasing customers' target attributes

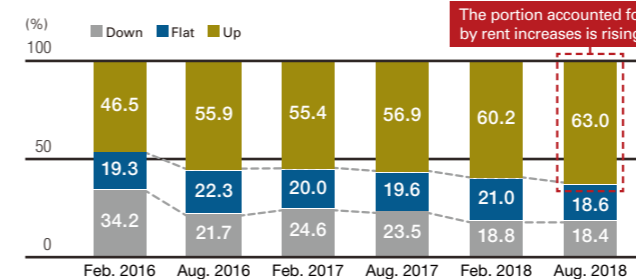
PRIME URBAN Toyosu (Replaced 34 units)  
Change in monthly rent +4.3% (+¥177,500/month)

PRIME URBAN Kagurazaka (Replaced 21 units)  
Change in monthly rent +5.5% (+¥153,000/month)



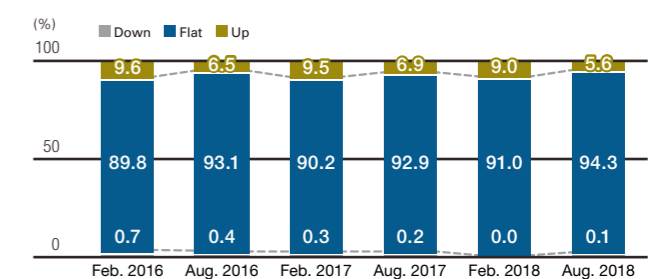
PRIME URBAN Toyosu

### Change in Rent upon Tenant Replacement



The portion accounted for by rent increases is rising.

### Change in Rent upon Contract Renewal



#### Challenge

In response to residential property demands in the Osaka and Nagoya area central business districts, NMF is considering property replacements over the medium to long term.

## Hotels

Added value to the hotel by bringing in a well experienced hotel operator as well as a local restaurant that serves locally grown food.

### TOPICS

#### Rebranded Hotel Vista Sapporo Odori (formerly, the Watermark Hotel Sapporo)



New operator, Vista Hotel Management Co., Ltd., took over hotel management from June 2018. Discussions are currently under way with the relevant people to further improve hotel and restaurant operations.



The entrance of the restaurant Wa Oyobare



Breakfast at Wa Oyobare

#### Operational Performance (year-on-year change)

	June		July		August	
	2017	2018	2017	2018	2017	2018
RevPAR	¥7,954	¥7,904 (-0.6%)	¥9,028	¥9,591 (+6.2%)	¥9,506	¥10,374 (+9.1%)
Occupancy Rate	86.3%	80.1%	88.6%	84.6%	86.6%	86.0%
ADR	¥9,217	¥9,870	¥10,190	¥11,336	¥10,978	¥12,063

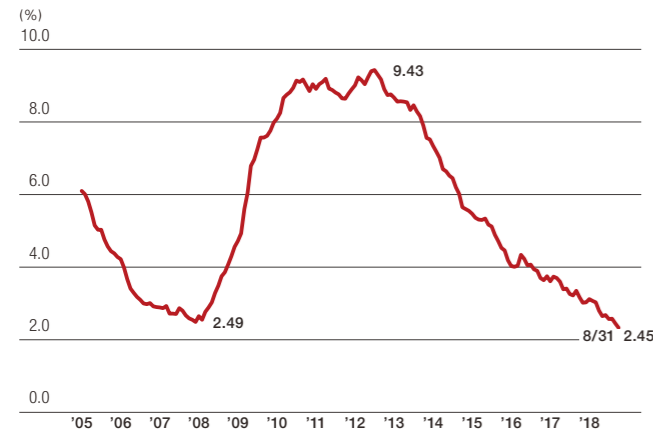
\* RevPAR: Revenue per available room

\*\* ADR: Average daily rate

# Market Review

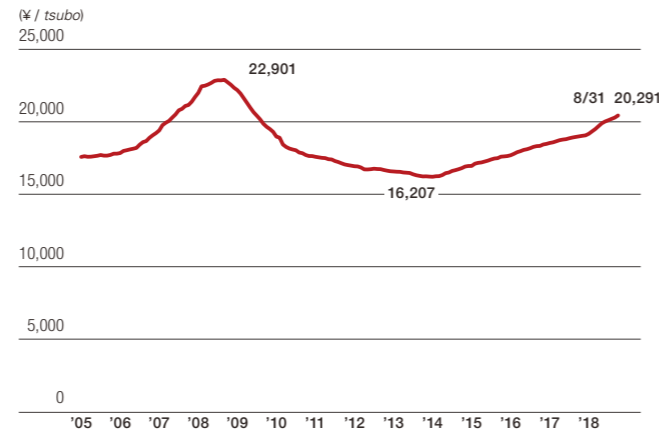
## Office

### Vacancy Rate Tokyo Central Five Wards



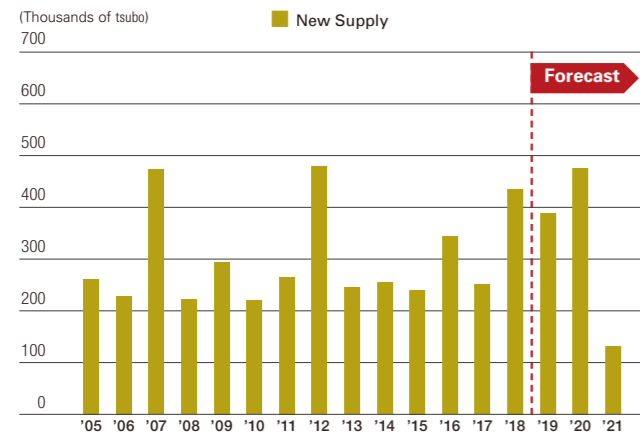
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

### Average Monthly Rent Tokyo Central Five Wards



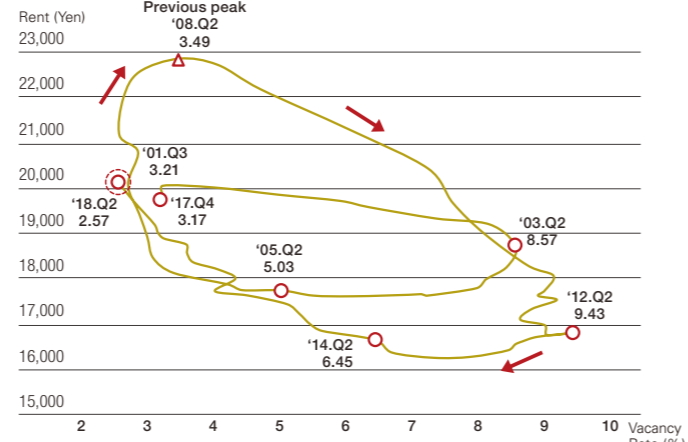
Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.

### Supply of Office Buildings Tokyo Central Five Wards



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

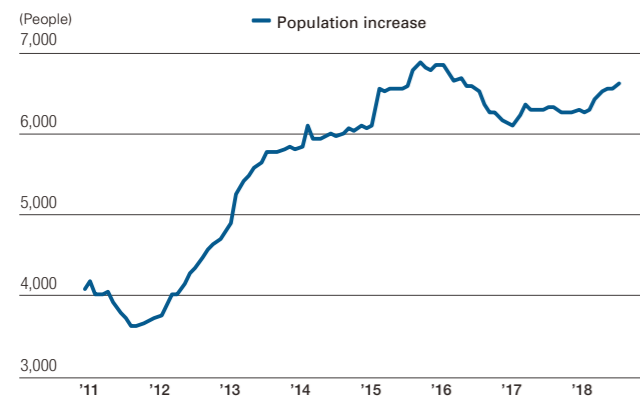
### Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



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

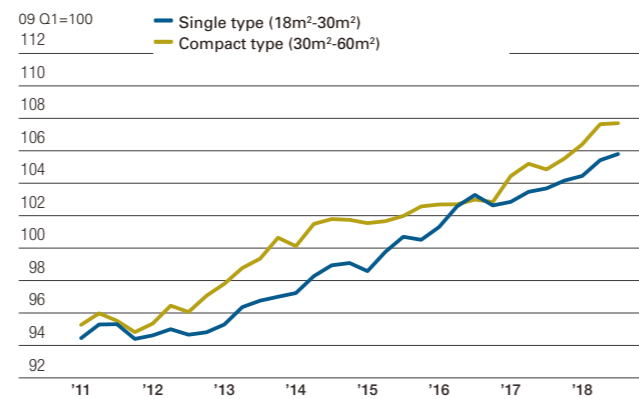
## Residential

### Net Population Inflow (Tokyo Prefecture)



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

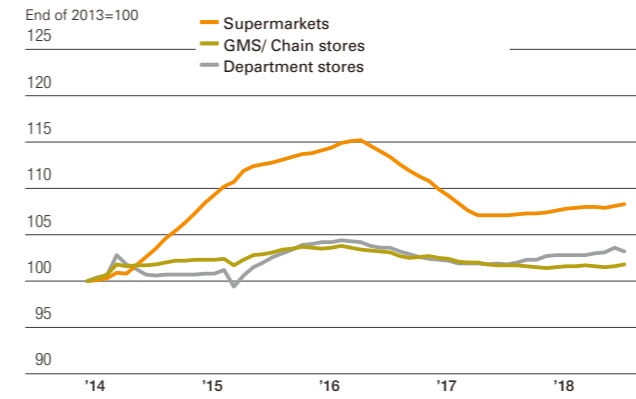
### Rental Condominium Rent Index (Tokyo's 23 Wards)



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

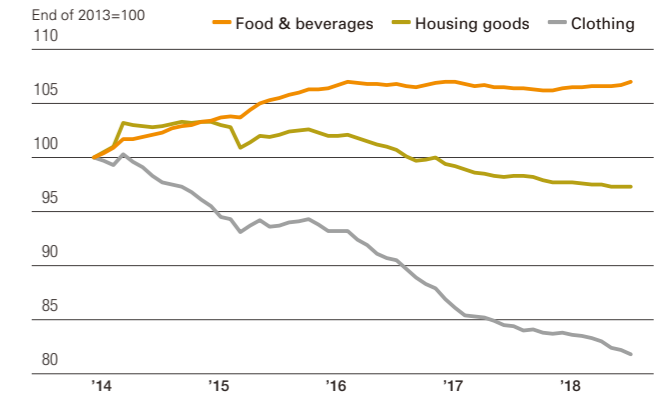
## Retail

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



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

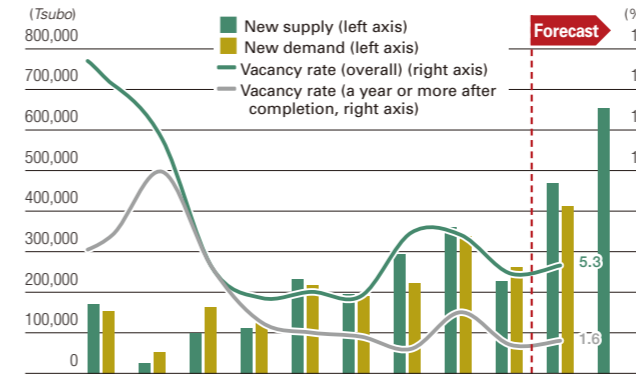
### Retail Sales Volume by Product Type (12-month moving average)



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

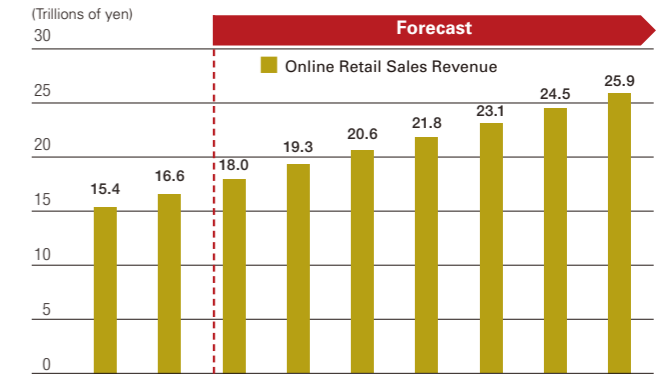
## Logistics

### Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area (as of Q2 2018)



Source: Prepared by NREAM based on data from CBRE  
\* Forecasts are for years ending December 31

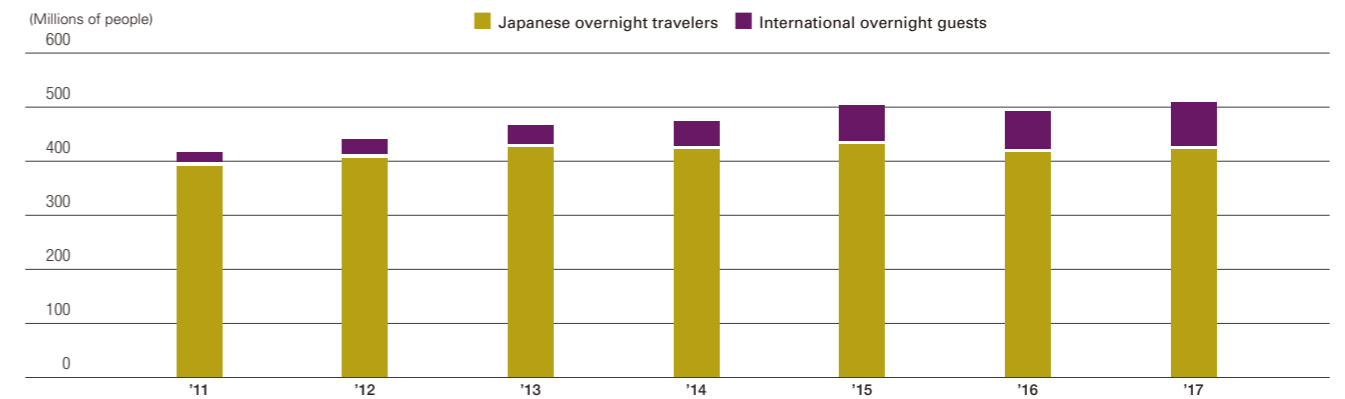
### Japanese E-commerce (B2C) Market



Source: Prepared by NREAM based on data from Nomura Research Institute, Ltd  
\* Years show fiscal years ending March 31

