

3rd Fiscal Period Semi-Annual Report



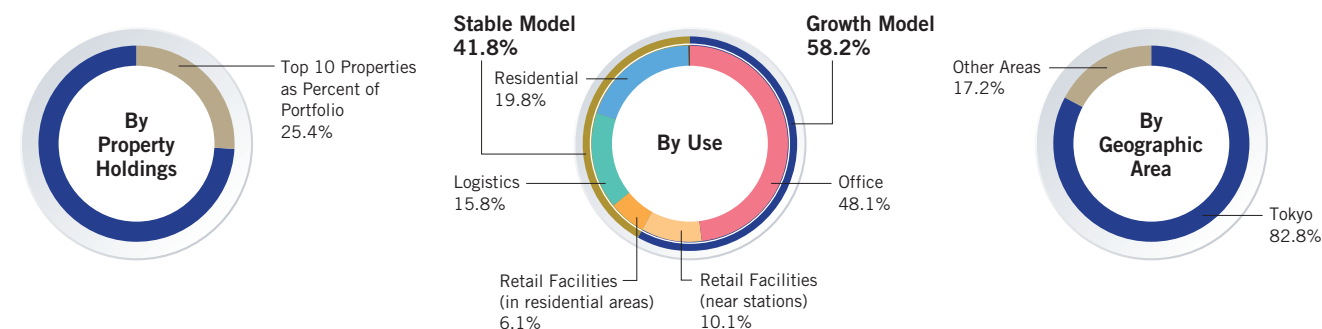
AHEAD OF SCHEDULE

Quality Phase Advancing Steadily

- ✓ Asset size growth by merger (September 2016)
(2nd largest J-REIT)
- ✓ Strategic property replacements
(SPRs)
- ✓ Distribution growth



Our Growth Driver: Diversification



NOMURA REAL ESTATE MASTER FUND, INC.

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

ON OUR WAY TO BECOMING JAPAN'S LARGEST REIT

The Nomura Real Estate Group's Diversified REIT

Much progress has been made since the new Nomura Master Fund was listed in October 2015.

Our asset size approached ¥783.6 billion upon the merger of the three REITs. Factoring in all the currently announced sales and acquisitions, our asset size now stands at ¥940.5 billion, an increase of roughly ¥156 billion. We have also implemented Strategic Property Replacements (SPRs) to improve the quality of our portfolio. Specifically, we have sold 22 properties for a total of ¥64.0 billion. The average age of these properties was 39.2 years. The properties we sold were mainly properties that, due to their age, were declining in competitiveness or expected to generate growing maintenance costs going forward.

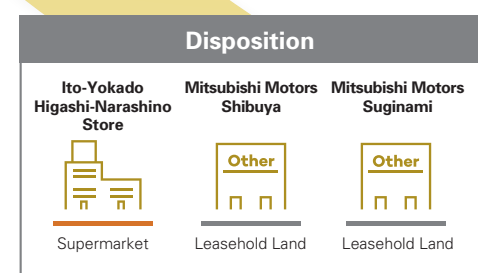
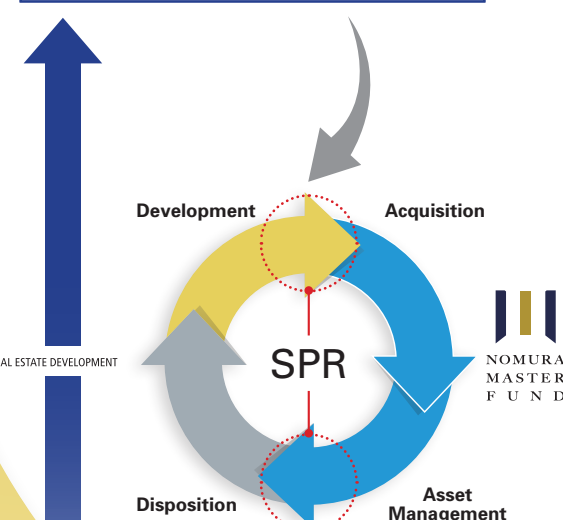
On the other hand, we have acquired 19 properties for a total of ¥83.4 billion. For the most part, these have been relatively new properties, with an average age of less than 5 years. These figures exclude the additional 19 properties, with a total value of ¥137.4 billion, that we acquired through the merger with TOP REIT.

Our value chain with the sponsor merits attention. Of the transactions mentioned above, we have sold 6 properties, with a total sale price of ¥31.3 billion, to Nomura Real Estate. We have also acquired 11 properties, with a total price of ¥50.8 billion, from the sponsor. Moreover, we have been granted preferential negotiation rights for the properties we sold. Following their future redevelopment, NMF plans to use these rights to secure external growth opportunities.

One of NMF's strengths as a diversified REIT is our ability to acquire a balanced array of properties from the sponsor, avoiding overreliance on any one sector. A year and a half following our listing, we are successfully leveraging our strengths as a diversified REIT as well as the strengths of Nomura Real Estate as a general real estate developer.

Property Acquisition Pipeline

Strategic Property Replacements (SPRs)



Progress of Medium- to Long-term Management Strategy

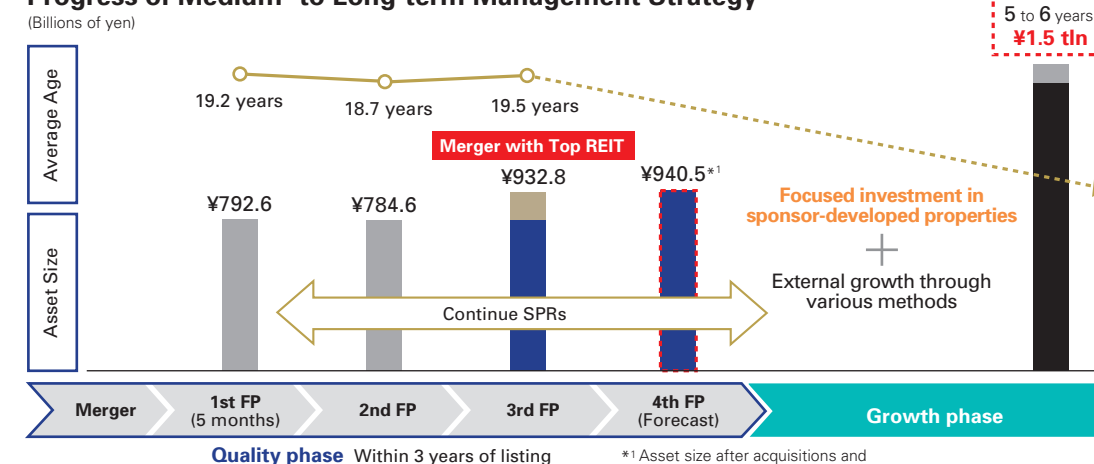
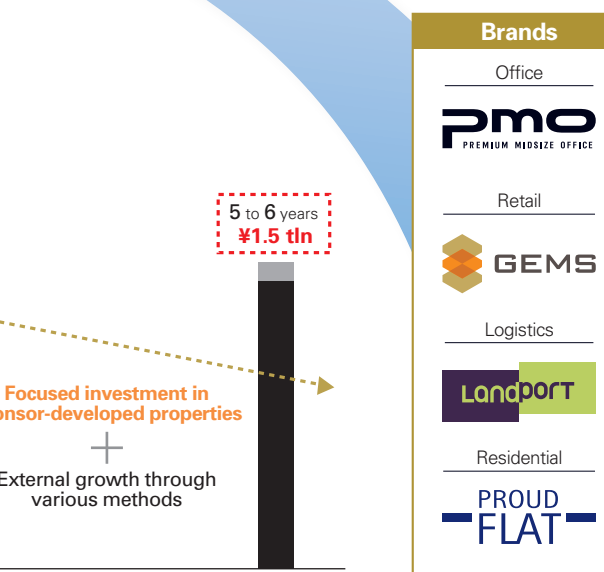
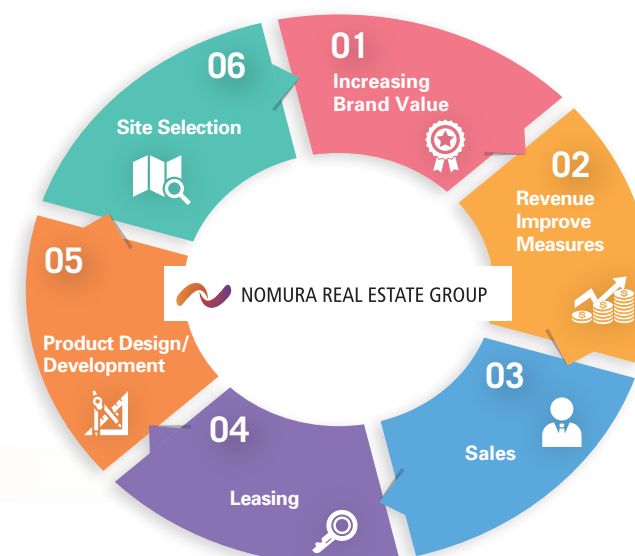
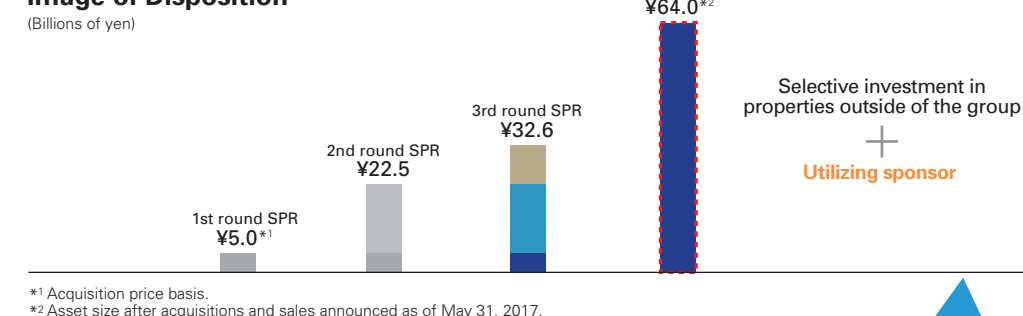
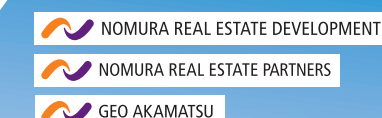