## Hotels

### Total Number of Overnight Guests



Source: Prepared by NREAM based on data from Tourism Agency



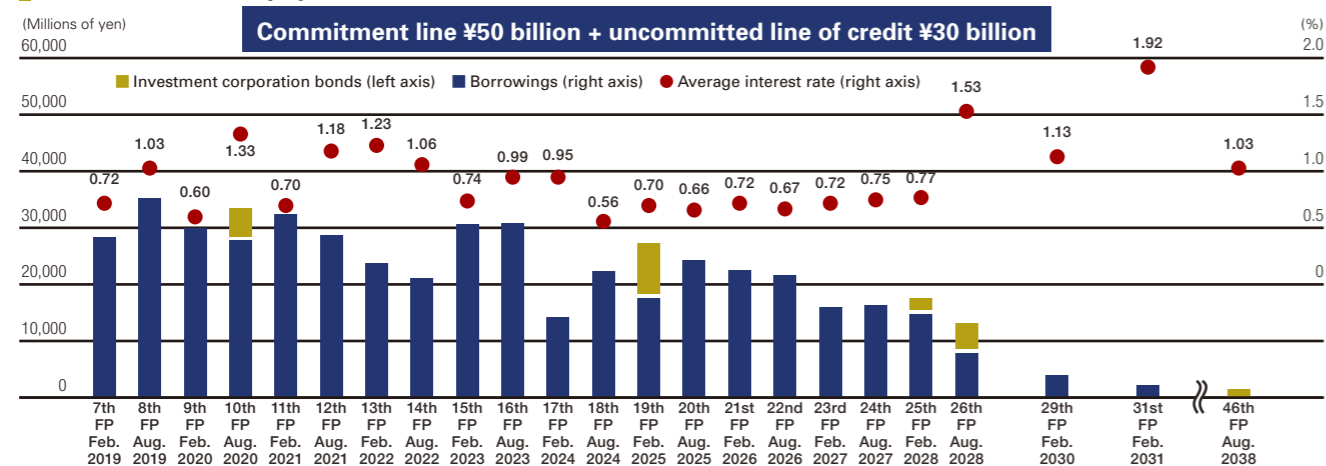
# Financial Strategy

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

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

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

## Diversification of Repayment Dates



## Third Series of Unsecured Investment Corporation Bonds

Total amount of issuance	¥1,500 million	Maturity date	May 21, 2038
Interest rate	1.03%	Collateral / Guarantee	Not provided
Issue date	May 23, 2018		

## Credit Ratings

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

## Commitment Lines\*

	Commitment line 1	Commitment line 2
Loan Limit	¥40.0 billion (one year)	¥10.0 billion (three years)
Participating Financial Institutions	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Limited	MUFG Bank, Ltd. Sumitomo Mitsui Banking Corporation

\* In addition to the above commitment lines, NMF has established a 1-year, ¥30.0 billion uncommitted line of credit.

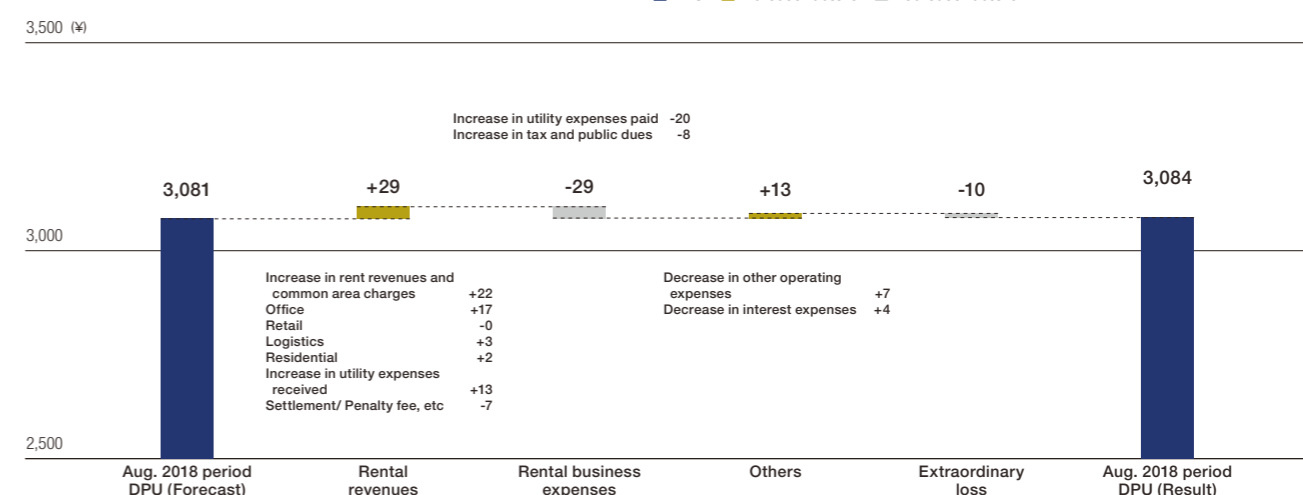
# Balance Sheet Highlights

August 2018 Fiscal Period DPU: ¥3,084 (¥3 higher than forecast)

(Millions of yen)

Item	6th FP Forecasts Ended Aug. 31, 2018	6th FP Results Ended Aug. 31, 2018	Differences
<b>Operating Revenue</b>	<b>34,605</b>	<b>34,731</b>	<b>126</b>
Rental revenues	31,596	31,695	98
Other rental revenues	3,008	3,035	27
<b>Operating Expenses</b>	<b>21,352</b>	<b>21,445</b>	<b>93</b>
Rental business expenses	15,032	15,158	125
Repair expenses	1,535	1,555	20
Tax and public dues	2,809	2,846	37
Depreciation and amortization	4,892	4,901	9
Others	5,795	5,854	59
Asset management fees	3,074	3,074	0
Amortization of goodwill	2,622	2,622	—
Other operating expenses	623	590	-33
<b>Operating Income</b>	<b>13,253</b>	<b>13,285</b>	<b>32</b>
<b>Non-operating Revenues</b>	<b>—</b>	<b>6</b>	<b>6</b>
<b>Non-operating Expenses</b>	<b>2,554</b>	<b>2,536</b>	<b>-18</b>
Interest Expenses and other financial costs	2,527	2,508	-18
Investment units issuance costs	19	19	-0
Other non-operating expenses	8	8	0
<b>Ordinary Income</b>	<b>10,698</b>	<b>10,755</b>	<b>57</b>
Extraordinary loss	—	43	43
<b>Net Income</b>	<b>10,697</b>	<b>10,709</b>	<b>12</b>
<b>Distribution of Earnings</b>	<b>a</b>	<b>10,709</b>	<b>17</b>
<b>Distribution in Excess of Net Earnings</b>	<b>b</b>	<b>2,619</b>	<b>-4</b>
<b>Total Distributions</b>	<b>a+b</b>	<b>13,328</b>	<b>12</b>
<b>Internal Reserves</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>(Total Internal Reserves)</b>	<b>3,694</b>	<b>3,694</b>	<b>—</b>
DPU (Yen)	3,081	3,084	3
Distributions of earnings per unit (Yen)	2,474	2,478	4
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences](Yen)	312	306	-6
Distributions in excess of retained earnings per unit [other distributions in excess of net earnings] (Yen)	295	300	5
<b>Total Assets</b>	<b>1,118,585</b>	<b>1,118,644</b>	<b>59</b>
<b>Acquisition Price</b>	<b>955,984</b>	<b>955,984</b>	<b>—</b>
Interest-bearing debt	497,155	497,155	—
LTV	44.4%	44.4%	—
Market capitalization	—	669,014	—
<b>NOI</b>	<b>24,465</b>	<b>24,475</b>	<b>9</b>
<b>FFO</b>	<b>18,214</b>	<b>18,282</b>	<b>68</b>

## Factors Contributing to Change in DPU (¥/ unit)



## Main factors accounting for differences between forecast and results in the 6th FP (¥mln)

<b>Net income (excl. gain on sales)</b>	<b>+12</b>
Real estate rental profit	+1
(1) Rental revenues	+126
Increase in rent and common area	+98
Increase in utility expenses	+59
Other	-31
(2) Rental expenses	(-125)
Increase in property and other taxes	-37
Increase in utility expenses paid	-84
Operating expenses, excluding property-related expenses	+33
Decrease in other rental expenses (lawyer fees, etc.)	+33
Non-operating profits	+24
Decrease in interest expenses and other financial expenses	+18
Extraordinary loss (expenses for post northern Osaka earthquake reconstruction)	-43

# Portfolio Analysis (as of Aug. 31, 2018)

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

### NUMBER OF PROPERTIES

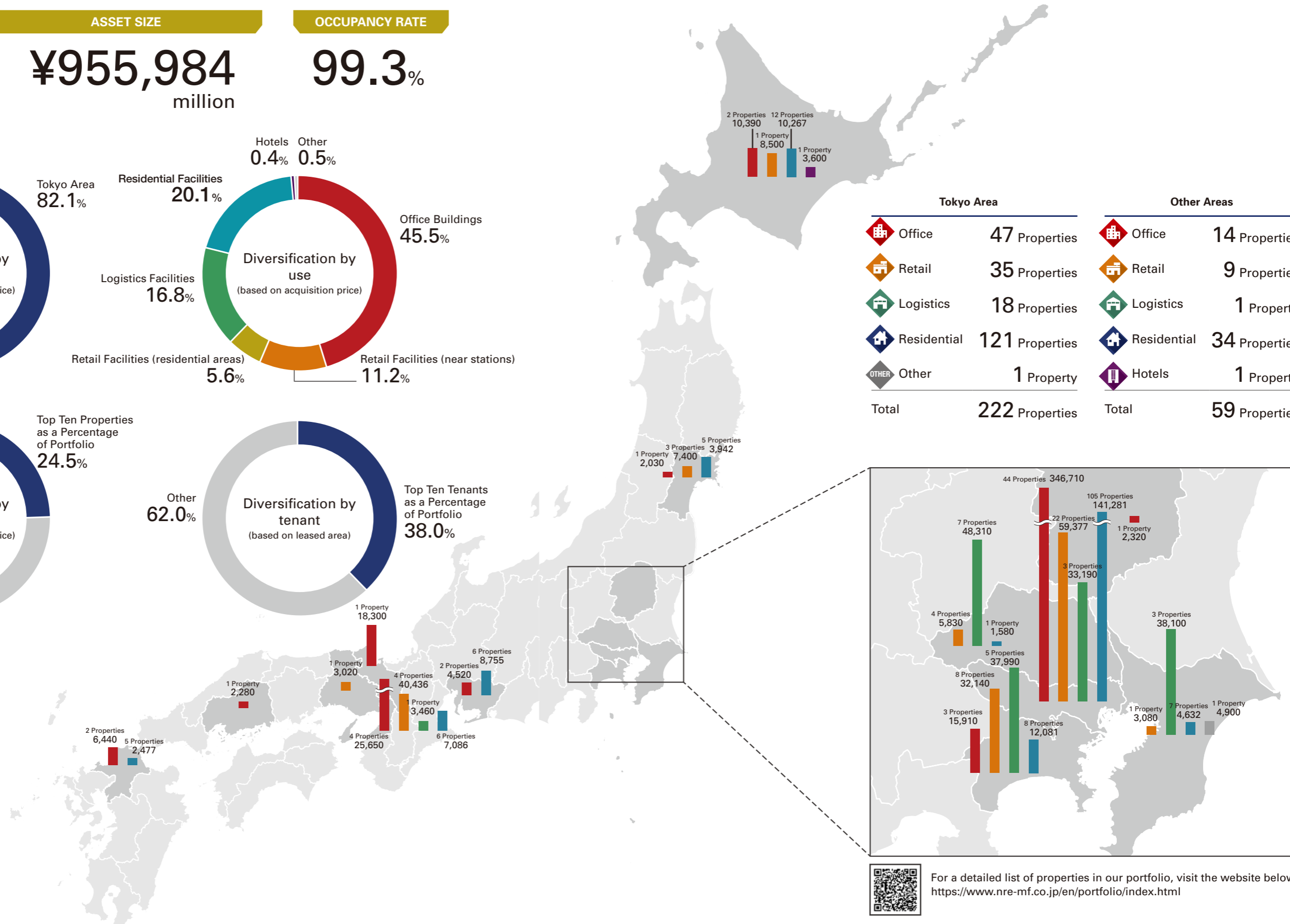
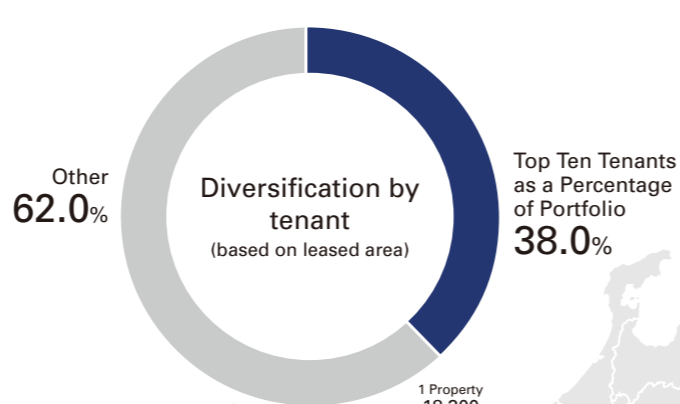
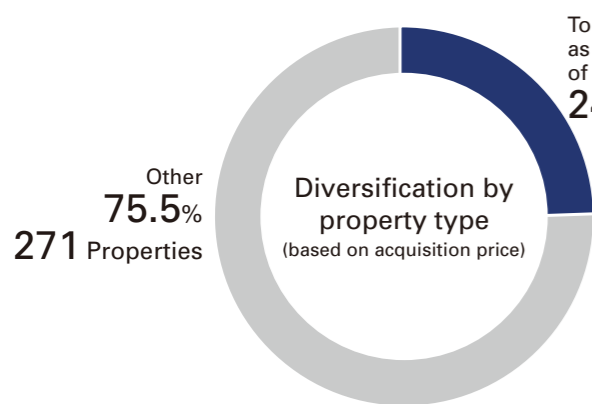
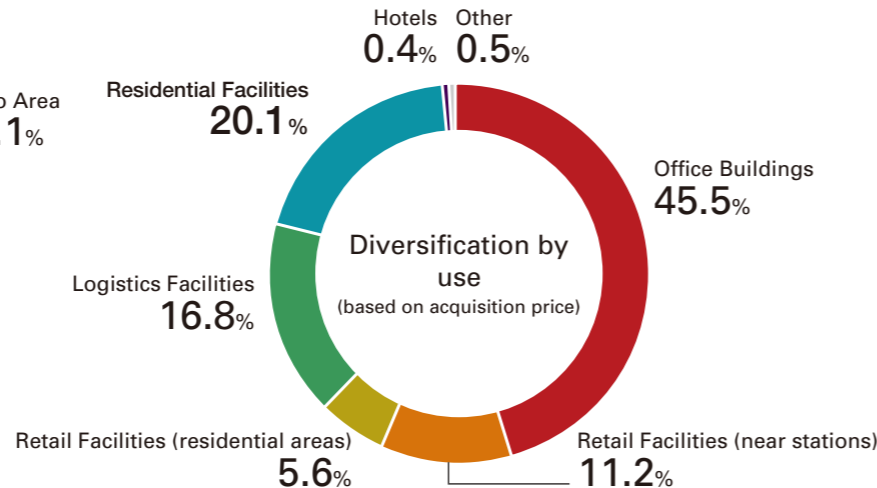
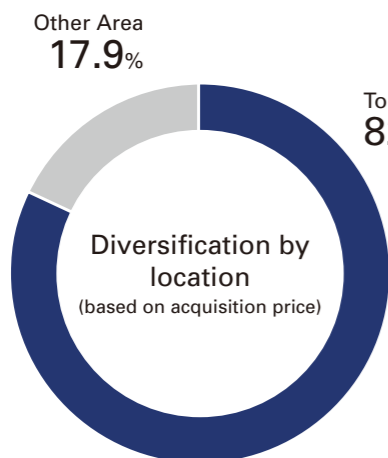
**281**  
properties

### ASSET SIZE

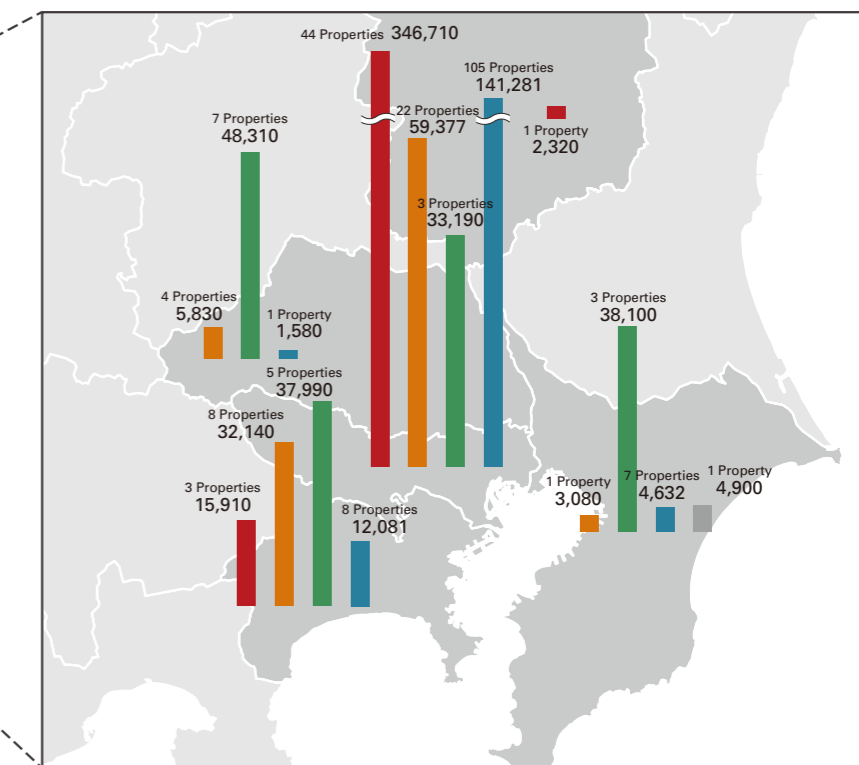
**¥955,984**  
million

### OCCUPANCY RATE

**99.3%**



	Tokyo Area	Other Areas
Office	47 Properties	14 Properties
Retail	35 Properties	9 Properties
Logistics	18 Properties	1 Property
Residential	121 Properties	34 Properties
OTHER	1 Property	Hotels 1 Property
<b>Total</b>	<b>222 Properties</b>	<b>59 Properties</b>



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

## External Growth

## Strong Sponsor Pipelines

## Nomura Real Estate's Core Office Brand

**PMO**  
PREMIUM MIDSIZE OFFICE



PMO Kyobashi-Higashi Project



PMO Nihonbashi-Edo-dori

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

## Strategy 1

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

## Strategy 2

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

## Strategy 3

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

## Strategy 4

Places that stimulate employee motivation and communication, fostering enhanced productivity

Name	Location	Completion (plan) period	Status
PMO Nihonbashi Edo-dori <sup>*2</sup>	Chuo-ku, Tokyo	Jun. 2016	Operating
PMO Uchi-Kanda	Chiyoda-ku, Tokyo	May 2017	Operating
PMO Shibuya	Shibuya-ku, Tokyo	Jun. 2017	Operating
PMO Hanzomon	Chiyoda-ku, Tokyo	Jun. 2017	Operating
PMO Shinjuku-gyoen Project	Shinjuku-ku, Tokyo	May 2019	Under Construction
PMO Tamachi Higashi	Minato-ku, Tokyo	Feb. 2018	Operating
PMO Higashi-Shinbashi	Minato-ku, Tokyo	Apr. 2018	Operating
PMO Kyobashi-Higashi	Chuo-ku, Tokyo	May 2018	Operating
PMO Ochanomizu Project	Chiyoda-ku, Tokyo	Jul. 2018	Under Construction
PMO Hamamatsucho Project	Minato-ku, Tokyo	Nov. 2018	Under Construction
PMO Kandasudacho Project	Chiyoda-ku, Tokyo	Jan. 2020	Planning
PMO Hatchobori Shinkawa Project <sup>*2</sup>	Chuo-ku, Tokyo	Apr. 2018	Operating
PMO Akihabara-Kita Project	Taito-ku, Tokyo	Dec. 2018	Under Construction
PMO Nishi-Shinjuku Project	Shinjuku-ku, Tokyo	Jul. 2019	Planning
PMO Shibuya II Project	Shibuya-ku, Tokyo	Aug. 2020	Planning
PMO Gotanda Project	Shinagawa-ku, Tokyo	Jul. 2019	Under Construction
PMO Hamamatsucho Daimonmae Project	Minato-ku, Tokyo	Jul. 2020	Planning
Chiyoda-ku Project	Chuo-ku, Tokyo	Mar. 2021	Planning
Other Offices			
Chuo-ku Project	Chuo-ku, Tokyo	Mar. 2020	Planning
Chiyoda-ku Project	Chiyoda-ku, Tokyo	Jan. 2021	Planning
Shibuya-ku Project	Shibuya-ku, Tokyo	Oct. 2020	Planning

## Nomura Real Estate's Core Retail Facility Brand

**GEMS**



GEMS Jingu-mae Project



GEMS Kayabacho Project



GEMS Sangenjaya Project

GEMS retail facilities are located mainly in urban areas and comprised primarily house 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	Completion (plan) period	Status
GEMS Jingu-mae	Shibuya-ku, Tokyo	Apr. 2018	Operating
GEMS Kayabacho	Chuo-ku, Tokyo	Feb. 2018	Operating
GEMS Namba Project	Osaka-shi, Osaka	Nov. 2018	Under Construction
GEMS Tamachi Project	Minato-ku, Tokyo	Feb. 2019	Under Construction
GEMS Nishi-Shinjuku Project	Shinjuku-ku, Tokyo	Not fixed	Planning
GEMS Sangenjaya	Setagaya-ku, Tokyo	May 2018	Operating
GEMS Shinbashi Project	Minato-ku, Tokyo	Sep. 2018	Under Construction
GEMS Shinbashi Project	Minato-ku, Tokyo	Sep. 2018	Under Construction
GEMS Sakae Project	Nagoya-shi, Aichi	Oct. 2019	Planning
GEMS Yokohama Project	Yokohama-shi, Kanagawa	Sep. 2019	Planning
Kawasaki-shi Project	Kawasaki-shi, Kanagawa	Oct. 2020	Planning
Minato-ku Project	Minato-ku, Tokyo	Apr. 2021	Planning
Other Retail Facilities			
Jinbo-cho Project	Chiyoda-ku, Tokyo	Jan. 2020	Planning
⊗ Suginami Project	Suginami-ku, Tokyo	Sep. 2018	Under Construction
Hiroo Project	Shibuya-ku, Tokyo	Feb. 2020	Under Construction
Katase-Kaigan Project	Fujisawa-shi, Kanagawa	Sep. 2019	Planning
Chayamachi Project	Osaka-shi, Osaka	Mar. 2020	Planning
Jingumae Project	Shibuya-ku, Tokyo	Aug. 2020	Planning
Hankyu Tsukaguchi Station Rebuilding Project	Amagasaki-shi, Hyogo	Mar. 2022	Planning
Tokorozawa Project	Tokorozawa-shi, Saitama	Feb. 2024	Planning
Saitama-shi Project	Saitama-shi, Saitama	Jul. 2020	Planning

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

## Nomura Real Estate's Core Logistics Facility Brand

**Landport**



Landport Higashi-Narashino Project (former Ito-Yokado Higashi Narashino)

Landport logistics facilities offer advanced functionality to meet the needs of the changing logistics environment and diverse tenants.

Designed for optimized, efficient logistics to enhance tenant satisfaction.

Name	Location	Completion (plan) period	Status
Landport Komaki <sup>*2</sup>	Komaki-shi, Aichi	Jan. 2017	Operating
Landport Shinonome Project	Koto-ku, Tokyo	Nov. 2018	Planning
Landport Narashino Project	Narashino-shi, Chiba	Jan. 2020	Under Construction
Landport Kawaguchi Project	Kawaguchi-shi, Saitama	Jun. 2019	Under Construction
⊗ Landport Higashi-Narashino Project	Narashino-shi, Chiba	Jul. 2019	Under Construction
Landport Ome I Project	Ome-shi, Tokyo	Nov. 2018	Under Construction
Landport Ome II Project	Ome-shi, Tokyo	Jun. 2020	Planning
Landport Ome III Project	Ome-shi, Tokyo	Jun. 2020	Planning
Landport Koshigaya Project	Koshigaya-shi, Saitama	Jun. 2020	Planning
Landport Kasukabe II Project	Kasukabe-shi, Saitama	May 2021	Planning
Landport Atsugi-Aikawamachi Project <sup>*2</sup>	Atsugi-shi, Kanagawa	Mar. 2020	Planning

## Nomura Real Estate's Core Residential Facility Brand

**PROUD FLAT**



Tomigaya 2-chome Project (former Mitsubishi Motors Shibuya Store)



Proud Flat Miyazakidai

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	Completion (plan) period	Status
Proud Flat Higashi-Kanda	Chiyoda-ku, Tokyo	May 2015	Operating
Proud Flat Mitsukoshi-mae	Chuo-ku, Tokyo	Jul. 2015	Operating
Proud Flat Monzen Nakacho V	Koto-ku, Tokyo	Oct. 2017	Operating
Proud Flat Miyazakidai	Kawasaki-shi, Kanagawa	Feb. 2018	Operating
Proud Flat Togoshi Koen	Shinagawa-ku, Tokyo	Dec. 2018	Under Construction
Proud Flat Asakusabashi II	Taito-ku, Tokyo	Mar. 2019	Under Construction
Proud Flat Higashi-Nihonbashi	Chuo-ku, Tokyo	Oct. 2018	Under Construction
Proud Flat Asakusabashi III	Taito-ku, Tokyo	Aug. 2018	Under Construction
Proud Flat Asakusa Kaminarimon	Taito-ku, Tokyo	Feb. 2019	Under Construction
Proud Flat Ryougoku	Sumida-ku, Tokyo	Sep. 2019	Under Construction
⊗ Proud Flat Tomigaya	Shibuya-ku, Tokyo	Feb. 2019	Under Construction
Kiba 5-chome Project	Koto-ku, Tokyo	Feb. 2020	Planning
Proud Flat Minami-Shinagawa 2-chome	Shinagawa-ku, Tokyo	Mar. 2019	Under Construction
Kinshicho II Project	Sumida-ku, Tokyo	Jan. 2020	Planning
Ryogoku 3-chome Project	Sumida-ku, Tokyo	Dec. 2019	Planning
Kameido 6-chome Project	Koto-ku, Tokyo	Dec. 2022	Planning
Togoshi Ginza Project	Shinagawa-ku, Tokyo	Feb. 2020	Planning
Asakusa 6-chome Project	Taito-ku, Tokyo	Jun. 2020	Planning

⊗ Properties developed through property replacement

\*1 Based on NREHD Presentation Materials for the Consolidated Financial Results for the First Quarter, FY2019. Properties sold at the end of August 2018 are excluded.

\*2 Joint venture project

\*3 Properties listed in sponsor pipeline, excluding those listed as NMF acquired, are not planned to be acquired by NMF as of Oct. 17, 2018.