Image of Disposition



Increasing Asset Value

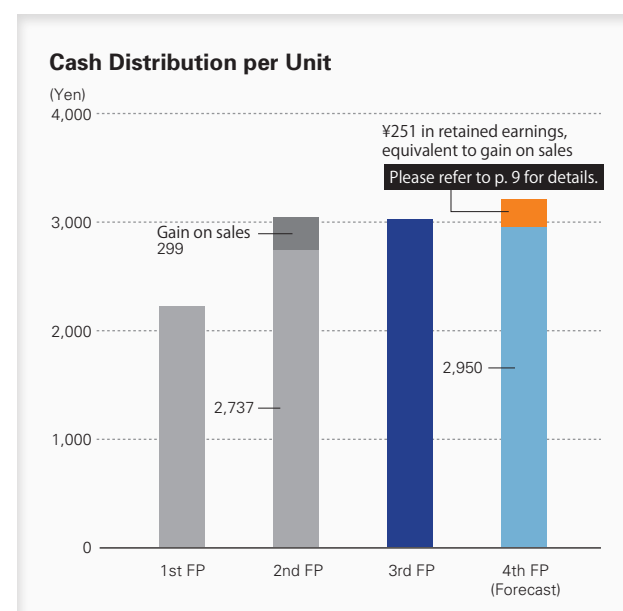
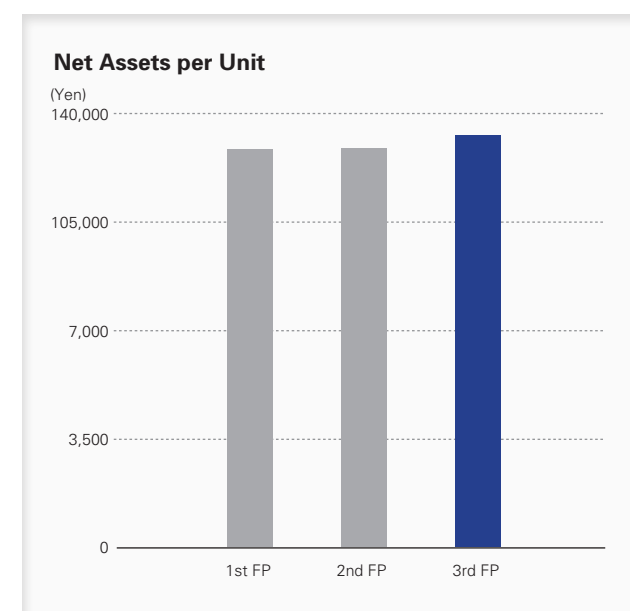
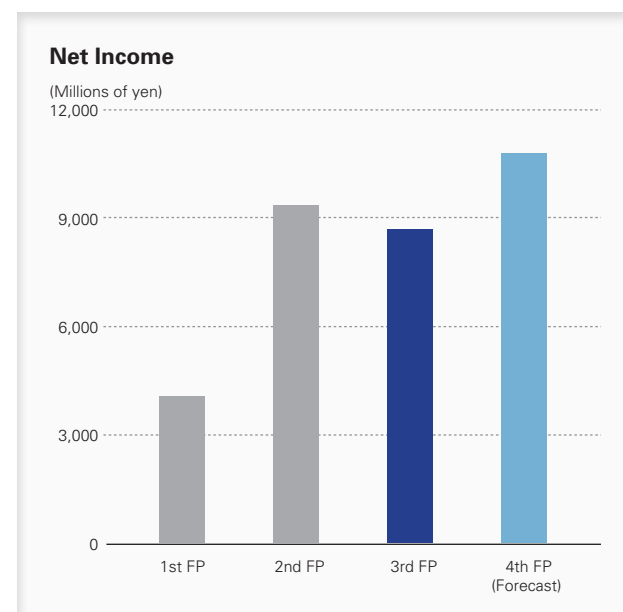
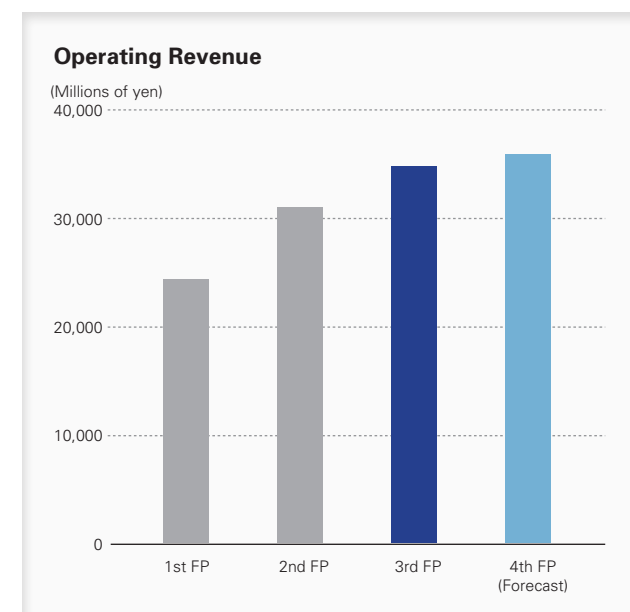
REAL ESTATE Management Pipeline



MERGER EVOLVED NMF INTO ONE OF JAPAN'S BIGGEST REITs

3rd Fiscal Period Performance Highlights

- Through the absorption type merger with TOP REIT, Inc., effective September 1, 2016, NMF's asset size became the **second largest among J-REITs, at over ¥930 billion.**
- In the year and a half since the establishment of the new NMF, we have sold properties totaling ¥64.0 billion (acquisition price basis). During that time, we have grown our asset size a total of ¥220.9 billion, further **solidifying our presence within the J-REIT industry.**
- **The distribution per unit for the third fiscal period came to ¥3,028 or 4.2% above the forecast.**



MESSAGE FROM THE MANAGEMENT



Satoshi Yanagita

Executive Director
Nomura Real Estate Master Fund, Inc.

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

In the third fiscal period, the absorption type merger with TOP REIT, Inc., which came into effect on September 1, 2016, dramatically increased NMF's asset size, making it the second largest among J-REITs. Since then, I think our management of the properties transferred from TOP REIT has gotten off to a good start. In addition to these assets, we acquired Landport Kashiwa Shonan II. As a result, at the end of the third fiscal period, NMF's portfolio comprised 272 properties with a total acquisition price of ¥932.8 billion.

Performance in the leasing business, especially of offices, was also favorable, with third fiscal period operating revenues of ¥34,714 million, operating profit of ¥11,244 million, and net income of ¥8,670 million. As a result, the per-unit distribution came to ¥3,028.

Furthermore, after the end of the third fiscal period, we acquired eight properties as part of our strategic property replacements (SPRs). At a total price of ¥38.9 billion, these included four Landport and Proud Flat properties acquired from the sponsor, Nomura Real Estate Development Co., Ltd. We also sold 6 properties for a total of ¥31.3 billion (including sales scheduled but not yet executed). These were properties that were expected to see declining competitiveness due to age or increasing maintenance and management costs, or for which we had received notice of contract termination from tenants.

In the fourth fiscal period and beyond, I believe we are positioned to further pursue both internal and external growth by leveraging the Nomura Real Estate Group's development capabilities, wide-ranging know-how and brand.

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

Satoshi Yanagita
Executive Director
Nomura Real Estate Master Fund, Inc.

DELIVERING ON OUR MANAGEMENT STRATEGY



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

Overview

NMF achieved dramatic growth in asset size through the merger with TOP REIT. As a result of the merger, NMF’s total market capitalization surpassed ¥700 billion.

The fourth fiscal period per-unit distribution is forecast at ¥2,950 yen. For the third fiscal period, the ¥3,028 per-unit distribution was ¥123 yen, or 4.2%, higher than forecast. This was mainly due to internal growth, including an increase in rental business revenue as well as reductions in rental business expenses and financing costs.

SPRs Leveraging Nomura Real Estate’s Diverse Development Capabilities

After our listing in October 2015, we formulated our Medium- to Long-term Management Strategy. This strategy divides the 10 years following NMF’s establishment into three phases—the Quality phase, Growth phase and Master phase—and aims for stable management over the long term through steady growth in asset size and the strong establishment of the fund’s brand. We are now a year and a half into the period covered by the Strategy.

In the Quality phase, NMF aims to utilize the benefits of

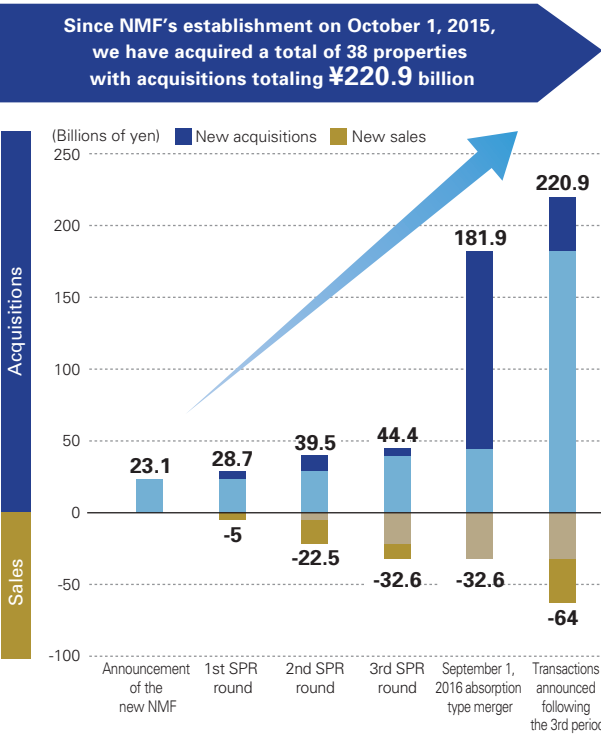
being one of Japan’s largest diversified REITs while focusing on SPRs to improve the portfolio’s quality by selling mainly older properties with declining competitiveness.

Since the third fiscal period, we have bought 5 properties from the sponsor for ¥27.6 billion. Of these, two are logistics facilities, two are residential facilities, and one is a retail facility. We also sold four properties to the sponsor for a total of ¥13.8 billion. The sponsor plans to redevelop these properties, and NMF has preferential negotiation rights to reacquire them afterward. In this way, we enjoy an excellent relationship with the sponsor, and we hope to grow the fund by continuing to work together.