Office

TOP 3 properties (acquisition price)

1 NEC Head Office Building

Location: Minato Ward, Tokyo  
Acquisition price: ¥44,100 million  
Total floor area: 144,476.05 m<sup>2</sup>



2 Shinjuku Nomura Building

Location: Shinjuku Ward, Tokyo  
Acquisition price: ¥43,900 million  
Total floor area: 117,258.88 m<sup>2</sup>



3 Kojimachi Millennium Garden

Location: Chiyoda Ward, Tokyo  
Acquisition price: ¥26,700 million  
Total floor area: 16,050.53 m<sup>2</sup>



Retail

TOP 3 properties (acquisition price)

1 Universal CityWalk Osaka

Location: Osaka City, Osaka  
Acquisition price: ¥15,500 million  
Total floor area: 86,888.64 m<sup>2</sup>



2 Yokosuka More's City

Location: Yokosuka City, Kanagawa  
Acquisition price: ¥13,640 million  
Total floor area: 43,890.82 m<sup>2</sup>



3 Nakaza Cui-daore Building

Location: Osaka City, Osaka  
Acquisition price: ¥11,600 million  
Total floor area: 8,280.08 m<sup>2</sup>



PMO Nihonbashi Mitsukoshi-mae

Location: Chuo Ward, Tokyo  
Total floor area: 2,968.75 m<sup>2</sup>

NEW



NMF Shibuya Koen-dori Building

Location: Shibuya Ward, Tokyo  
Total floor area: 5,358.55 m<sup>2</sup>



NRE Tennozu Building

Location: Shinagawa Ward, Tokyo  
Total floor area: 25,260.48 m<sup>2</sup>



GEMS Daimon

Location: Minato Ward, Tokyo  
Total floor area: 1,387.89 m<sup>2</sup>



EQUINA Ikebukuro

Location: Toshima Ward, Tokyo  
Total floor area: 3,476.36 m<sup>2</sup>



Kawasaki More's

Location: Kawasaki City, Kanagawa  
Total floor area: 22,235.96 m<sup>2</sup>



PMO Shibakoen

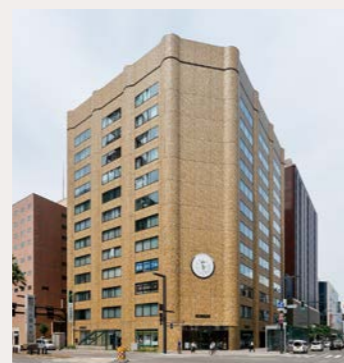
Location: Minato, Tokyo  
Total floor area: 1,755.21 m<sup>2</sup>

NEW



Sapporo North Plaza

Location: Sapporo City, Hokkaido  
Total floor area: 18,842.51 m<sup>2</sup>



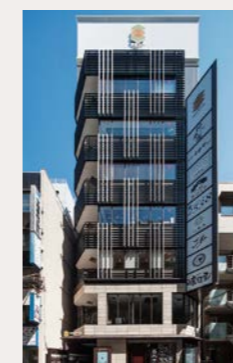
Omron Kyoto Center Building

Location: Kyoto City, Kyoto  
Total floor area: 34,616.84 m<sup>2</sup>



GEMS Kanda

Location: Chiyoda Ward, Tokyo  
Total floor area: 1,177.49 m<sup>2</sup>



Konami Sports Club Fuchu

Location: Fuchu City, Tokyo  
Total floor area: 12,214.97 m<sup>2</sup>



Summit Store Mukodaicho

Location: Nishi-Tokyo City, Tokyo  
Total floor area: 10,659.55 m<sup>2</sup>



Logistics

TOP 3 properties (acquisition price)

1 Landport Urayasu

Location: Urayasu City, Chiba  
Acquisition price: ¥17,400 million  
Total floor area: 71,570.64 m<sup>2</sup>



2 Landport Itabashi

Location: Itabashi Ward, Tokyo  
Acquisition price: ¥15,710 million  
Total floor area: 53,561.44 m<sup>2</sup>



3 Landport Kawagoe

Location: Kawagoe City, Saitama  
Acquisition price: ¥13,700 million  
Total floor area: 72,352.88 m<sup>2</sup>



Residential

TOP 3 properties (acquisition price)

1 Fukasawa House Towers H&I

Location: Setagaya Ward, Tokyo  
Acquisition price: ¥7,140 million  
Total floor area: 12,135.36 m<sup>2</sup>



2 PRIME URBAN Toyosu

Location: Koto Ward, Tokyo  
Acquisition price: ¥5,290 million  
Total floor area: 9,630.96 m<sup>2</sup>



3 PRIME URBAN Sapporo Riverfront

Location: Sapporo City, Hokkaido  
Acquisition price: ¥4,480 million  
Total floor area: 21,239.84 m<sup>2</sup>



Landport Hachioji

Location: Hachioji City, Tokyo  
Total floor area: 33,028.63 m<sup>2</sup>

NEW



Landport Iwatsuki

Location: Saitama City, Saitama  
Total floor area: 24,177.15 m<sup>2</sup>

NEW



Landport Kashiwa Shonan II

Location: Kashiwa, Chiba  
Total floor area: 51,485.62 m<sup>2</sup>



PROUD FLAT Sangen Jaya II

Location: Setagaya Ward, Tokyo  
Total floor area: 3,522.92 m<sup>2</sup>

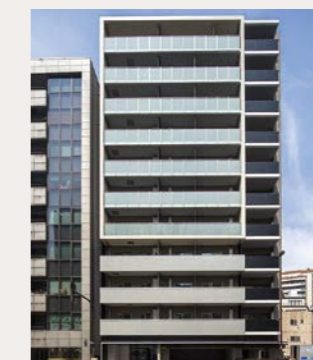
NEW



PROUD FLAT Soto Kanda

Location: Chiyoda Ward, Tokyo  
Total floor area: 2,882.48 m<sup>2</sup>

NEW



PROUD FLAT Noborito

Location: Kawasaki City, Kanagawa  
Total floor area: 2,000.91 m<sup>2</sup>

NEW



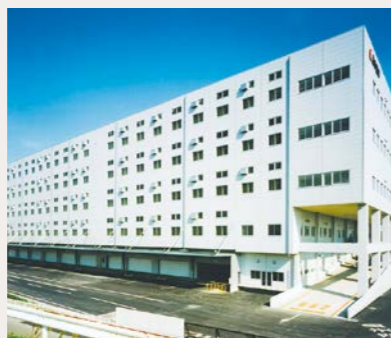
Landport Kasukabe

Location: Kasukabe, Saitama  
Total floor area: 29,553.64 m<sup>2</sup>



Kawaguchi Ryoke Logistics Center

Location: Kawaguchi City, Saitama  
Total floor area: 41,867.82 m<sup>2</sup>



Atsugi Minami Logistics Center B Tower

Location: Atsugi City, Kanagawa  
Total floor area: 24,929.27 m<sup>2</sup>



PROUD FLAT Yoyogi Hachiman

Location: Shibuya Ward, Tokyo  
Total floor area: 1,081.03 m<sup>2</sup>

NEW



PROUD FLAT Nakaochiai

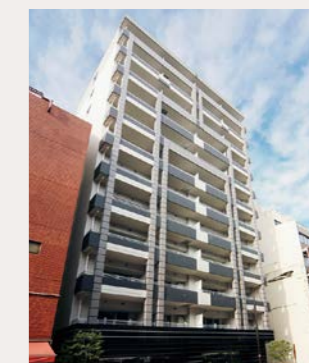
Location: Shinjuku Ward, Tokyo  
Total floor area: 1,333.42 m<sup>2</sup>

NEW



PRIME URBAN Nihonbashi Yokoyamacho

Location: Chuo Ward, Tokyo  
Total floor area: 6,898.33 m<sup>2</sup>



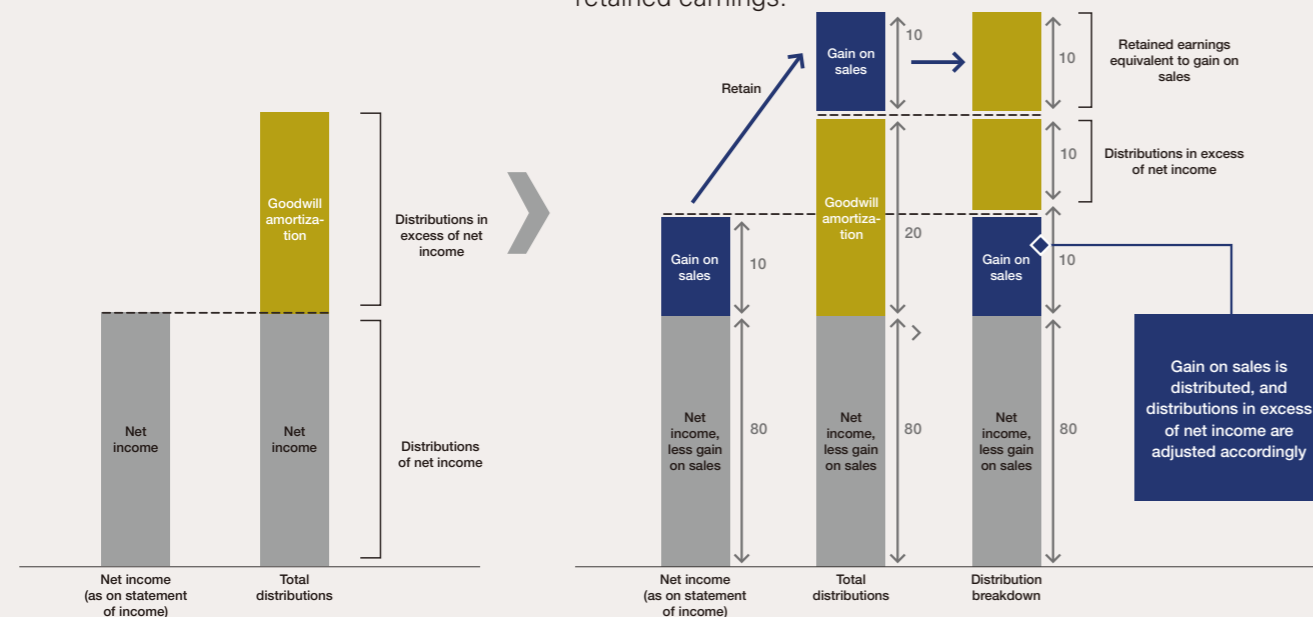
# Distribution Policy

## Basic Distribution Policy

Distribute net earnings + amortization of goodwill

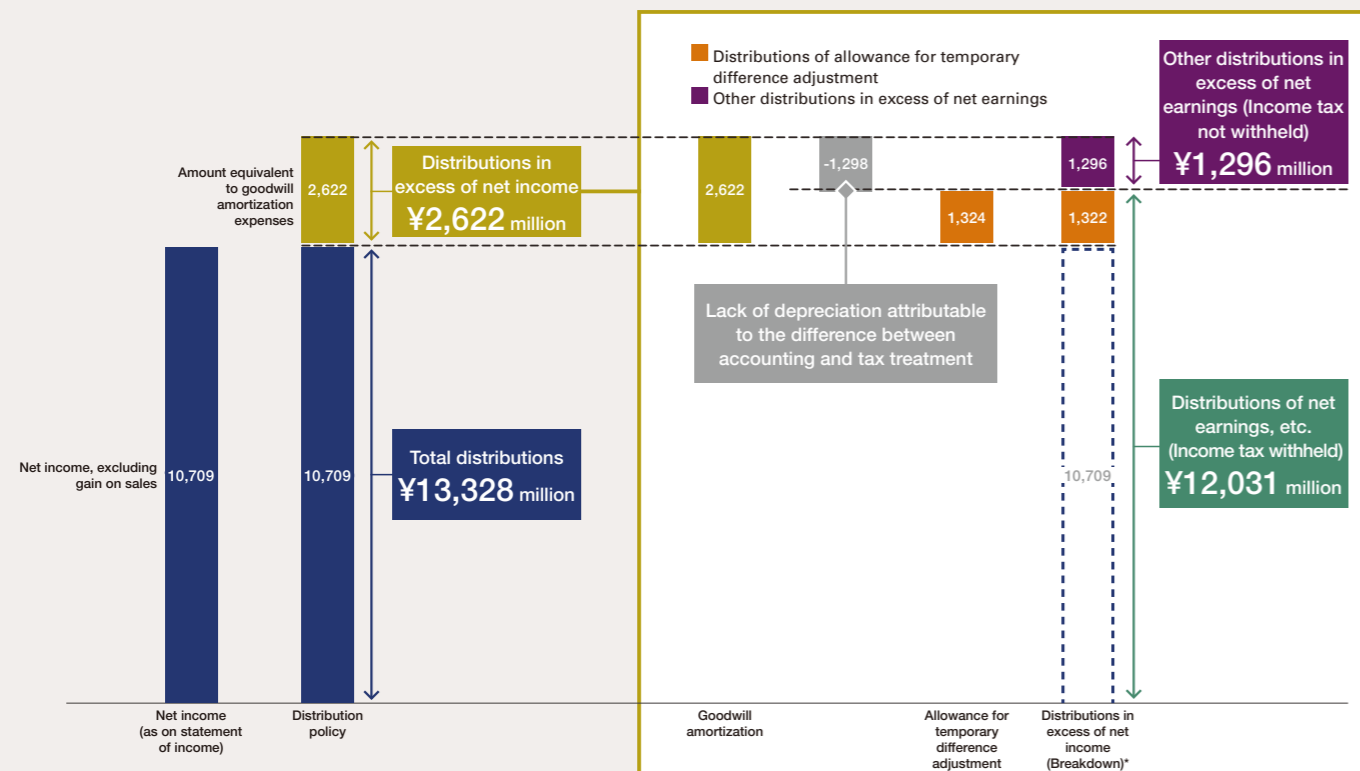
## Distribution Policy for Periods with Gain on Sales

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.



\* Numbers shown above are for illustrative purposes only.

## Distributions in Excess of Net Earnings in the 6th Fiscal Period (Millions of yen)



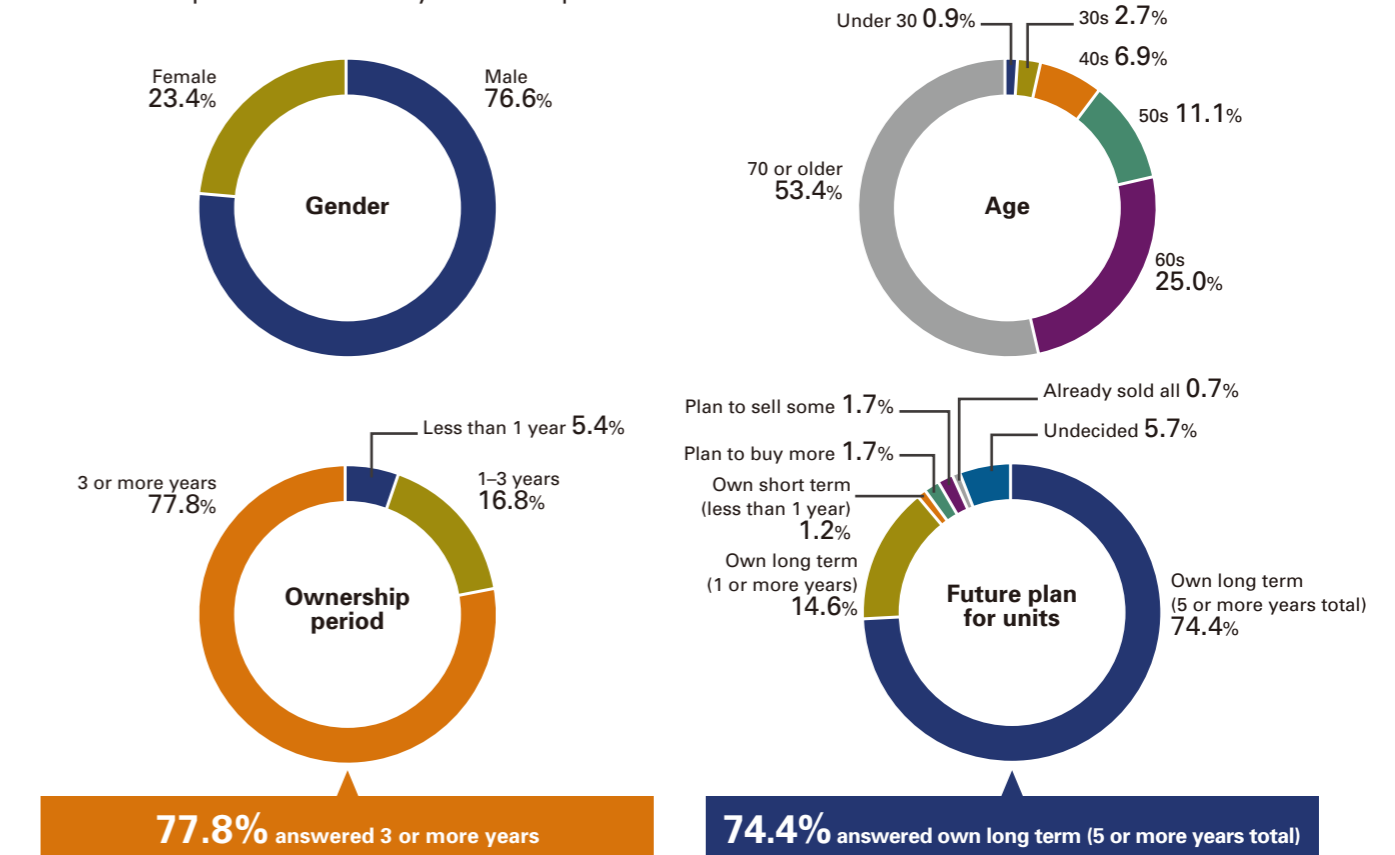
\* Figures in the bar graph disregard amounts less than ¥1 per unit.

# Results of Our Unitholder Survey

We conducted a survey with the release of our Semi-Annual Report for the 5th Fiscal Period, ended February 28, 2018. Thank you for your cooperation. Going forward, NMF will use the valuable opinions and ideas collected in its operations and IR activities. A portion of the survey results are presented below.

### Respondent Demographics

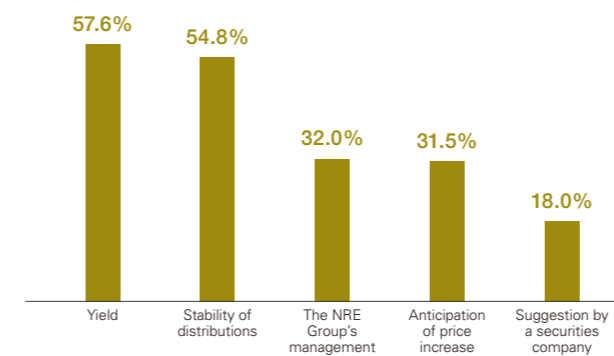
Unitholders	Responses	Response rate
33,731	3,085	9.1%



**77.8%** answered 3 or more years

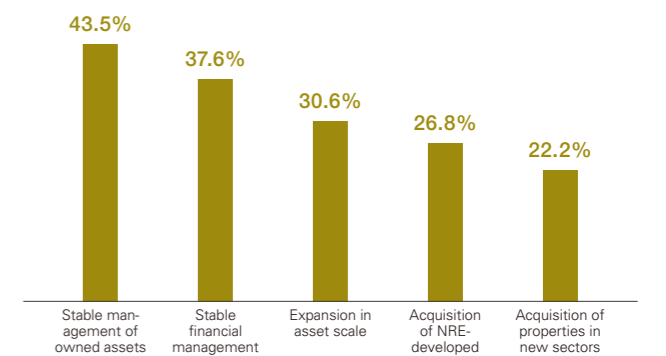
**74.4%** answered own long term (5 or more years total)

### Q.1 Why did you purchase NMF units?



I look forward to long-term stable growth owing to the NRE Group's capability.

### Q.2 Looking ahead, what do you expect from NMF's management?

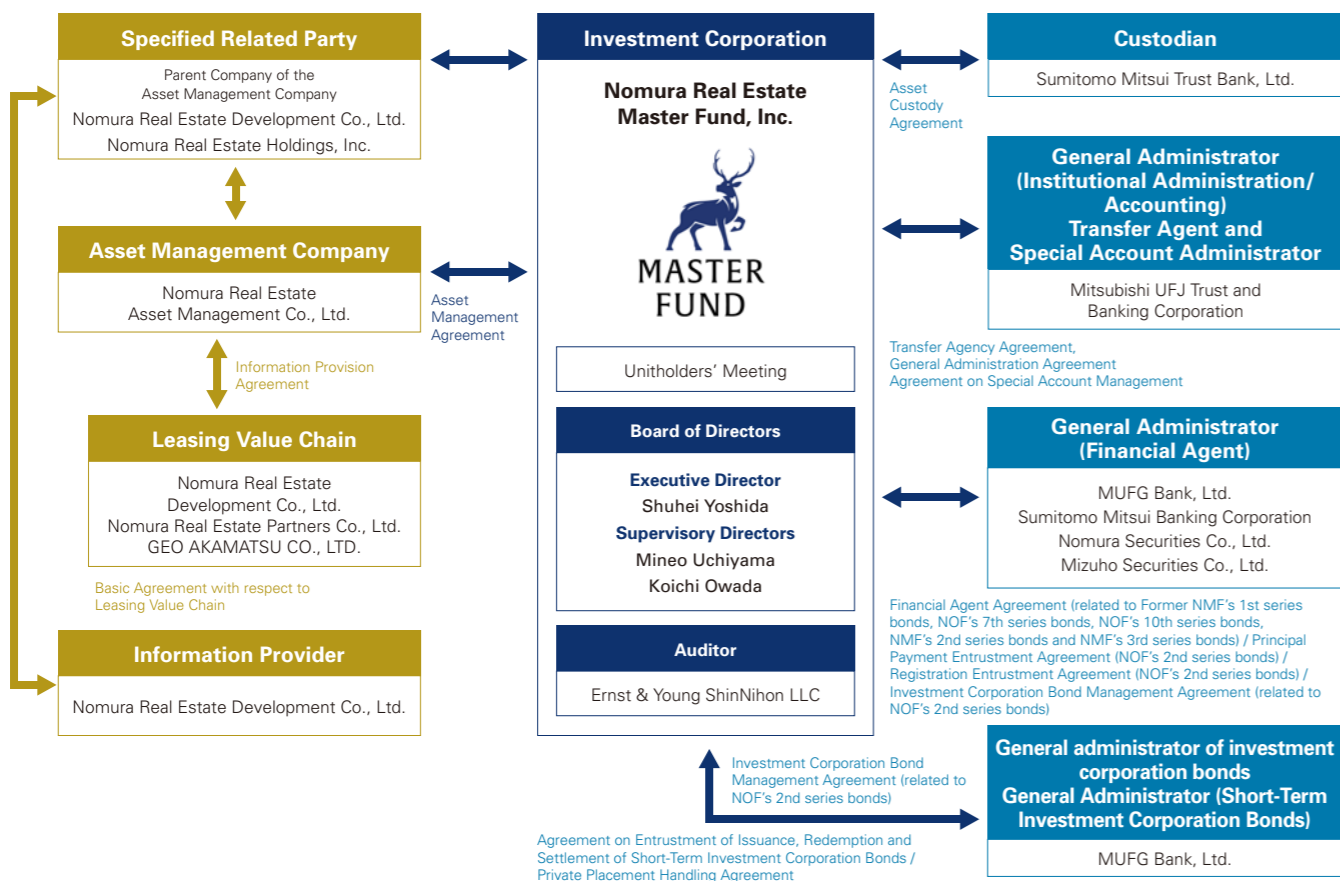


I look forward to stable distributions and stable management over the medium to long term.

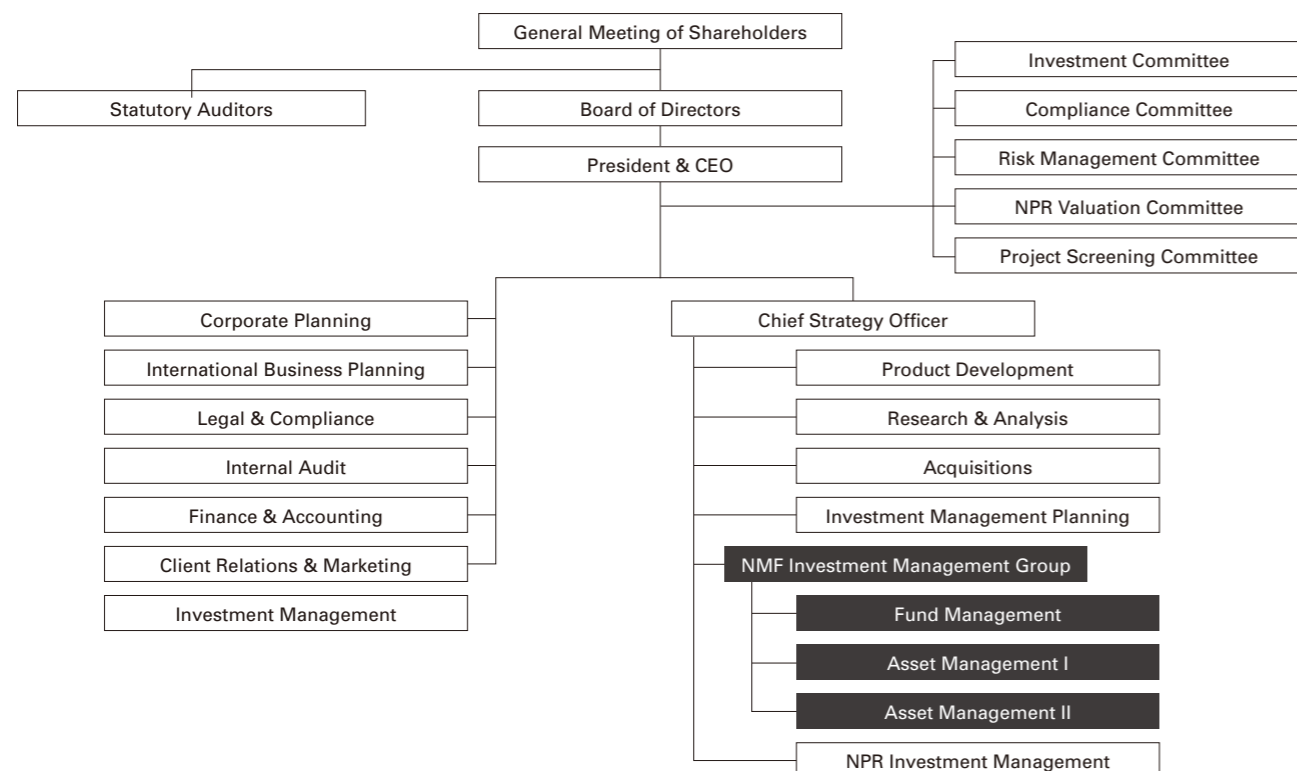
Going forward, we will continue working to improve unitholder value through the assurance of stable earnings over the medium to long term and the steady growth of assets under management.