The properties acquired from TOP REIT caused the average property age of the overall portfolio to rise slightly. However, by acquiring newer properties—mainly properties developed by the sponsor—we aim to continue lowering the average building age of the portfolio.

NMF can maintain sustainable growth because it is able to invest in assets with diverse uses and because the sponsor is a general real estate developer with recognized brands in all four of NMF’s main sectors (office, retail, logistics and housing). This strategic alignment provides another of NMF’s great strengths. Going forward, we will continue to make maximum use of the advantage of having a general real estate developer as our sponsor as we work toward sustainable growth.

Property Acquisitions and Sales since NMF’s Establishment



Properties Acquired from Third Parties

In addition to sponsor-developed properties, in the third fiscal period FRI acquired select, sought-after properties that promise stable revenues from third parties. Of these acquisitions, nORBESA and Nakaza Cui-daore Building are noteworthy as particularly unique retail properties. When investing in retail facilities, NMF’s primary criteria are the value of the location, including liveliness of the area and traffic volume on the roads they face, and each property’s potential to attract customers.

Both of the properties mentioned above are located in leading retail districts outside the Greater Tokyo Area. Each district is enjoying booming demand from foreign tourists and recognized as among Japan’s best. In addition to their highly sought-after locations, these properties are also well-known icons. One is home to a Ferris wheel and the other boasts the Cui-daore doll, a famous symbol of Osaka. These features make the properties themselves tourist spots with great draw to attract attention and customers. The two properties also have a number of tenants at below market rent level and therefore offer upside, as well. Considering all these factors, we feel that these are highly exceptional properties.

Property acquired from a third party

nORBESA

Acquisition price: ¥8.5 billion
Appraisal value: ¥8.54 billion
Appraised NOI yield: 5.3%
Location: Sapporo, Hokkaido
Total floor area: 5,732.71 m²
Completed: April 13, 2006

Nakaza Cui-daore Building

Acquisition price: ¥11.6 billion
Appraisal value: ¥11.6 billion
Appraised NOI yield: 3.7%
Location: Osaka, Osaka
Total floor area: 14,381.33 m²
Completed: February 18, 2004

Delivering Steady Internal Growth

Along with SPRs, internal growth centered on upside sectors is a pillar of management in the Quality phase. Japan’s real estate leasing market continues to gradually recover. The vacancy rate in the office sector, in particular, has been low and steady. Average rents at NMF’s office properties have also been rising, thanks to increases achieved through tenant replacement and rent revisions, driving growth.

In the retail sector, Universal CityWalk Osaka, located adjacent to Universal Studios Japan, continues to deliver strong performance. Having increased the portion of tenants paying sales-based rent, NMF has realized upside on this property.

An overview of internal growth by sector is given below.

Office

Backed by a favorable office leasing market, the occupancy rate of NMF’s office sector properties remained high, at 99.1%, as of the end of the third fiscal period. This high occupancy rate empowers us to be aggressive in sourcing operations and rent revisions.

At the NMF Aoyama 1-chome Building, which we acquired from TOP REIT, we secured a 29.7% rent increase on a new lease for over 1,650 m² of floor space. At the Shinjuku Nomura Building, persistent and aggressive negotiating resulted in a 25.6% rent increase though tenant replacement.

Also, at properties in the PMO series, a brand developed by the sponsor, we achieved rent increases for half of the tenants with whom we renewed contracts in the third fiscal period. This was largely thanks to the strong competitiveness of properties developed by the sponsor.

DELIVERING ON OUR MANAGEMENT STRATEGY

Examples at Specific Properties



NMF Aoyama 1-chome Building
(the former Akasaka Oji Building)

Renewed leases for approximately 1,650 m² of floor space in the 3rd fiscal period

Increased per-unit rent in spaces where tenants changed by **29.7%**



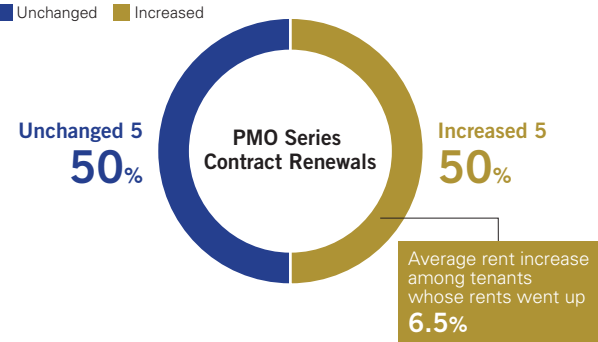
Shinjuku Nomura Building

Replaced tenants for approximately 495 m² of floor space in the 3rd fiscal period

Increased per-unit rent in spaces where tenants changed by **25.6%**

Lease Renewals at PMO Series Properties

Backed by high tenant satisfaction, NMF raised rents for **five** of the 10 tenants that renewed contracts in the 3rd period (and decreased rents for none)



Office

	2nd FP Mar. 1, 2016, to Aug. 31, 2016	3rd FP Sep. 1, 2016, to Feb. 28, 2017	Change	
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(%)
Property related revenues	12,950,477	16,653,589	3,703,112	28.6
Rental revenues	11,729,101	15,179,494	3,450,392	29.4
Other revenues	1,221,375	1,474,095	252,720	20.7
Property related expenses	5,851,529	7,366,024	1,514,495	25.9
Property management costs	1,000,199	1,051,452	51,253	5.1
Property management fees	286,265	339,806	53,540	18.7
Property and other taxes	1,220,331	1,756,020	535,688	43.9
Utility expenses	986,204	1,075,927	89,722	9.1
Casualty insurance	15,933	21,718	5,785	36.3
Repairs and maintenance	686,914	939,668	252,753	36.8
Land rents	91,844	106,499	14,655	16.0
Depreciation	1,140,182	1,442,766	302,584	26.5
Other rental expenses	423,653	632,165	208,511	49.2
Real estate rental profits	7,098,947	9,287,565	2,188,617	30.8
NOI	8,239,129	10,730,331	2,491,202	30.2

Retail

NMF’s retail sector portfolio is extremely stable, with 4.4% of total rent revenues accounted for by sales-linked rent. While spreading out contract maturities to ensure stable operations, NMF is also working to raise fixed rents by negotiating increases upon rent revision. Looking at one of NMF’s key retail properties, Universal CityWalk Osaka has seen steadily expanding retail sales and sales-linked rent thanks to the growing number of visitors to the nearby Universal Studios Japan theme park. There are plans for additional investment in new attractions at Universal Studios Japan going forward, so we expect continued growth from Universal CityWalk Osaka.

Retail

	2nd FP Mar. 1, 2016, to Aug. 31, 2016	3rd FP Sep. 1, 2016, to Feb. 28, 2017	Change	
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(%)
Property related revenues	6,181,693	6,827,755	646,062	10.5
Rental revenues	5,363,669	5,946,068	582,398	10.9
Other revenues	818,023	881,687	63,663	7.8
Property related expenses	2,886,644	3,331,157	444,512	15.4
Property management costs	287,416	290,165	2,749	1
Property management fees	170,221	175,498	5,276	3.1
Property and other taxes	397,283	524,161	126,878	31.9
Utility expenses	483,647	471,510	(12,137)	(2.5)
Casualty insurance	6,484	7,811	1,326	20.5
Repairs and maintenance	361,484	554,294	192,810	53.3
Land rents	101,552	101,552	0	0
Depreciation	754,179	843,080	88,900	11.8
Other rental expenses	324,373	363,081	38,708	11.9
Real estate rental profits	3,295,048	3,496,598	201,549	6.1
NOI	4,049,228	4,339,678	290,450	7.2

Logistics

In terms of logistics facilities, supply and demand remain tightly matched. This reflects the impact of online shopping and the apparel industry, which are driving demand, as well as the accompanying demand for third-party logistics (3PL) and additional demand arising in recent years from growing logistics sophistication in the food wholesaling industry. Although supply is expected to increase in 2017, demand for high-performance logistics facilities is solid, so the market is expected to regain balance.

Logistics sector properties are characterized by especially large floor areas. This means the loss of a tenant can result in a potentially long period without income. To address this, we are focusing efforts on extending contract periods and diversifying maturities.

Logistics

	2nd FP Mar. 1, 2016, to Aug. 31, 2016	3rd FP Sep. 1, 2016, to Feb. 28, 2017	Change	
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(%)
Property related revenues	4,736,769	5,044,381	307,611	6.5
Rental revenues	4,524,926	4,807,966	283,039	6.3
Other revenues	211,843	236,415	24,571	11.6
Property related expenses	2,137,950	2,224,840	86,889	4.1
Property management costs	125,400	140,974	15,574	12.4
Property management fees	105,561	79,707	(25,853)	(24.5)
Property and other taxes	400,869	400,947	78	0
Utility expenses	155,193	167,660	12,467	8.0
Casualty insurance	8,030	8,609	578	7.2
Repairs and maintenance	191,513	219,917	28,404	14.8
Land rents	-	-	-	-
Depreciation	1,126,961	1,188,158	61,197	5.4
Other rental expenses	24,420	18,864	(5,556)	(22.8)
Real estate rental profits	2,598,818	2,819,540	220,721	8.5
NOI	3,725,780	4,007,699	281,919	7.6

Residential

Concerning the environment surrounding the rental apartment market, major urban areas continue to see net population inflow, and the residential sector is also seeing steady growth in the proportion of units that achieve rent increases upon tenant change. Although this is not a sector with a major upside expected in the future, we will continue working to increase rents.

Residential

	2nd FP Mar. 1, 2016, to Aug. 31, 2016	3rd FP Sep. 1, 2016, to Feb. 28, 2017	Change	
	(Thousands of yen)	(Thousands of yen)	(Thousands of yen)	(%)
Property related revenues	5,608,457	6,085,952	477,494	8.5
Rental revenues	5,172,191	5,693,582	521,390	10.1
Other revenues	436,266	392,370	(43,896)	(10.1)
Property related expenses	2,613,625	2,869,225	255,600	9.8
Property management costs	201,312	210,387	9,075	4.5
Property management fees	312,539	306,516	(6,022)	(1.9)
Property and other taxes	297,001	335,644	38,642	13.0
Utility expenses	86,831	91,987	5,155	5.9
Casualty insurance	7,166	7,577	411	5.7
Repairs and maintenance	341,186	421,618	80,432	23.6
Land rents	-	-	-	-
Depreciation	1,184,363	1,283,362	98,998	8.4
Other rental expenses	183,223	212,130	28,906	15.8
Real estate rental profits	2,994,832	3,216,726	221,893	7.4
NOI	4,179,196	4,500,088	320,892	7.7

Reflecting the above factors, at the end of the fiscal period under review, the number of properties held by NMF was 272, with a total acquisition price of ¥932,896 million. The ratio of investment in the Greater Tokyo area was 82.8%, the gross leasable area of the portfolio was 1,968,528.97 m², and the portfolio remained highly diversified.

Quality Phase Implementation Continued Steadily and Ahead of Schedule in the 3rd Fiscal Period

NMF is currently advancing the measures outlined under the Quality phase of its management strategy. Over the past year and half, management has focused on the steady implementation of these measures and getting results. This focus bore fruit. We reached our target for SPRs well ahead of schedule and saw significant growth in distributions. We have now largely achieved the targets we set for the Quality phase. That we have accomplished so much in the year and a half since the merger of the three REITs is the product of our daily efforts in asset management. With regard to the remaining task—realizing our first additional public offering—we will closely monitor market and property conditions to ensure that our timing as we move forward is optimal. In this way, we aim to surely and steadily bring the Quality phase to a successful finish.

In the next stage, the Growth phase, we will target an asset size of ¥1.5 trillion as we continue to execute public offerings and accelerate growth based on property acquisitions, mainly from the sponsor.

DELIVERING ON OUR MANAGEMENT STRATEGY

NMF's Financial Strategy

In the third fiscal period, NMF took advantage of the favorable financing environment and refinanced debt worth ¥47.9 billion, both extending maturities and lowering interest rates. As a result, our interest-bearing debt has an average remaining duration of 4.3 years with an average interest rate of 0.95%, and the LTV ratio is about 45.1%. Going forward, we plan to utilize equity increases to gradually reduce the LTV ratio.

NMF seeks to diversify debt maturities so that about ¥20 to ¥30 billion matures each period. However, because of the large volume of borrowings transferred from TOP REIT, ¥50 billion in debt will reach maturity in the fourth fiscal period. As in the third fiscal period, we will continue negotiating to extend debt periods and reduce interest rates.

Refinancing in the 3rd Fiscal Period

Refinancing			
Debt Repaid (At time of repayment)		New Funding (At period-end)	
Total	¥49,012 million	Total	¥47,950 million
Average interest rate	0.70%	Average interest rate	0.63%
Average remaining duration	4.6 years	Average remaining duration	7.6 years

* Excludes payments on amortized loans (¥42.8 million).

Interest-Bearing Debt

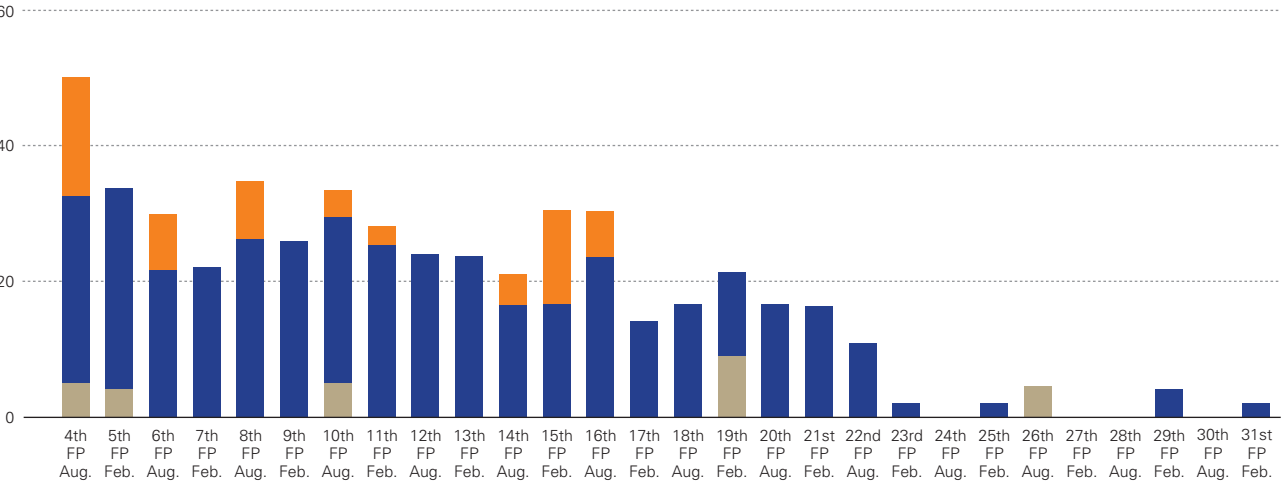
	Feb. 29, 2016 (1st FP end)	Aug. 31, 2016 (2nd FP end)	Feb. 28, 2017 (3rd FP end)
Total interest-bearing debt	¥403,164 million	¥409,771 million	¥498,784 million
Average remaining duration	3.96 years	4.36 years	4.31 years
Average interest rate	1.09%	1.03%	0.95%
Ratio of long-term debt	84.1%	85.9%	83.2%
Ratio of fixed-rate debt	91.4%	95.8%	92.2%
LTV	43.4%	43.8%	45.1%

Diversification of Repayment Dates

Diversification of Repayment Dates

Debts Acquired with TOP Unrelated Debt REIT Bonds

(Billions of yen; Rounded)



Commitment Lines

	Commitment Line 1	Commitment Line 2
Loan Limit (commitment period)	40 (one year)	10 (three years)
Participating Financial Institutions	Tokyo-Mitsubishi UFJ, Sumitomo Mitsui, Mizuho, Mitsubishi UFJ Trust, Sumitomo Mitsui Trust	Tokyo-Mitsubishi UFJ, Sumitomo Mitsui

Credit Ratings

Rating Agency	LT Issuer Rating	Outlook
JCR	AA	Stable
R&I	A+	Stable
S&P	A	Stable

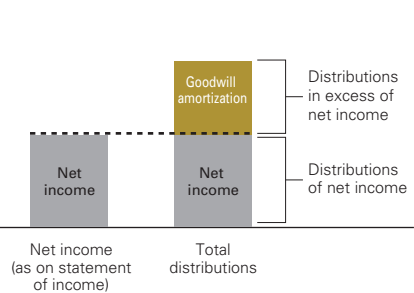
Distribution Policy

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

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

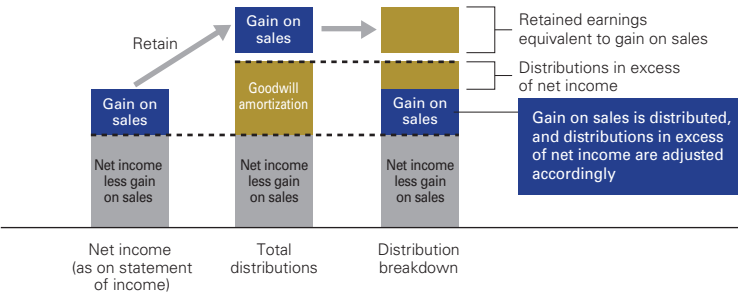
Basic Distribution Policy

Distribute net income + goodwill amortization expenses



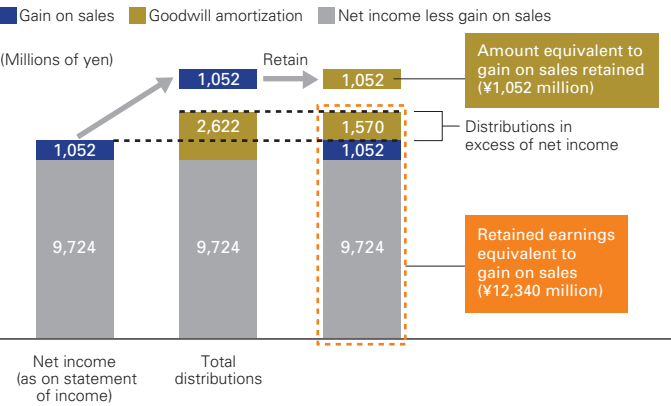
Distribution Policy for Periods with Gain on Sales

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



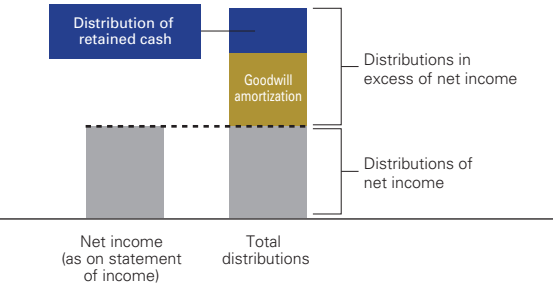
*NMF's policy is, in principle, to retain earnings within the scope that will not be subject to income tax, up to the amount of goodwill amortization expenses.

Policy for Retaining Forecast Gain on Sales in the 4th Fiscal Period



Use of Retained Cash

When a decrease in distributions is expected due to the sudden actualization of risk, retained cash can be used to pay distributions in excess of net income.* (Illustration for a period with distributions in excess of net income)



*Retained cash may also be used for the acquisition of new properties.

Changes to the Asset Management Fee Structure

The revisions to the asset management fee rates shown below were approved at the May 26, 2017 Unitholder's Meeting. These changes are intended to create a tighter correlation with unitholder profit. The revised management fee rates will be effective from the fifth fiscal period (ending February 28, 2018).