# Structure and Organization

## Structure of NMF



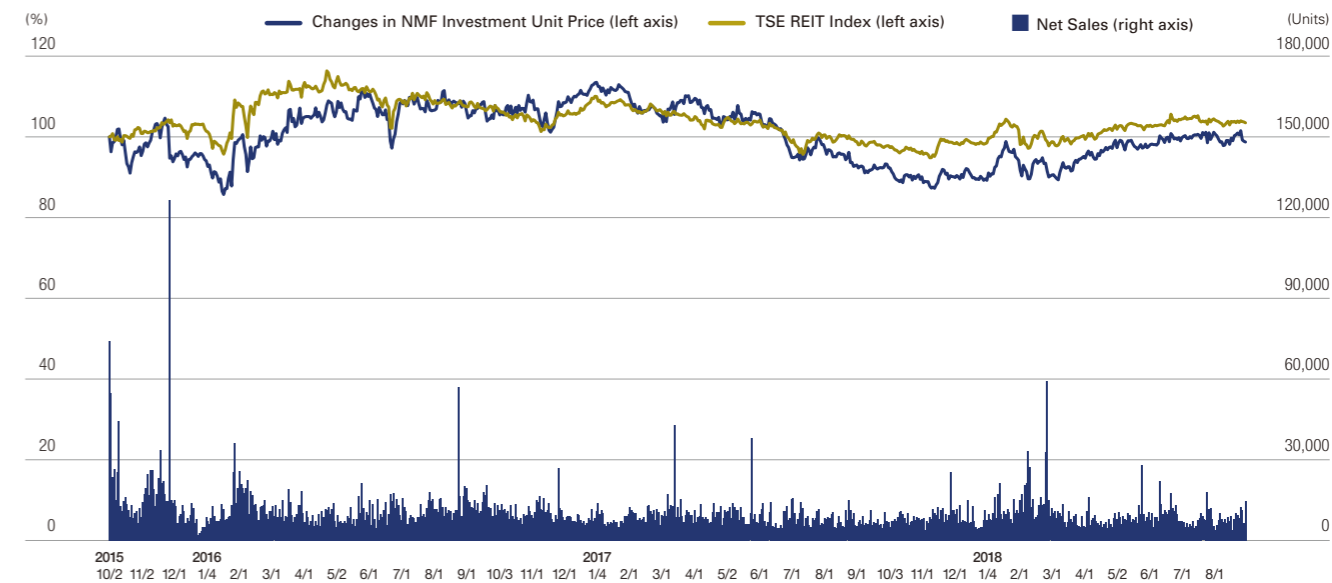
## Organization of NREAM



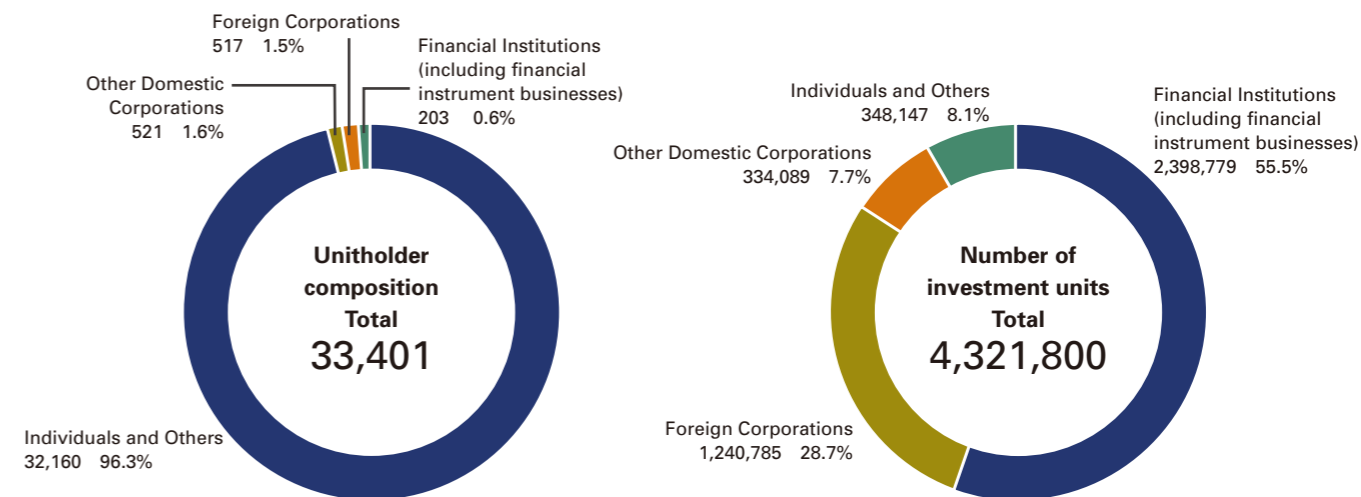
# Investor Information

## Changes in Investment Unit Price

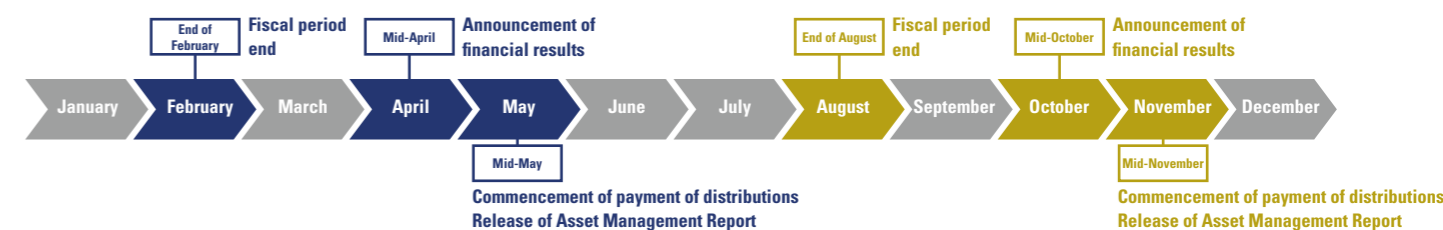
The baseline set is at NMF's Tokyo Stock Exchange (TSE) closing price on October 2, 2015. Changes in NMF's investment unit price, the TSE REIT index, and net sales for the period between October 2, 2015 (IPO date), and August 31, 2018 (last day of trading for the 6th FP), are as below.



## Composition of Unitholders



## IR Calendar



# Unitholder Information

## Unitholder Information

### The process for changing your address and other information

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

### Distributions

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

### Important Reminders for Unitholders

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

## IR Highlights

- Joined events for individual investors called "J-REIT Nationwide Caravan" sponsored by ARES
- Joined seminars for individual investors sponsored by securities companies
- Joined "Morningstar J-REIT Seminar for Individual Investors"
- Held property tours for investors (PMOs in Tokyo, Shinjuku Nomura Building, etc.)
- Conducted reporting for overseas investors in: Hong Kong, Singapore, Switzerland, the Netherlands, the United Kingdom, and the United States

## WEBSITE

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

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

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

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

Nomura Master Fund

The screenshot shows the website's 'Portfolio Summary' page. It features a main banner with a cityscape and the text 'One of the largest diversified type REITs in Japan'. Below the banner are key metrics: 281 properties, 955,984 million yen acquisition price, and 99.3% occupancy rate. The 'Portfolio Summary' table is as follows:

	Properties	Acquisition Price (Billions of Yen)	Appraisal Value (Billions of Yen)	Property Age	Building Area (sqm)
<b>Total</b>	281	955,984	1,041,183	18.9	2,321,273,82
Office	61	434,550	493,290	25.2	790,383,29
Hotel Facilities (New Standard)	44	133,763	180,345	17.6	443,384,85
Hotel Facilities (Residential Area)	19	106,617	119,140	17.3	236,465,14
Hotel Facilities (Residential Area)	25	63,196	67,805	18.5	256,499,69
Logistics	19	161,690	187,350	10.9	717,849,37
Residential	168	192,131	198,468	13.9	368,027,78
Others	7	3,660	3,880	10.6	4,348,33
Other	7	4,900	5,200	-	0,00

The 'Portfolio List' table below it provides more detailed information for each property, including location and completion date.

The site has overviews of owned properties, maps, occupancy rate data, and more.

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

The screenshot shows the 'Disclosure Materials' section, which includes a table for 'Financial Information' and a section for 'Articles of Incorporation'.

Financial Information	Brief Report on Closing of Accounting Report	Analyst Meeting Presentation Material	Semi-Annual Report	Portfolio Data
6th Fiscal Period	[PDF 2.3MB]	[PDF 5.1MB] Value™	[PDF 3.7MB]	[XLS 729KB]
5th Fiscal Period	[PDF 2.3MB]	[PDF 5.1MB]	[PDF 3.7MB]	[XLS 630KB]
4th Fiscal Period	[PDF 1.9MB]	[PDF 4.7MB]	[PDF 3.2MB]	[XLS 530KB]
3rd Fiscal Period	[PDF 1.5MB]	[PDF 3.3MB]	[PDF 2.8MB]	[XLS 430KB]
2nd Fiscal Period	[PDF 1.1MB]	[PDF 2.9MB]	[PDF 2.4MB]	[XLS 330KB]

Excel files with detailed data are available for download.

The screenshot shows a page titled 'THE DEER - New Brand Concept'. It features a large image of a deer and text describing the brand's history and vision. The text includes 'THE DEER - Birth History of New Brand Logo' and 'THE DEER - Birth History of New Brand Logo'.



# Balance Sheet

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and bank deposits	¥ 74,556,830	¥ 76,536,938
Rental receivables	719,156	556,648
Income taxes receivable	—	54
Consumption taxes receivable	206,657	—
Other current assets	1,280,252	973,715
<b>Total current assets</b>	<b>76,762,897</b>	<b>78,067,357</b>
<b>Property and Equipment:</b>		
Land	654,095,186	629,702,459
Buildings and structures	314,219,167	301,548,314
Machinery and equipment	1,080,099	904,607
Tools, furniture and fixtures	837,179	569,889
Leased assets	10,107	23,900
Construction in progress	7,228	98,999
Subtotal	970,248,969	932,848,171
Less accumulated depreciation	(31,759,037)	(26,882,795)
<b>Net property and equipment</b>	<b>938,489,931</b>	<b>905,965,376</b>
<b>Investments and Other Assets:</b>		
Goodwill	90,831,465	93,453,708
Leasehold rights	8,959,693	8,960,079
Intangible assets	45,950	49,156
Long-term prepaid expenses	1,908,481	1,725,575
Long-term deposits	527,786	537,247
Security deposits	946,367	945,963
Derivatives Assets	109,110	74,639
Deferred investment corporation bond issuance costs	63,159	40,964
<b>Total investments and other assets</b>	<b>103,392,015</b>	<b>105,787,336</b>
<b>Total Assets</b>	<b>¥1,118,644,844</b>	<b>¥1,089,820,070</b>

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

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Trade accounts payable	¥ 2,558,715	¥ 2,223,178
Short-term debt	500,000	—
Current portion of long-term debt	63,160,600	58,315,600
Lease obligations	2,728	3,797
Other accounts payable	2,370,672	2,437,546
Accrued expenses	322,498	291,069
Accrued income taxes	2,120	605
Accrued consumption taxes	—	223,118
Rent received in advance	5,069,434	4,896,718
Unearned revenue	228,281	263,512
Provision for loss on disaster	17,922	—
Derivatives liabilities	62,643	49,325
Other current liabilities	7,603	46,668
<b>Total current liabilities</b>	<b>74,303,221</b>	<b>68,751,140</b>
<b>Long-term Liabilities:</b>		
Investment corporation bonds	22,000,000	20,500,000
Long-term debt	411,495,000	407,382,800
Lease obligations	227	1,591
Long-term advanced received	346,546	449,677
Security deposits from tenants	37,844,909	36,525,325
Derivative liabilities	818,237	1,118,774
<b>Total long-term liabilities</b>	<b>472,504,921</b>	<b>465,978,169</b>
<b>Total Liabilities</b>	<b>546,808,142</b>	<b>534,729,310</b>
<b>NET ASSETS</b>		
<b>Unitholders' Equity:</b>		
Unitholders' capital	181,730,086	162,791,125
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(7,878,667)	(7,169,175)
Other deductions from capital surplus	(7,060,439)	(6,000,467)
Total deductions from capital surplus	(14,939,107)	(13,169,643)
Net capital surplus	379,073,851	380,843,315
Retained earnings	11,804,535	12,549,780
Total surplus	390,878,386	393,393,095
<b>Total unitholders' equity</b>	<b>572,608,472</b>	<b>556,184,220</b>
<b>Valuation and Translation Adjustments:</b>		
Deferred gains or losses on hedges	(771,769)	(1,093,460)
<b>Total valuation and translation adjustments</b>	<b>(771,769)</b>	<b>(1,093,460)</b>
<b>Total Net Assets</b>	<b>571,836,702</b>	<b>555,090,759</b>
<b>Total Liabilities and Net Assets</b>	<b>¥1,118,644,844</b>	<b>¥1,089,820,070</b>

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, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
<b>OPERATING REVENUES AND EXPENSES</b>		
<b>Operating Revenues:</b>		
Real estate rental revenues	¥34,731,869	¥33,631,626
Gain on sales of real estate	—	587,249
	34,731,869	34,218,876
<b>Operating Expenses:</b>		
Real estate rental expenses	15,158,332	14,785,472
Asset management fees	3,074,928	3,007,249
Asset custody fees	55,871	56,139
Administrative service fees	165,937	154,619
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	368,580	380,816
	21,445,892	21,006,539
<b>Operating Income</b>	<b>13,285,976</b>	<b>13,212,336</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
<b>Non-Operating Revenues:</b>		
Interest income	571	635
Reversal of dividends payable	5,198	11,437
Interest on refund	132	—
Other non-operating revenues	103	19
	6,006	12,092
<b>Non-Operating Expenses:</b>		
Interest expense	1,908,070	1,873,772
Interest expenses on investment corporation bonds	182,048	187,113
Amortization of investment corporation bonds issuance costs	2,951	2,147
Loan arrangement fees	418,730	396,804
Investment units issuance expenses	19,231	42,462
Other non-operating expenses	5,319	6,862
	2,536,351	2,509,162
<b>Ordinary Income</b>	<b>10,755,631</b>	<b>10,715,266</b>
<b>Extraordinary Losses:</b>		
Loss on disaster	43,651	—
	43,651	—
<b>Income before Income Taxes</b>	<b>10,711,980</b>	<b>10,715,266</b>
<b>Income Taxes:</b>		
Current	2,175	605
	2,175	605
<b>Net Income</b>	<b>10,709,804</b>	<b>10,714,661</b>
Retained earnings brought forward	1,094,730	1,835,119
<b>Retained Earnings at End of Period</b>	<b>¥11,804,535</b>	<b>¥12,549,780</b>

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, 2018 to August 31, 2018

	Thousands of Yen						
	Unitholders' Equity						
	Surplus						
	Capital surplus						
	Deductions from capital surplus						
	Units	Unitholders' Capital	Capital Surplus	Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deduction from capital surplus	Net capital surplus
Balance as of March 1, 2018	4,183,130	¥162,791,125	¥394,012,959	¥(7,169,175)	¥(6,000,467)	¥(13,169,643)	¥380,843,315
Issuance of new investment units	138,670	18,460,443	—	—	—	—	—
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	478,516	—	478,516	(478,516)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(1,188,008)	—	(1,188,008)	(1,188,008)
Other distributions in excess of net earnings	—	—	—	—	(581,455)	(581,455)	(581,455)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
<b>Balance as of August 31, 2018</b>	<b>4,321,800</b>	<b>¥181,730,086</b>	<b>¥394,012,959</b>	<b>¥(7,878,667)</b>	<b>¥(7,060,439)</b>	<b>¥(14,939,107)</b>	<b>¥379,073,851</b>

	Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus			Deferred Gains or Losses on Hedges			
	Retained earnings	Total surplus	Total unitholders' equity	Total Valuation and Translation Adjustments		Total Net Assets	
Balance as of March 1, 2018	¥12,549,780	¥393,393,095	¥556,184,220	¥(1,093,460)	¥(1,093,460)	¥555,090,759	
Issuance of new investment units	—	—	18,460,443	—	—	18,460,443	
Distributions of retained earnings	(10,976,533)	(10,976,533)	(10,976,533)	—	—	(10,976,533)	
Reversal of allowance for temporary difference adjustments	(478,516)	(478,516)	—	—	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(1,188,008)	(1,188,008)	—	—	(1,188,008)	
Other distributions in excess of net earnings	—	(581,455)	(581,455)	—	—	(581,455)	
Net income	10,709,804	10,709,804	10,709,804	—	—	10,709,804	
Net changes of items other than unitholders' equity	—	—	—	321,691	321,691	321,691	
<b>Balance as of August 31, 2018</b>	<b>¥11,804,535</b>	<b>¥390,878,386</b>	<b>¥572,608,472</b>	<b>¥(771,769)</b>	<b>¥(771,769)</b>	<b>¥571,836,702</b>	

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

For the period from September 1, 2017 to February 28, 2018

	Thousands of Yen						
	Unitholders' Equity						
	Surplus						
	Capital surplus						
	Deductions from capital surplus						
	Units	Unitholders' Capital	Capital Surplus	Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deduction from capital surplus	Net capital surplus
Balance as of September 1, 2017	4,183,130	¥162,592,573	¥394,012,959	¥(7,367,727)	¥(5,801,916)	¥(13,169,643)	¥380,843,315
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	198,551	—	198,551	(198,551)	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	—	—	—	—
Other distributions in excess of net earnings	—	—	—	—	—	—	—
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
<b>Balance as of February 28, 2018</b>	<b>4,183,130</b>	<b>¥162,791,125</b>	<b>¥394,012,959</b>	<b>¥(7,169,175)</b>	<b>¥(6,000,467)</b>	<b>¥(13,169,643)</b>	<b>¥380,843,315</b>

	Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus			Deferred Gains or Losses on Hedges			
	Retained earnings	Total surplus	Total unitholders' equity	Total Valuation and Translation Adjustments		Total Net Assets	
Balance as of September 1, 2017	¥14,737,836	¥395,581,151	¥558,173,725	¥(1,524,682)	¥(1,524,682)	¥556,649,043	
Distributions of retained earnings	(12,704,165)	(12,704,165)	(12,704,165)	—	—	(12,704,165)	
Reversal of allowance for temporary difference adjustments	(198,551)	(198,551)	—	—	—	—	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	—	—	—	
Other distributions in excess of net earnings	—	—	—	—	—	—	
Net income	10,714,661	10,714,661	10,714,661	—	—	10,714,661	
Net changes of items other than unitholders' equity	—	—	—	431,221	431,221	431,221	
<b>Balance as of February 28, 2018</b>	<b>¥12,549,780</b>	<b>¥393,393,095</b>	<b>¥556,184,220</b>	<b>¥(1,093,460)</b>	<b>¥(1,093,460)</b>	<b>¥555,090,759</b>	