Overview of Changes

Previous Asset Management Fee System*	Total assets (excluding goodwill) × 0.6% (Annual basis)	
	– Total assets-linked portion will be reduced from 0.6% of total assets to 0.45%	+ New net income-linked portion, Asset management fee II, added
After Changes	Asset management fee I Total assets (excluding goodwill) × 0.45% (Annual basis)	Asset management fee II Net income* × 5.5% (Annual basis)
	Reduced total assets-linked fees	New net income-linked fees

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

PORTFOLIO TABLE

(As of the End of the 3rd Fiscal Period)

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Office Buildings			
Of-T-001	Shinjuku Nomura Building	Shinjuku, Tokyo	43,900
Of-T-002	NRE Tennozu Building	Shinagawa, Tokyo	20,500
Of-T-003	Kojimachi Millennium Garden	Chiyoda, Tokyo	26,700
Of-T-004	NOF Nihonbashi Honcho Building	Chuo, Tokyo	10,914
Of-T-005	Tennozu Park Side Building	Shinagawa, Tokyo	12,700
Of-T-006	NMF Shinjuku Minamiguchi Building	Shibuya, Tokyo	10,000
Of-T-007	NMF Shibuya Koen-dori Building	Shibuya, Tokyo	10,400
Of-T-008	Secom Medical Building	Chiyoda, Tokyo	11,100
Of-T-009	NMF Shiba Building	Minato, Tokyo	7,040
Of-T-010	Nishi-Shinjuku Showa Building	Shinjuku, Tokyo	8,140
Of-T-011	NRE Shibuya Dogenzaka Building	Shibuya, Tokyo	5,310
Of-T-013	Iwamoto-cho Toyo Building	Chiyoda, Tokyo	4,050
Of-T-015	NMF Surugadai Building	Chiyoda, Tokyo	4,690
Of-T-016	PMO Nihonbashi Honcho	Chuo, Tokyo	4,320
Of-T-017	PMO Nihonbashi Kayabacho	Chuo, Tokyo	5,010
Of-T-018	NMF Gotanda Ekimae Building	Shinagawa, Tokyo	4,430
Of-T-019	NRE Higashi-nihonbashi Building	Chuo, Tokyo	3,570
Of-T-020	PMO Akihabara	Chiyoda, Tokyo	4,240
Of-T-021	Hatchobori NF Building	Chuo, Tokyo	2,480
Of-T-022	NMF Kanda Iwamoto-cho Building	Chiyoda, Tokyo	4,160
Of-T-023	NMF Takanawa Building	Shinagawa, Tokyo	2,830
Of-T-024	PMO Hatchobori	Chuo, Tokyo	2,880
Of-T-026	PMO Nihonbashi Odenmacho	Chuo, Tokyo	2,210
Of-T-028	PMO Higashi-nihonbashi	Chuo, Tokyo	1,690
Of-T-029	NRE Ueno Building	Taito, Tokyo	6,470
Of-T-030	NOF Technoport Kamata Center Building	Ota, Tokyo	4,780
Of-T-031	NF Hongo Building.	Bunkyo, Tokyo	4,890
Of-T-034	Crystal Park Building	Musashino, Tokyo	3,390
Of-T-035	NMF Kichijoji Honcho Building	Musashino, Tokyo	1,780
Of-T-036	Faret Tachikawa Center Square	Tachikawa, Tokyo	3,850
Of-T-037	NMF Kawasaki Higashiguchi Building	Kawasaki, Kanagawa	7,830
Of-T-038	NMF Yokohama Nishiguchi Building	Yokohama, Kanagawa	5,460
Of-T-039	NMF Shin-Yokohama Building	Yokohama, Kanagawa	2,620
Of-T-041	PMO Tamachi	Minato, Tokyo	6,210
Of-T-042	PMO Ginza Hatchome	Chuo, Tokyo	3,970
Of-T-043	PMO Shibakoen	Minato, Tokyo	3,900
Of-T-044	NEC Head Office Building	Minato, Tokyo	44,100
Of-T-045	Harumi Island Triton Square Office Tower Y	Chuo, Tokyo	18,200
Of-T-046	Akasaka Oji Building	Minato, Tokyo	10,400
Of-T-047	Kanda Nishiki-cho 3-chome Building	Chiyoda, Tokyo	8,330
Of-T-048	Harumi Island Triton Square Office Tower Z	Chuo, Tokyo	8,180
Of-T-049	Shinkawa Chuo Building	Chuo, Tokyo	6,070
Of-T-050	Shinjuku EAST Building	Shinjuku, Tokyo	5,710
Of-T-051	Shiba-Koen Building	Minato, Tokyo	3,620
Of-T-052	Ginza Oji Building	Chuo, Tokyo	1,850
Of-T-053	Faret East Building	Tachikawa, Tokyo	1,850
Of-S-001	Sapporo North Plaza	Sapporo, Hokkaido	6,250
Of-S-002	NRE Sapporo Building	Sapporo, Hokkaido	4,140
Of-S-004	NMF Sendai Aoba-dori Building	Sendai, Sendai	2,030
Of-S-005	NOF Utsunomiya Building	Utsunomiya, Tochigi	2,320
Of-S-006	NMF Nagoya Fushimi Building	Nagoya, Aichi	2,240
Of-S-007	NMF Nagoya Yanagibashi Building	Nagoya, Aichi	2,280
Of-S-008	Omron Kyoto Center Building	Kyoto, Kyoto	18,300
Of-S-009	SORA Shin-Osaka 21	Osaka, Osaka	12,100
Of-S-010	NRE Osaka Building	Osaka, Osaka	6,100
Of-S-011	NRE Nishi-Umeda Building	Osaka, Osaka	3,450
Of-S-012	NRE Yotsubashi Building	Osaka, Osaka	4,000
Of-S-013	NRE Hiroshima Building	Hiroshima, Hiroshima	2,280
Of-S-014	NMF Hakata Ekimae Building	Fukuoka, Fukuoka	4,210
Of-S-015	NMF Tenjin-Minami Building	Fukuoka, Fukuoka	2,230
Subtotal (60 properties)			448,654
Retail Facilities			
Rt-T-001	Morisia Tsudanuma	Narashino, Chiba	16,600
Rt-T-002	Yokosuka More's City	Yokosuka, Kanagawa	13,640
Rt-T-003	Recipe SHIMOKITA	Setagaya, Tokyo	10,407
Rt-T-004	Kawasaki More's	Kawasaki, Kanagawa	6,080
Rt-T-005	EQUINIA Shinjuku	Shinjuku, Tokyo	4,260
Rt-T-006	EQUINA Ikebukuro	Toshima, Tokyo	3,990
Rt-T-007	covirna machida	Machida, Tokyo	3,440
Rt-T-008	Nitori Makuhari	Chiba, Chiba	3,080
Rt-T-009	Konami Sports Club Fuchu	Fuchu, Tokyo	2,730

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rt-T-010	FESTA SQUARE	Saitama, Saitama	2,600
Rt-T-011	GEMS Shibuya	Shibuya, Tokyo	2,490
Rt-T-012	Sundai Azamino	Yokohama, Kanagawa	1,700
Rt-T-013	EQUINIA Aobadai	Yokohama, Kanagawa	1,560
Rt-T-014	Megalos Kanagawa	Yokohama, Kanagawa	1,000
Rt-T-015	Mitsubishi Motors Meguro	Meguro, Tokyo	2,740
Rt-T-016	Mitsubishi Motors Chofu	Chofu, Tokyo	1,760
Rt-T-017	Mitsubishi Motors Shibuya	Shibuya, Tokyo	1,570
Rt-T-018	Mitsubishi Motors Nerima	Nerima, Tokyo	1,240
Rt-T-019	Mitsubishi Motors Kawasaki	Kawasaki, Kanagawa	950
Rt-T-020	Mitsubishi Motors Takaido	Suginami, Tokyo	850
Rt-T-021	Mitsubishi Motors Katsushika	Katsushika, Tokyo	800
Rt-T-022	Mitsubishi Motors Higashikurume	Higashikurume, Tokyo	800
Rt-T-023	Mitsubishi Motors Setagaya	Setagaya, Tokyo	770
Rt-T-024	Mitsubishi Motors Suginami	Suginami, Tokyo	740
Rt-T-025	Mitsubishi Motors Sekimachi	Nerima, Tokyo	600
Rt-T-026	Mitsubishi Motors Higashiyamato	Higashiyamato, Tokyo	450
Rt-T-027	Mitsubishi Motors Motosumiyoshi	Kawasaki, Kanagawa	370
Rt-T-028	Mitsubishi Motors Kawagoe	Kawagoe, Saitama	350
Rt-T-029	Mitsubishi Motors Edogawa	Edogawa, Tokyo	200
Rt-T-030	Mitsubishi Motors Sayama	Saitama, Saitama	160
Rt-T-031	NRE Kichijoji Building	Musashino, Tokyo	5,310
Rt-T-032	GEMS Ichigaya	Chiyoda, Tokyo	2,080
Rt-T-033	Sagamihara Shopping Center	Sagamihara, Kanagawa	6,840
Rt-T-034	Musashiurawa Shopping Square	Saitama, Saitama	2,720
Rt-T-035	Ito-Yokado Higashi-Narashino Store	Narashino, Chiba	649
Rt-S-001	Universal CityWalk Osaka	Osaka, Osaka	15,500
Rt-S-002	Izumiya Senrioka	Suita, Osaka	8,930
Rt-S-003	Merad Owada	Osaka, Osaka	6,640
Rt-S-004	Izumiya Yao	Yao, Osaka	4,406
Rt-S-005	Izumiya Obayashi	Takarazuka, Hyogo	3,020
Rt-S-006	Ichibancho stear	Sendai, Miyagi	4,700
Rt-S-007	EQUINIA Aobadori	Sendai, Miyagi	1,640
Rt-S-008	MEL Building	Sendai, Miyagi	1,060
Subtotal (43 properties)			151,422
Logistics Facilities			
Lg-T-001	Landport Urayasu	Urayasu, Chiba	17,400
Lg-T-002	Landport Itabashi	Itabashi, Tokyo	15,710
Lg-T-003	Landport Kawagoe	Kawagoe, Saitama	13,700
Lg-T-004	Landport Atsugi	Atsugi, Kanagawa	11,410
Lg-T-005	Sagamihara Tana Logistics Center	Sagamihara, Kanagawa	10,600
Lg-T-006	Sagamihara Onodai Logistics Center	Sagamihara, Kanagawa	8,700
Lg-T-007	Landport Hachioji	Hachioji, Tokyo	8,250
Lg-T-008	Landport Kasukabe	Kasukabe, Saitama	7,340
Lg-T-009	Funabashi Logistics Center	Funabashi, Chiba	4,660
Lg-T-010	Atsugi Minami Logistics Center B Tower	Atsugi, Kanagawa	4,590
Lg-T-011	Hanyu Logistics Center	Hanyu, Saitama	3,810
Lg-T-012	Kawaguchi Logistics Center B Tower	Kawaguchi, Saitama	3,750
Lg-T-013	Kawaguchi Logistics Center A Tower	Kawaguchi, Saitama	2,830
Lg-T-014	Atsugi Minami Logistics Center A Tower	Atsugi, Kanagawa	2,690
Lg-T-015	Kawaguchi Ryoke Logistics Center	Kawaguchi, Saitama	10,790
Lg-T-016	Landport Kashiwa Shonan II	Kashiwa, Chiba	10,800
Lg-S-001	Ota Nitta Logistics Center	Ota, Gunma	3,430
Lg-S-002	Ota Higashishinmachi Logistics Center	Ota, Gunma	2,170
Lg-S-003	Ota Kiyohara Logistics Center	Ota, Gunma	650
Lg-S-004	Chiyodamachi Logistics Center	Oura, Gunma	330
Lg-S-005	Hirakata Kuzuha Logistics Center	Hirakata, Osaka	3,460
Subtotal (21 properties)			147,070
Residential Facilities			
Rs-T-001	PROUD FLAT Shirokane Takanawa	Minato, Tokyo	3,400
Rs-T-002	PROUD FLAT Yoyogi Uehara	Shibuya, Tokyo	989
Rs-T-003	PROUD FLAT Hatsudai	Shibuya, Tokyo	713
Rs-T-004	PROUD FLAT Shibuya Sakuragaoka	Shibuya, Tokyo	750
Rs-T-005	PROUD FLAT Gakugei Daigaku	Meguro, Tokyo	746
Rs-T-006	PROUD FLAT Meguro Gyoninzaka	Meguro, Tokyo	939
Rs-T-007	PROUD FLAT Sumida Riverside	Chuo, Tokyo	2,280
Rs-T-008	PROUD FLAT Kagurazaka	Shinjuku, Tokyo	1,590
Rs-T-009	PROUD FLAT Waseda	Shinjuku, Tokyo	1,110
Rs-T-010	PROUD FLAT Shinjuku Kawadacho	Shinjuku, Tokyo	947
Rs-T-011	PROUD FLAT Sangen Jaya	Setagaya, Tokyo	1,190
Rs-T-012	PROUD FLAT Kamata	Ota, Tokyo	1,160

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rs-T-013	PROUD FLAT Kamata II	Ota, Tokyo	3,320
Rs-T-014	PROUD FLAT Shinotsuka	Toshima, Tokyo	623
Rs-T-015	PROUD FLAT Kiyosumi Shirakawa	Koto, Tokyo	928
Rs-T-016	PROUD FLAT Monzen Nakacho II	Koto, Tokyo	652
Rs-T-017	PROUD FLAT Monzen Nakacho I	Koto, Tokyo	1,030
Rs-T-018	PROUD FLAT Fujimidai	Nerima, Tokyo	1,470
Rs-T-019	PROUD FLAT Asakusa	Taito, Tokyo	1,920
Rs-T-020	PROUD FLAT Yokohama	Yokohama, Kanagawa	2,090
Rs-T-021	PROUD FLAT Kamioooka	Yokohama, Kanagawa	2,710
Rs-T-022	PROUD FLAT Tsurumi II	Yokohama, Kanagawa	1,650
Rs-T-023	PRIME URBAN Azabu Juban	Minato, Tokyo	1,100
Rs-T-024	PRIME URBAN Akasaka	Minato, Tokyo	938
Rs-T-025	PRIME URBAN Tamachi	Minato, Tokyo	972
Rs-T-026	PRIME URBAN Shibaura	Minato, Tokyo	1,830
Rs-T-028	PRIME URBAN Yoyogi	Shibuya, Tokyo	359
Rs-T-029	PRIME URBAN Ebisu II	Shibuya, Tokyo	1,140
Rs-T-030	PRIME URBAN Bancho	Chiyoda, Tokyo	1,090
Rs-T-031	PRIME URBAN Chiyoda Fujimi	Chiyoda, Tokyo	679
Rs-T-032	PRIME URBAN Idabashi	Chiyoda, Tokyo	2,040
Rs-T-033	PRIME URBAN Ebisu	Meguro, Tokyo	1,260
Rs-T-034	PRIME URBAN Naka Meguro	Meguro, Tokyo	1,410
Rs-T-035	PRIME URBAN Gakugei Daigaku	Meguro, Tokyo	775
Rs-T-036	PRIME URBAN Senzoku	Meguro, Tokyo	474
Rs-T-037	PRIME URBAN Meguro Riverside	Meguro, Tokyo	414
Rs-T-038	PRIME URBAN Meguro Ohashi Hills	Meguro, Tokyo	2,970
Rs-T-039	PRIME URBAN Meguro Aobadai	Meguro, Tokyo	1,310
Rs-T-040	PRIME URBAN Gakugei Daigaku II	Meguro, Tokyo	1,080
Rs-T-041	PRIME URBAN Naka Meguro II	Meguro, Tokyo	2,850
Rs-T-042	PRIME URBAN Kachidoki	Chuo, Tokyo	2,570
Rs-T-043	PRIME URBAN Shinkawa	Chuo, Tokyo	2,100
Rs-T-044	PRIME URBAN Nihonbashi Yokoyamacho	Chuo, Tokyo	4,220
Rs-T-045	PRIME URBAN Nihonbashi Hamacho	Chuo, Tokyo	1,550
Rs-T-046	PRIME URBAN Hongo Ikizaka	Bunkyo, Tokyo	557
Rs-T-047	PRIME URBAN Hakusan	Bunkyo, Tokyo	866
Rs-T-048	PRIME URBAN Yotsuya Gaien Higashi	Shinjuku, Tokyo	1,490
Rs-T-050	PRIME URBAN Nishi Shinjuku I	Shinjuku, Tokyo	1,090
Rs-T-051	PRIME URBAN Nishi Shinjuku II	Shinjuku, Tokyo	885
Rs-T-052	PRIME URBAN Shinjuku Naitomachi	Shinjuku, Tokyo	430
Rs-T-053	PRIME URBAN Nishi Waseda	Shinjuku, Tokyo	421
Rs-T-054	PRIME URBAN Shinjuku Ochiai	Shinjuku, Tokyo	594
Rs-T-055	PRIME URBAN Mejiro	Shinjuku, Tokyo	1,430
Rs-T-056	PRIME URBAN Kagurazaka	Shinjuku, Tokyo	2,900
Rs-T-057	PRIME URBAN Sangen Jaya III	Setagaya, Tokyo	718
Rs-T-058	PRIME URBAN Chitose Karasuyama	Setagaya, Tokyo	717
Rs-T-060	PRIME URBAN Sangen Jaya	Setagaya, Tokyo	724
Rs-T-061	PRIME URBAN Minami Karasuyama	Setagaya, Tokyo	667
Rs-T-062	PRIME URBAN Karasuyama Galleria	Setagaya, Tokyo	549
Rs-T-063	PRIME URBAN Karasuyama Court	Setagaya, Tokyo	338
Rs-T-065	PRIME URBAN Chitose Funabashi	Setagaya, Tokyo	746
Rs-T-066	PRIME URBAN Yuki	Setagaya, Tokyo	1,390
Rs-T-067	PRIME URBAN Shinagawa Nishi	Shinagawa, Tokyo	494
Rs-T-068	PRIME URBAN Osaki	Shinagawa, Tokyo	1,860
Rs-T-069	PRIME URBAN Oimachi II	Shinagawa, Tokyo	1,040
Rs-T-070	PRIME URBAN Yukigaya	Ota, Tokyo	951
Rs-T-071	PRIME URBAN Omori	Ota, Tokyo	905
Rs-T-072	PRIME URBAN Denenchofu Minami	Ota, Tokyo	774
Rs-T-073	PRIME URBAN Nagahara Kamiikedai	Ota, Tokyo	1,720
Rs-T-075	PRIME URBAN Nakano Kamitakada	Nakano, Tokyo	498
Rs-T-076	PRIME URBAN Takaido	Suginami, Tokyo	1,060
Rs-T-077	PRIME URBAN Nishi Ogikubo	Suginami, Tokyo	414
Rs-T-078	PRIME URBAN Nishi Ogikubo II	Suginami, Tokyo	1,790
Rs-T-079	PRIME URBAN Otsuka	Toshima, Tokyo	730
Rs-T-080	PRIME URBAN Komagome	Toshima, Tokyo	437
Rs-T-081	PRIME URBAN Ikebukuro	Toshima, Tokyo	3,800
Rs-T-082	PRIME URBAN Monzen Nakacho	Koto, Tokyo	2,420
Rs-T-083	PRIME URBAN Kameido	Koto, Tokyo	779
Rs-T-084	PRIME URBAN Sumiyoshi	Koto, Tokyo	632
Rs-T-085	PRIME URBAN Mukojima	Sumida, Tokyo	528
Rs-T-086	PRIME URBAN Kinshi Koen	Sumida, Tokyo	1,290
Rs-T-087	PRIME URBAN Kinshicho	Sumida, Tokyo	758
Rs-T-088	PRIME URBAN Hirai	Edogawa, Tokyo	722
Rs-T-089	PRIME URBAN Kasai	Edogawa, Tokyo	640
Rs-T-090	PRIME URBAN Kasai II	Edogawa, Tokyo	981