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, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
<b>CASH FLOWS</b>		
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	¥10,711,980	¥10,715,266
Depreciation	4,904,202	4,738,059
Amortization of goodwill	2,622,242	2,622,242
Investment units issuance expenses	19,231	42,462
Amortization of investment corporation bonds issuance costs	2,951	2,147
Increase (Decrease) in provision for loss on disaster	17,922	—
Interest income	(571)	(635)
Interest expense	2,090,118	2,060,886
Loss on disposal of property and equipment	11,491	6,256
Decrease (Increase) in rental receivables	(162,508)	226,256
Decrease (Increase) in long-term prepaid expenses	(182,905)	(32,959)
Decrease (Increase) in long-term deposits	9,460	28,771
Increase (Decrease) in trade accounts payable	335,536	(855,186)
Increase (Decrease) in other accounts payable	(5,783)	318
Decrease (Increase) in consumption taxes receivables	(206,657)	—
Increase (Decrease) in accrued consumption taxes	(223,118)	(1,004,447)
Increase (Decrease) in accrued expenses	(830)	839,836
Increase (Decrease) in rent received in advance	172,716	(45,530)
Decrease in property and equipment in trust due to sales	—	22,433,392
Decrease in intangible assets in trust due to sales	—	1,828
Other	(348,376)	59,387
Subtotal	19,767,104	41,838,353
Interest received	571	635
Interest paid	(2,196,550)	(2,264,760)
Income taxes paid	(605)	(603)
<b>Net cash provided by (used in) operating activities</b>	<b>17,570,519</b>	<b>39,573,624</b>
<b>Cash Flows from Investing Activities</b>		
Payments for purchases of property and equipment	(37,442,038)	(18,540,240)
Payments for purchases of leasehold rights and intangible assets	(6,913)	(397,311)
Reimbursement of security deposits to tenants	(867,342)	(1,599,527)
Proceeds from security deposits from tenants	2,186,960	1,553,905
Payments of security deposits	(648)	(210)
Proceeds from security deposits	210	—
<b>Net cash provided by (used in) investing activities</b>	<b>(36,129,771)</b>	<b>(18,983,384)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term debt	2,500,000	—
Repayments of short-term debt	(2,000,000)	—
Proceeds from long-term debt	38,855,000	24,320,000
Repayments of long-term debt	(29,897,800)	(24,862,800)
Proceeds from issuance of investment corporation bonds	1,500,000	2,000,000
Redemption of investment corporation bonds	—	(4,000,000)
Payments of investment corporation bonds issuance costs	(25,147)	(23,444)
Proceeds from issuance of investment units	18,460,443	—
Payment of investment units issuance expenses	(61,693)	—
Distributions to unitholders	(10,982,284)	(12,712,708)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,188,092)	(1,108)
Other distributions in excess of net earnings	(581,282)	(915)
<b>Net cash provided by (used in) financing activities</b>	<b>16,579,143</b>	<b>(15,280,976)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,980,108)</b>	<b>5,309,263</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>76,536,938</b>	<b>71,227,675</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>¥74,556,830</b>	<b>¥76,536,938</b>

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

NMF adopts the basic policy of investing primarily in real estate and other assets to secure stable income and steady growth of assets under management over the medium to long term. In order to realize this basic policy, NMF adopts an investment strategy that centers on the Greater Tokyo area (Tokyo, Kanagawa, Chiba and Saitama prefectures), which has strong tenant demand, while also considering regional diversification through the three major metropolitan areas and cabinet-order designated cities, etc. By combining the "diversified type strategy" in which investments are made in facilities of a variety of sectors such as 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

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

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Cash and cash equivalents

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

### Property and equipment

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

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

### Intangible assets

Intangible assets are amortized by the straight-line method.

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

### Long-term prepaid expenses

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

### Impairment of fixed assets

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

### Deferred investment corporation bond issuance costs

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

### Investment units issuance expenses

The entire amount is expensed as incurred.

### Allowance for doubtful accounts

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

(2) Provision for loss on disaster

Provision for loss on disaster is recorded at the amount estimated as of August 31, 2018 to provide for possible repair and recovery costs arising from the 2018 Northern Osaka Earthquake.

### Accounting treatment of beneficial interests in real estate

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

### Revenue recognition

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

### Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for the fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥12,466 thousand for the fiscal period ended February 28, 2018, and ¥116,332 thousand for the fiscal period ended August 31, 2018.

### Income taxes

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

### Consumption taxes

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

### Derivative financial instruments

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

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

## 4. CASH AND CASH EQUIVALENTS

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

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
Cash and bank deposits	¥74,556,830	¥76,536,938
Cash and cash equivalents	¥74,556,830	¥76,536,938

Important contents of the non-cash transactions:

Not applicable.

## 5. ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral are as follows:

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
Buildings in trust	¥3,294,755	¥3,327,532
Land in trust	6,096,368	6,096,368
Tools, furniture and fixtures in trust	185	206
<b>Total</b>	<b>¥9,391,308</b>	<b>¥9,424,106</b>

The secured liabilities are as follows:

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
Tenant leasehold and security deposits in trust	¥726,648	¥726,648
<b>Total</b>	<b>¥726,648</b>	<b>¥726,648</b>

## 6. SCHEDULE OF PROPERTY AND EQUIPMENT

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

	Thousands of Yen			
	As of August 31, 2018		As of February 28, 2018	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥247,417,363	¥247,417,363	¥223,024,636	¥223,024,636
Buildings and structures	132,128,821		121,861,493	
Accumulated depreciation	(10,463,686)	121,665,135	(8,494,263)	113,367,230
Machinery and equipment	650,784		620,042	
Accumulated depreciation	(363,337)	287,446	(298,650)	321,391
Tools, furniture and fixtures	237,337		190,500	
Accumulated depreciation	(56,101)	181,235	(37,880)	152,619
Land in trust	406,677,823	406,677,823	406,677,823	406,677,823
Buildings and structures in trust	182,090,345		179,686,820	
Accumulated depreciation	(20,673,871)	161,416,473	(17,892,398)	161,794,421
Machinery and equipment in trust	429,315		284,564	
Accumulated depreciation	(53,443)	375,871	(36,334)	248,230
Tools, furniture and fixtures in trust	599,842		379,389	
Accumulated depreciation	(141,226)	458,615	(104,417)	274,972
Lease assets in trust	10,107		23,900	
Accumulated depreciation	(7,369)	2,737	(18,850)	5,050
Construction in progress	7,228	7,228	98,999	98,999
<b>Total</b>	<b>¥938,489,931</b>	<b>¥938,489,931</b>	<b>¥905,965,376</b>	<b>¥905,965,376</b>

## 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, 2018 and February 28, 2018 and consist of the following:

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>
Unsecured loans from banks due on April 2, 2019	¥ 500,000	0.45545%	—	—
Unsecured loans from banks due on March 27, 2018	—	—	¥ 4,670,000	0.65545%
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	0.65545%
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 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	0.16545%	6,375,000	0.16545%
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%	—	—
Unsecured loans from banks due on March 29, 2019	4,000,000	0.89635%	—	—
Unsecured loans from banks due on May 27, 2019	9,000,000	1.11750%	—	—
Unsecured loans from a bank due on May 27, 2019	1,000,000	1.04875%	—	—
Unsecured loans from a bank due on May 27, 2019	1,100,000	0.69894%	—	—
Unsecured loans from banks due on August 26, 2019	5,700,000	1.25200%	—	—
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	—	—
Unsecured loans from banks due on August 26, 2019	2,500,000	1.27625%	—	—
Unsecured loans from banks due on August 26, 2019	4,700,000	0.81080%	—	—
Unsecured loans from a bank due on May 26, 2025 <sup>(Note 2)</sup>	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 <sup>(Note 2)</sup>	42,800	2.21812%	42,800	2.21812%
<b>Total</b>	<b>¥63,660,600</b>		<b>¥58,315,600</b>	

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

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

## 8. LONG-TERM DEBT

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

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>
Unsecured loans from banks due on March 29, 2019	—	—	¥ 4,500,000	0.81625%
Unsecured loans from banks due on March 29, 2019	—	—	4,000,000	0.89635%
Unsecured loans from banks due on May 27, 2019	—	—	9,000,000	1.11750%
Unsecured loans from a bank due on May 27, 2019	—	—	1,000,000	1.04875%
Unsecured loans from a bank due on May 27, 2019	—	—	1,100,000	0.69894%
Unsecured loans from banks due on August 26, 2019	—	—	5,700,000	1.25200%
Unsecured loans from a bank due on August 26, 2019	—	—	2,200,000	1.22000%
Unsecured loans from banks due on August 26, 2019	—	—	2,500,000	1.27625%
Unsecured loans from banks due on August 26, 2019	—	—	4,700,000	0.81080%
Unsecured loans from banks due on October 28, 2019	¥ 3,000,000	0.22545%	3,000,000	0.22545%
Unsecured loans from banks due on October 28, 2019	4,000,000	0.19545%	4,000,000	0.19545%
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 September 28, 2020	3,000,000	0.22545%	3,000,000	0.22545%
Unsecured loans from banks due on November 26, 2020	3,500,000	0.46075%	3,500,000	0.46075%
Unsecured loans from banks due on November 26, 2020	2,350,000	0.46190%	2,350,000	0.46190%
Unsecured loans from a bank due on November 26, 2020	500,000	0.47375%	500,000	0.47375%
Unsecured loans from banks due on November 26, 2020	1,230,000	0.19545%	—	—
Unsecured loans from banks due on February 26, 2021	5,000,000	1.35250%	5,000,000	1.35250%
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.17750%	2,000,000	1.17750%
Unsecured loans from banks due on February 26, 2021	2,000,000	1.19211%	2,000,000	1.19211%
Unsecured loans from banks due on February 26, 2021	2,000,000	0.80832%	2,000,000	0.80832%
Unsecured loans from a bank due on February 26, 2021	3,000,000	0.86350%	3,000,000	0.86350%
Unsecured loans from banks due on February 26, 2021	2,120,000	0.85050%	2,120,000	0.85050%
Unsecured loans from a bank due on February 26, 2021	500,000	0.46725%	500,000	0.46725%
Unsecured loans from a bank due on February 26, 2021	2,000,000	0.22560%	2,000,000	0.22560%
Unsecured loans from banks due on February 26, 2021	2,800,000	0.14700%	2,800,000	0.14700%
Unsecured loans from a bank due on February 26, 2021	400,000	0.21810%	400,000	0.21810%
Unsecured loans from banks due on March 26, 2021	4,670,000	0.22545%	—	—
Unsecured loans from banks due on May 26, 2021	8,000,000	1.56250%	8,000,000	1.56250%
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	1,000,000	1.46375%
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	1,000,000	1.68200%
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	3,500,000	1.62500%
Unsecured loans from banks due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	2,700,000	1.24100%
Unsecured loans from banks due on August 26, 2021	3,600,000	0.81585%	3,600,000	0.81585%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from banks due on November 26, 2021	2,000,000	1.11662%	2,000,000	1.11662%

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>
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 banks due on November 28, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023	10,000,000	0.48700%	10,000,000	0.48700%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	—	—
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%	5,670,000	0.49485%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	—	—
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	—	—
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	—	—
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	—	—
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	—	—
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	—	—
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	—	—
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	—	—
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
Unsecured loans from banks due on March 26, 2027	1,500,000	0.69068%	—	—
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	—	—
Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	—	—
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%
Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	—	—
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	—	—

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>	Amount (Thousands of Yen)	Weighted-average interest rate <sup>(Note 1)</sup>
Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	—	—
Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	—	—
Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	—	—
Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	—	—
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 <sup>(Note 2)</sup>	732,500	2.17000%	753,900	2.17000%
Unsecured loans from a bank due on May 26, 2025 <sup>(Note 2)</sup>	732,500	2.21812%	753,900	2.21812%
<b>Total</b>	<b>¥411,495,000</b>		<b>¥407,382,800</b>	

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, 2018	¥64,685,600	¥59,655,600	¥47,715,600	¥51,615,600
<b>As of August 31, 2018</b>	<b>¥58,385,600</b>	<b>¥61,135,600</b>	<b>¥44,715,600</b>	<b>¥61,435,600</b>

## 9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of August 31, 2018		As of February 28, 2018	
	Amount (Thousands of Yen)	Interest rate <sup>(Note)</sup>	Amount (Thousands of Yen)	Interest rate <sup>(Note)</sup>
NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020	¥ 5,000,000	2.47%	¥ 5,000,000	2.47%
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.90%	4,500,000	2.90%
Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024	3,000,000	0.87%	3,000,000	0.87%
NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024	6,000,000	1.02%	6,000,000	1.02%
NMF's 2nd series of unsecured investment corporation bonds due on November 16, 2027	2,000,000	0.59%	2,000,000	0.59%
NMF's 3rd series of unsecured investment corporation bonds due on May 21, 2038	1,500,000	1.03%	—	—
<b>Total</b>	<b>¥22,000,000</b>		<b>¥20,500,000</b>	

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, 2018	—	—	¥5,000,000	—	—
<b>As of August 31, 2018</b>	<b>—</b>	<b>¥5,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 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, 2018 to August 31, 2018

#### 1. Reason, related assets and amounts

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	¥6,866,883	¥4,244,640	¥1,188,008	—	¥5,432,649	—
Land, buildings, etc.	Merger expenses						Sale and depreciation of properties for which merger expenses were recorded
			4,029,135	1,399,852	—	¥ (47,295)	1,352,557
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	1,524,682	—	(431,221)	1,093,460	Changes in fair value of derivative transactions
Increase - subtotal		—	7,169,175	1,188,008	(478,516)	7,878,667	—
<b>Total</b>		—	<b>¥7,169,175</b>	<b>¥1,188,008</b>	<b>¥(478,516)</b>	<b>¥7,878,667</b>	<b>—</b>