Settlement Number	Property Name	Location	Acquisition Price (Millions of yen)
Rs-T-091	PRIME URBAN Kasai East	Edogawa, Tokyo	1,140
Rs-T-093	PRIME URBAN Itabashi Kuyakushomae	Itabashi, Tokyo	1,080
Rs-T-094	PRIME URBAN Asakusa	Taito, Tokyo	384
Rs-T-095	PRIME URBAN Machiya South Court	Arakawa, Tokyo	1,910
Rs-T-096	PRIME URBAN Musashi Koganei	Koganei, Tokyo	1,910
Rs-T-097	PRIME URBAN Musashino Hills	Koganei, Tokyo	1,280
Rs-T-098	PRIME URBAN Koganei Honcho	Koganei, Tokyo	791
Rs-T-099	PRIME URBAN Kumegawa	Higashimurayama, Tokyo	1,520
Rs-T-100	PRIME URBAN Musashi Kosugi comodo	Kawasaki, Kanagawa	1,940
Rs-T-101	PRIME URBAN Kawasaki	Kawasaki, Kanagawa	962
Rs-T-102	PRIME URBAN Shinyurigaoka	Kawasaki, Kanagawa	1,020
Rs-T-103	PRIME URBAN Tsurumi Teraya	Yokohama, Kanagawa	493
Rs-T-105	PRIME URBAN Urayasu	Urayasu, Chiba	804
Rs-T-106	PRIME URBAN Gyotoku I	Ichikawa, Chiba	633
Rs-T-107	PRIME URBAN Gyotoku II	Ichikawa, Chiba	730
Rs-T-108	PRIME URBAN Gyotoku Ekimae	Ichikawa, Chiba	488
Rs-T-109	PRIME URBAN Gyotoku Ekimae II	Ichikawa, Chiba	469
Rs-T-110	PRIME URBAN Gyotoku III	Ichikawa, Chiba	747
Rs-T-111	PRIME URBAN Nishi Funabashi	Funabashi, Chiba	761
Rs-T-112	PRIME URBAN Kawaguchi	Kawaguchi, Saitama	1,580
Rs-T-113	PROUD FLAT Hatchobori	Chuo, Tokyo	920
Rs-T-114	PROUD FLAT Itabashi Honcho	Itabashi, Tokyo	720
Rs-T-115	PRIME URBAN Meguro Mita	Meguro, Tokyo	1,058
Rs-T-116	Fukasawa House Towers H&I	Setagaya, Tokyo	7,140
Rs-T-117	PRIME URBAN Toyosu	Koto, Tokyo	5,290
Rs-T-118	PRIME URBAN Nihonbashi Kayabacho	Chuo, Tokyo	2,850
Rs-T-119	PRIME URBAN Yoga II	Setagaya, Tokyo	1,320
Rs-T-120	PRIME URBAN Musashi-Koganei II	Koganei, Tokyo	1,310
Rs-S-001	PROUD FLAT Itsutsubashi	Sendai, Miyagi	652
Rs-S-002	PROUD FLAT Kawaramachi	Sendai, Miyagi	735
Rs-S-003	PROUD FLAT Shin Osaka	Osaka, Osaka	1,620
Rs-S-005	PRIME URBAN Kita Juyo Jo	Sapporo, Hokkaido	274
Rs-S-006	PRIME URBAN Odori Koen I	Sapporo, Hokkaido	502
Rs-S-007	PRIME URBAN Odori Koen II	Sapporo, Hokkaido	334
Rs-S-008	PRIME URBAN Kita Juichi Jo	Sapporo, Hokkaido	547
Rs-S-009	PRIME URBAN Miyanosawa	Sapporo, Hokkaido	475
Rs-S-010	PRIME URBAN Odori Higashi	Sapporo, Hokkaido	394
Rs-S-011	PRIME URBAN Chiji Kokan	Sapporo, Hokkaido	249
Rs-S-012	PRIME URBAN Maruyama	Sapporo, Hokkaido	229
Rs-S-013	PRIME URBAN Kita Nijuyo Jo	Sapporo, Hokkaido	437
Rs-S-014	PRIME URBAN Sapporo Idaimae	Sapporo, Hokkaido	616
Rs-S-015	PRIME URBAN Sapporo Riverfront	Sapporo, Hokkaido	4,480
Rs-S-016	PRIME URBAN Kita Sanjo Dori	Sapporo, Hokkaido	1,730
Rs-S-017	PRIME URBAN Nagamachi Ichhome	Sendai, Miyagi	1,140
Rs-S-018	PRIME URBAN Yaotome Chuo	Sendai, Miyagi	466
Rs-S-019	PRIME URBAN Tsutsumidori Amamiya	Sendai, Miyagi	949
Rs-S-020	PRIME URBAN Aoi	Nagoya, Aichi	712
Rs-S-021	PRIME URBAN Kanayama	Nagoya, Aichi	553
Rs-S-022	PRIME URBAN Tsurumai	Nagoya, Aichi	1,020
Rs-S-023	PRIME URBAN Kamimaezu	Nagoya, Aichi	1,590
Rs-S-024	PRIME URBAN Izumi	Nagoya, Aichi	3,770
Rs-S-025	PRIME URBAN Esaka I	Suita, Osaka	652
Rs-S-026	PRIME URBAN Esaka II	Suita, Osaka	794
Rs-S-027	PRIME URBAN Esaka III	Suita, Osaka	1,190
Rs-S-028	PRIME URBAN Tamatsukuri	Osaka, Osaka	1,020
Rs-S-029	PRIME URBAN Sakaisuji Honmachi	Osaka, Osaka	1,810
Rs-S-030	PRIME URBAN Hakata	Fukuoka, Fukuoka	588
Rs-S-031	PRIME URBAN Yakuin Minami	Fukuoka, Fukuoka	265
Rs-S-032	PRIME URBAN Kashii	Fukuoka, Fukuoka	398
Rs-S-033	PRIME URBAN Hakata Higashi	Fukuoka, Fukuoka	622
Rs-S-034	PRIME URBAN Chihaya	Fukuoka, Fukuoka	604
Rs-S-035	PRIME URBAN Chikusa	Nagoya, Aichi	1,110
Subtotal (147 properties)			180,850
Others			
Ot-T-001	Ryotokujii University Shin-Urayasu Campus (Land)	Urayasu, Chiba	4,900
Subtotal (1 property)			4,900
Total (272 properties)			932,896

PORTFOLIO GALLERY

(As of the End of the 3rd Fiscal Period)

NMF Office Portfolio

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

Total Office Portfolio

60 properties

Total Acquisition Value for Portfolio

¥448,654 million



Shinjuku Nomura Building

Acquisition Price: ¥43,900 million

Location: Shinjuku, Tokyo

Completion: May 1978



NEC Head Office Building

Acquisition Price: ¥44,100 million

Location: Minato, Tokyo

Completion: January 1990



Harumi Island Triton Square Office Tower Y

Acquisition Price: ¥18,200 million

Location: Chuo, Tokyo

Completion: October 2001



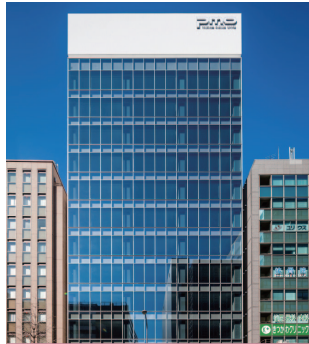
Kojimachi Millennium Garden



NRE Tennozu Building



PMO Nihonbashi Honcho



PMO Tamachi



Omron Kyoto Center Building



NMF Shibuya Koen-dori Building



Secom Medical Building



Nishi Shinjuku Showa Building

NMF Retail Portfolio

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

Total Retail Portfolio

43 properties

Total Acquisition Value for Portfolio

¥151,422 million



Universal CityWalk Osaka

Acquisition Price: ¥15,500 million

Location: Osaka, Osaka

Completion: June 2001



GEMS Ichigaya

Acquisition Price: ¥2,080 million

Location: Chiyoda, Tokyo

Completion: October 2014



NRE Kichijoji Building



covirna machida



EQUINIA Shinjuku



Morisia Tsudanuma



EQUINA Ikebukuro



Kawasaki More's



Izumiya Yao



Sagamihara Shopping Center

PORTFOLIO GALLERY

(As of the End of the 3rd Fiscal Period)

NMF Logistics Portfolio

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

Total Logistics Portfolio	Total Acquisition Value for Portfolio
21 properties	¥147,070 million



Landport Kashiwa Shonan II

Acquisition Price: ¥10,800 million
Location: Kashiwa, Chiba
Completion: April 2016



Landport Itabashi

Acquisition Price: ¥15,710 million
Location: Itabashi, Tokyo
Completion: January 2008



Landport Urayasu

Acquisition Price: ¥17,400 million
Location: Urayasu, Chiba
Completion: May 2008



Hirakata Kuzuha Logistics Center



Sagamihara Onodai Logistics Center



Kawaguchi Ryoke Logistics Center



Sagamihara Tana Logistics Center



Landport Kawagoe



Landport Kasukabe



Landport Atsugi

NMF Residential Portfolio

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

Total Residential Portfolio	Total Acquisition Value for Portfolio
147 properties	¥180,850 million



Fukasawa House Towers H&I

Acquisition Price: ¥7,140 million
Location: Setagaya, Tokyo
Completion: June 2004



PRIME URBAN Sapporo Riverfront

Acquisition Price: ¥4,480 million
Location: Sapporo, Hokkaido
Completion: January 2008



PROUD FLAT Tsurumi II



PROUD FLAT Sumida Riverside



PROUD FLAT Shibuya Sakuragaoka



PRIME URBAN Itabashi Honcho



PRIME URBAN Kawaguchi



PRIME URBAN Shibaura LOFT



PRIME URBAN Karasuyama Court

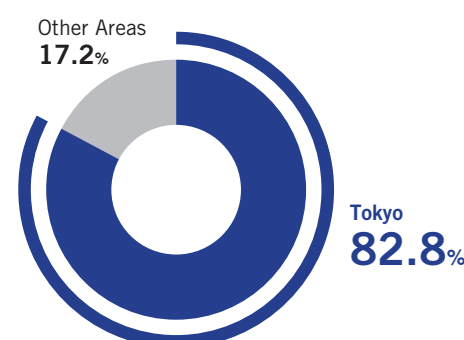
PORTFOLIO DIVERSIFICATION

(As of the End of the 3rd Fiscal Period)

Diversification is critical to the stability of a J-REIT and NMF achieved diversification through the factors illustrated below.