#### 2. Method of reversal

##### (1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

##### (2) Merger expenses

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

##### (3) Deferred gains or losses on hedges.

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

### For the period from September 1, 2017 to February 28, 2018

#### 1. Reason, related assets and amounts

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	¥4,244,640	¥4,244,640	—	—	¥4,244,640	—
Land, buildings, etc.	Merger expenses						Sale and depreciation of properties for which merger expenses were recorded
			4,029,135	1,491,074	—	¥ (91,221)	1,399,852
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	1,545,633	—	(20,951)	1,524,682	Changes in fair value of derivative transactions
Land, buildings, etc.	Impairment loss						Sale of properties for which impairment loss were recorded
		269,797	86,378	—	(86,378)	—	—
Increase - subtotal		—	7,367,727	—	(198,551)	7,169,175	—
<b>Total</b>		—	<b>¥7,367,727</b>	<b>—</b>	<b>¥(198,551)</b>	<b>¥7,169,175</b>	<b>—</b>

## 2. Method of reversal

## (1) Amortization of goodwill

## (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.

## 12. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of August 31, 2018 and February 28, 2018 were as follows:

	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Net assets per unit	¥132,314	¥132,697
Net income per unit	¥ 2,478	¥ 2,561

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, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Net income (Thousands of Yen)	¥10,709,804	¥10,714,661
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	¥10,709,804	¥10,714,661
Average number of units during the period (Units)	4,321,111	4,183,130

## 13. RELATED PARTY TRANSACTIONS

For the periods from March 1, 2018 to August 31, 2018 and from September 1, 2017 to February 28, 2018

Parent Company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

## 14. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 31.74% for the fiscal period ended August 31, 2018. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥13,328,431 thousand for the fiscal period ended August 31, 2018, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Deferred tax asset:		
Valuation difference on other assets acquired by merger	¥ 21,204,411	¥ 21,567,576
Deferred gains or losses on hedges	243,830	345,465
Unearned revenue	180,889	224,444
Write-offs for long-term prepaid expenses	18,753	22,193
Depreciation costs of trust leasehold rights	1,099	977
Non-deductible accrued enterprise tax	95	—
Subtotal	21,649,079	22,160,656
Valuation allowance	¥(21,649,079)	¥(22,160,656)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

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

	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Statutory tax rate	31.74%	31.74%
Deductible cash distributions	(35.65%)	(35.26%)
Valuation of allowance	(3.84%)	(4.24%)
Amortization of goodwill	7.77%	7.77%
Other	0.01%	0.01%
Effective tax rate	0.02%	0.01%

## 15. FINANCIAL INSTRUMENTS

## Overview

## (1) Policy for Financial Instruments

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

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

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

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



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

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

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

## Fair Value of Financial Instruments

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

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2018.

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

### 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 February 28, 2018.

	Thousands of Yen		
	Carrying value <sup>(Note 1)</sup>	Fair value <sup>(Note 2)</sup>	Difference
(i) Cash and bank deposits	¥ 76,536,938	¥ 76,536,938	—
(ii) Short-term debt	—	—	—
(iii) Current portion of long-term debt	(58,315,600)	(58,423,277)	¥ 107,677
(iv) Investment corporation bonds	(20,500,000)	(21,791,171)	1,291,171
(v) Long-term debt	(407,382,800)	(412,310,168)	¥4,927,368
(vi) Derivative transactions	¥ (1,097,928)	¥ (1,097,928)	—

Note 1: The numbers in parenthesis indicate liabilities.

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

- (i) Cash and bank deposits and (ii) Short-term debt  
As these items are settled within a short-term period, their fair value is nearly equal to the carrying value. Therefore, for these items, the carrying value is reported as the fair value.
- (iv) Investment corporation bonds  
The fair value of investment corporation bonds issued by the Company is determined based on their market prices.
- (iii) Current portion of long-term debt and (v) Long-term debt For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "21. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.
- (vi) Derivative transactions  
See "21. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of August 31, 2018

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	¥74,556,830	—	—	—	—	—
<b>Total</b>	¥74,556,830	—	—	—	—	—

Redemption schedule for cash and bank deposits as of February 28, 2018

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	¥76,536,938	—	—	—	—	—
<b>Total</b>	¥76,536,938	—	—	—	—	—

Note 4: Redemption schedule for debt as of August 31, 2018

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term debt	¥ 500,000	—	—	—	—	—
Investment corporation bonds	—	¥ 5,000,000	—	—	—	¥ 17,000,000
Long-term debt	¥63,160,600	¥58,385,600	¥61,135,600	¥44,715,600	¥61,435,600	¥185,822,600
<b>Total</b>	¥63,660,600	¥63,385,600	¥61,135,600	¥44,715,600	¥61,435,600	¥202,822,600

Redemption schedule for debt as of February 28, 2018

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term debt	—	—	—	—	—	—
Investment corporation bonds	—	—	¥ 5,000,000	—	—	¥ 15,500,000
Long-term debt	¥58,315,600	¥64,685,600	¥59,655,600	¥47,715,600	¥51,615,600	¥183,710,400
<b>Total</b>	¥58,315,600	¥64,685,600	¥64,655,600	¥47,715,600	¥51,615,600	¥199,210,400

## 16. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Carrying value		
Balance at beginning of the period	¥ 914,834,180	¥ 923,155,804
Amount of increase (decrease) during the period	32,615,444	(8,321,623)
Balance at end of the period	947,449,625	914,834,180
Fair value at end of the period	¥1,041,183,000	¥1,001,250,000

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

Note 2: Of the change in investment and rental properties, the increase during the previous period is mainly attributable to the acquisition of PMO Shinnihonbashi (¥4,496,617 thousand), PMO Hirakawacho (¥3,460,311 thousand), GEMS Daimon (¥2,087,357 thousand), GEMS Kanda (¥1,520,710 thousand) and Summit Store Mukodaicho (¥5,159,847 thousand). The decrease during the previous period is mainly attributable to the sale of Morisia Tsudanuma (¥17,897,287 thousand) and Funabashi Logistics Center (¥4,537,933 thousand) as well as depreciation (¥4,733,427 thousand). The increase during the current period is mainly attributable to the acquisition of Landport Hachioji II (¥9,365,947 thousand), Landport Iwatsuki (¥6,176,597 thousand), Hotel Vista Sapporo Odori (¥3,784,521 thousand), PMO Nihonbashi Mitsukoshi-mae (¥4,374,216 thousand), PMO Shibadaimon (¥2,160,398 thousand), PROUD FLAT Sangenjaya II (¥2,836,531 thousand), PROUD FLAT Sotokanda (¥2,384,706 thousand), PROUD FLAT Noborito (¥1,278,507 thousand), PROUD FLAT Yoyogi Hachiman (¥1,005,747 thousand) and PROUD FLAT Nakaochiai (¥880,458 thousand). The decrease during the current period is mainly attributable to the depreciation (¥4,897,379 thousand).

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

The real estate rental revenues and expenses for the fiscal period ended August 31, 2018 are presented in "18. Breakdown of Real Estate Rental Revenues and Expenses".

## 17. SEGMENT INFORMATION

For the periods from March 1, 2018 to August 31, 2018 and September 1, 2017 to February 28, 2018

### Segment Information

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

### Related Information

#### 1. Information about products and services

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

#### 2. Information about geographical areas

##### (1) Revenues

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

##### (2) Property and equipment

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

#### 3. Information about major clients

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

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	¥5,056,661	Rental real estate business

For the period from September 1, 2017 to February 28, 2018

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	¥4,773,517	Rental real estate business

## 18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended August 31, 2018 and February 28, 2018 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Real estate rental revenues	¥34,731,869	¥33,631,626
Rental revenues	31,695,901	30,724,009
Rental revenues	29,254,971	28,294,468
Common area charges	2,440,930	2,429,540
Other rental revenues	3,035,967	2,907,617
Parking revenues	588,545	584,742
Incidental income	2,376,113	2,198,012
Other miscellaneous revenues	71,308	124,862
Real estate rental expenses	15,158,332	14,785,472
Property management costs	1,604,399	1,592,435
Property management fees	980,132	888,375
Property and other taxes	2,846,279	2,699,055
Utility expenses	1,882,466	1,784,615
Casualty insurance	43,614	43,247
Repairs and maintenance	1,555,208	1,758,408
Land rents	215,680	210,439
Depreciation	4,901,925	4,737,224
Other rental expenses	1,128,627	1,071,669
Real estate rental profits	¥19,573,536	¥18,846,154

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

	Thousands of Yen	
	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
Gain on sale of real estate		
Proceeds from sale of real estate	—	¥23,480,000
Cost of real estate	—	22,435,221
Other related sales expense	—	457,529
Gain on sale of real estate	—	¥587,249
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	—	—

## 20. LEASES

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

	Thousands of Yen	
	As of August 31, 2018	As of February 28, 2018
Due within one year	¥29,708,567	¥ 29,455,791
Due after one year	69,224,703	76,898,091
<b>Total</b>	<b>¥98,933,271</b>	<b>¥106,353,883</b>

## 21. DERIVATIVES AND HEDGE ACCOUNTING

### Derivative transactions as of August 31, 2018

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

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

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

Note 1: Contract amount is based on notional amount.

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

Note 3: Out of the fair value, (¥6,483 thousand) is booked as "accrued expenses" on the Balance Sheet.

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

**Derivative transactions as of February 28, 2018**

- (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 <sup>(Note 2)</sup>
			<sup>(Note 1)</sup>	Due after one year	
Principal treatment method	Interest rate swaps:	Long-term debt	¥134,780,000	¥116,080,000	¥(1,097,928) <sup>(Note 3)</sup>
	Received/floating and paid/fixed				
Special treatment of interest rate swaps	Interest rate swaps:	Long-term debt	101,696,700	83,753,900	(1,043,451) <sup>(Note 4)</sup>
	Received/floating and paid/fixed				
<b>Total</b>			<b>¥236,476,700</b>	<b>¥199,833,900</b>	<b>¥(2,141,379)</b>

Note 1: Contract amount is based on notional amount.

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

Note 3: Out of the fair value, (¥4,467 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥1,043,451 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

**22. CASH DISTRIBUTIONS**

	For the period from March 1, 2018 to August 31, 2018	For the period from September 1, 2017 to February 28, 2018
1. Retained earnings at end of period	¥11,804,535,046	¥12,549,780,041
2. Distributions in excess of retained earnings	¥2,619,010,800	¥1,769,463,990
Of which, allowance for temporary difference adjustment	¥1,322,470,800	¥1,188,008,920
Of which, other distributions in excess of net income	¥1,296,540,000	¥581,455,070
3. Incorporation into unitholders' capital	¥321,691,082	¥478,516,800
Of which, reversal of allowance for temporary difference adjustments	¥321,691,082	¥478,516,800
4. Distributions	¥13,328,431,200	¥12,745,997,110
[Distributions (per unit)]	¥(3,084)	¥(3,047)
Of which, distributions of earnings	¥10,709,420,400	¥10,976,533,120
[Of which, distributions of earnings (per unit)]	¥(2,478)	¥(2,624)
Of which, allowance for temporary difference adjustments	¥1,322,470,800	¥1,188,008,920
[Of which, allowance for temporary difference adjustments (per unit)]	¥(306)	¥(284)
Of which, other distributions in excess of net income	¥1,296,540,000	¥581,455,070
[Of which, other distributions in excess of net income (per unit)]	¥(300)	¥(139)
5. Retained earnings carried forward	¥773,423,564	¥1,094,730,121

Calculation method of distribution amount

NMF calculates distributions in accordance with the cash distribution policies as specified in Article 36, Paragraphs 1 and 2 of NMF's Articles of Incorporation. For the fiscal period under review, NMF decided to implement ¥13,328,431,200 in distributions, for a distribution per unit of ¥3,084. This figure was calculated as ¥10,709,804,925 in net income plus ¥2,622,242,820 in amortization of goodwill, from which the portion for which per-unit distributions comprising the types of dividends laid out below would be less than ¥1 was excluded.

Total distributions comprise distributions of earnings and distributions in excess of net income. Distributions of earnings came to ¥10,709,420,400 (¥2,478 per unit), calculated as income as stipulated in Article 136 Paragraph 1 of the Act on Investment Trusts and Investment Corporations, less reversal of allowance for temporary difference adjustments (hereinafter ATA). Distributions in excess of net income comprise a ¥1,322,470,800 (¥306 per unit) distribution of ATA and ¥1,296,540,000 (¥300 per unit) in other distributions in excess of net income.

**23. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS**

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

1. Reason for provision related assets and amounts

Related assets, etc.	Reason for reversal	Thousands of Yen Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	¥2,622,242
Long-term deposits	Shortfall of reserve for repairs	1,613
Increase-subtotal		2,623,856
Buildings, facilities, etc.	Depreciation deficiency equivalent	(1,142,482)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(137,860)
Others	—	(21,042)
Decrease-subtotal		(1,301,385)
<b>Total</b>		<b>¥1,322,470</b>

2. 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	— <sup>(Note 1)</sup>
Deferred gains or losses on hedges	Changes in fair value of derivatives	¥(321,691)
<b>Total</b>		<b>¥(321,691)</b>

Note 1: The amount of reversal during the current fiscal period (¥5,754 thousand) is included in "Depreciation deficiency equivalent" on "1. Reasons for provision, related assets and amounts".

3. Method of reversal

- (1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

- (2) Merger expenses

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

- (3) Long-term deposits

In principle, long-term deposits are not reserved.

- (4) Deferred gains or losses on hedges

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

# Independent Auditor's Report

## For the period from September 1, 2017 to February 28, 2018

### 1. Reason for provision related assets and amounts

		Thousands of Yen
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	¥2,622,242
Long-term deposits	Shortfall of reserve for repairs	7,570
Increase-subtotal		2,629,813
Buildings, facilities, etc.	Depreciation deficiency equivalent	(1,234,822)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(161,277)
Others	—	(45,704)
Decrease-subtotal		(1,441,804)
<b>Total</b>		<b>¥1,188,008</b>

### 2. Reason for reversal, related assets and amounts

		Thousands of Yen
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	¥ (47,295)
Deferred gains or losses on hedges	Changes in fair value of derivatives	(431,221)
<b>Total</b>		<b>¥(478,516)</b>

### 3. Method of reversal

#### (1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

#### (2) Merger expenses

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

#### (3) Long-term deposits

In principle, long-term deposits are not reserved.

#### (4) Deferred gains or losses on hedges

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

## 24. SIGNIFICANT SUBSEQUENT EVENTS

Not applicable.



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

Tel : +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.ejajapan.jp

## 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, 2018, and the statements of income and retained earnings, changes in net assets, and cash flows from March 1, 2018 to August 31, 2018 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, 2018, and its financial performance and cash flows from March 1, 2018 to August 31, 2018 in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

November 21, 2018  
Tokyo, Japan