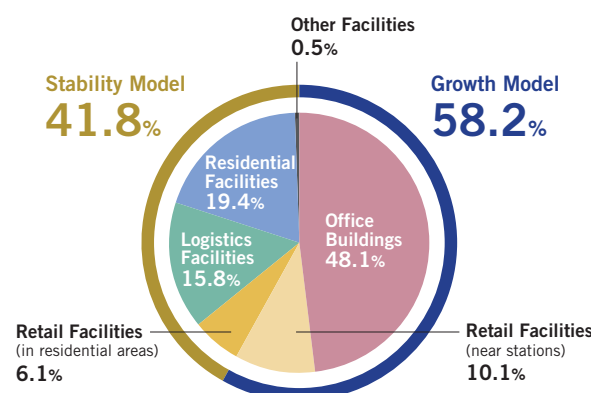
Diversification by Area

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



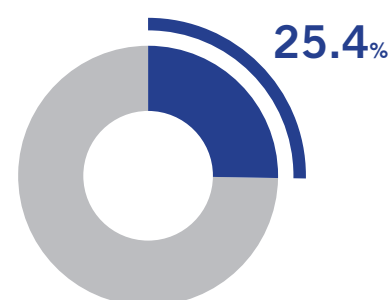
Diversification by Use

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



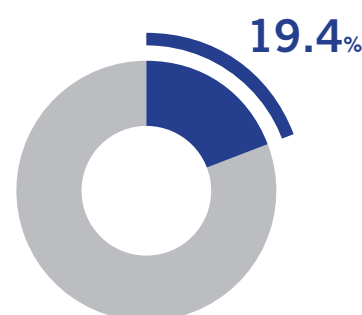
Diversification by Property

Ratio of Portfolio Comprised of Top Ten Properties



Diversification by Tenant

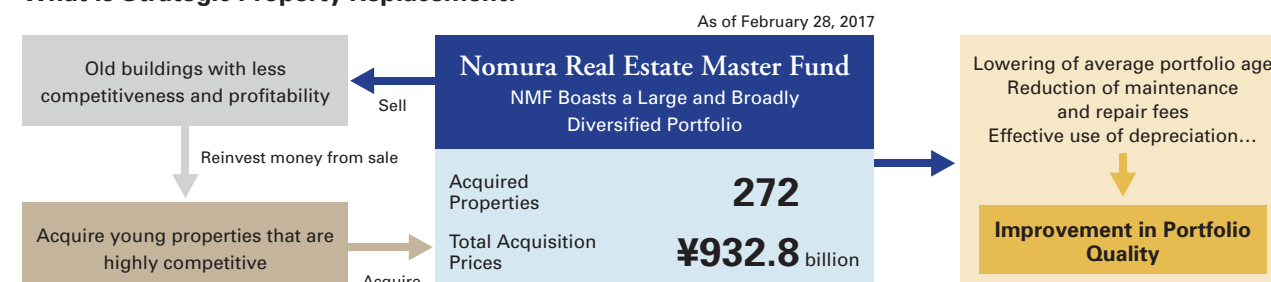
Ratio of Portfolio Comprised of Top Ten Tenants



Strategic Property Replacement

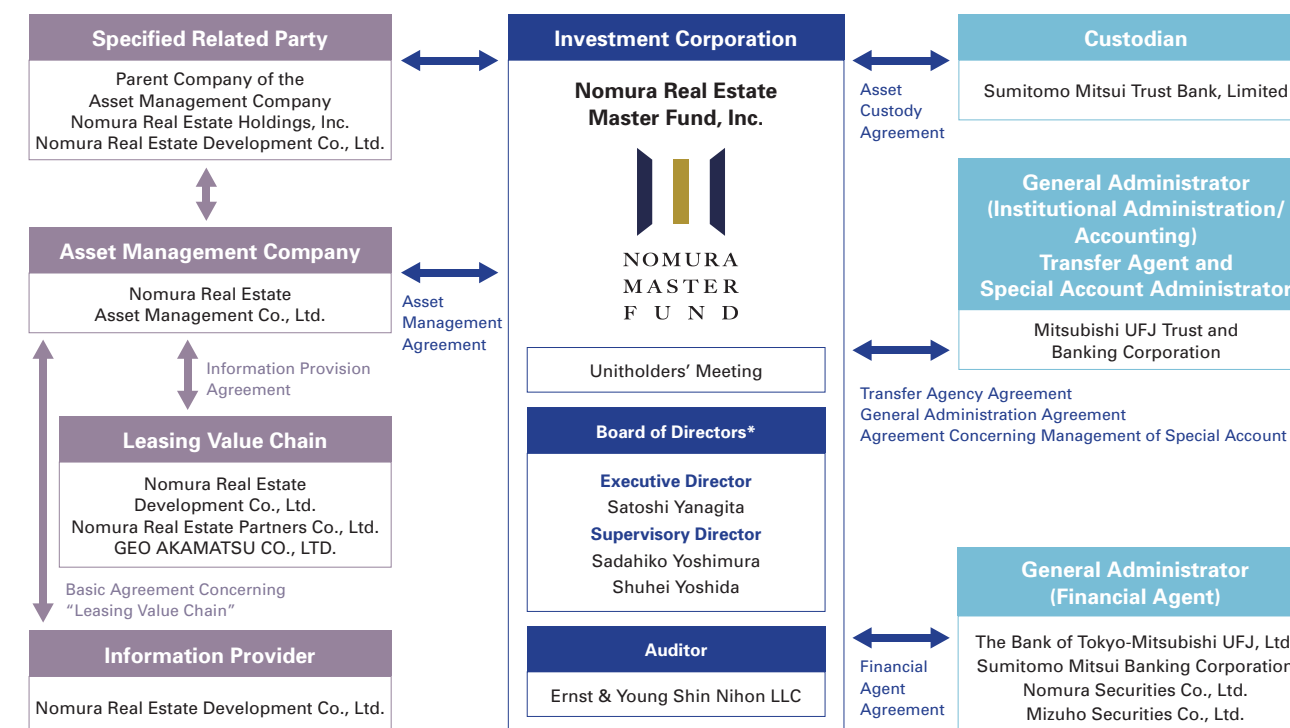
NMF's Strategic Property Replacement (SPR) calls for selling old and less competitive properties and acquiring newer and more competitive properties, and for effective utilization of depreciation.

What is Strategic Property Replacement?



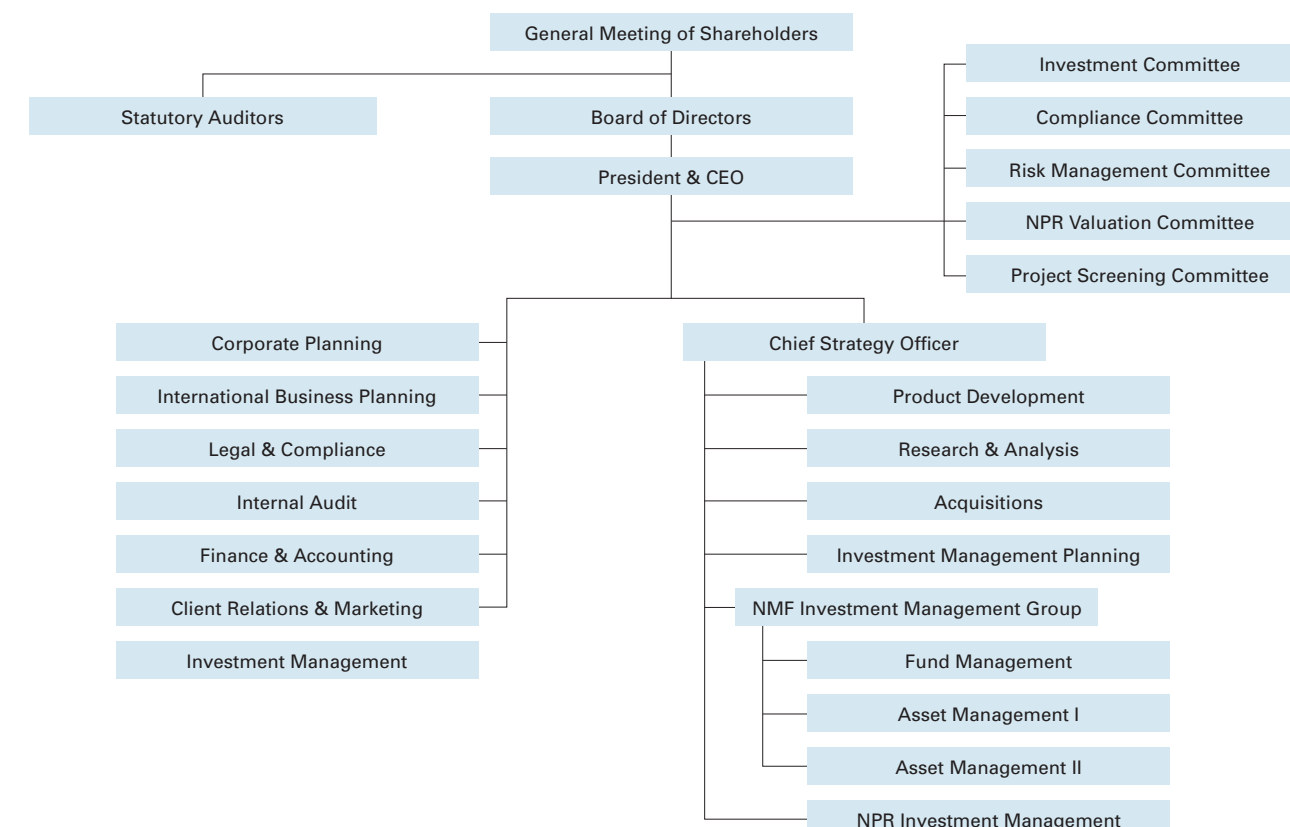
STRUCTURE AND ORGANIZATION

Structure of NMF



*At NMF's first Unitholder's Meeting, held May 26, 2017, Shuhei Yoshida was elected as executive director, and Mineo Uchiyama and Koichi Owada were elected as supervisory directors. Each of these positions has a term of two years, beginning June 1, 2017.

Organization of NREAM



BALANCE SHEET

	Thousands of Yen	
	As of February 28, 2017	As of August 31, 2016
ASSETS		
Current Assets:		
Cash and bank deposits	¥73,331,039	¥75,270,568
Rental receivables	464,183	592,582
Income taxes receivable	—	1,423
Consumption taxes receivable	147,670	—
Other current assets	1,237,456	1,180,067
Allowance for doubtful accounts	—	(54)
Total current assets	75,180,348	77,044,586
Property and Equipment:		
Land	629,423,318	516,284,405
Buildings and structures	309,299,034	270,808,636
Machinery and equipment	760,188	698,335
Tools, furniture and fixtures	497,128	379,682
Leased assets	24,495	24,495
Construction in progress	22,180	838,601
Subtotal	940,026,343	789,034,154
Less accumulated depreciation	(19,763,573)	(15,010,664)
Net property and equipment	920,262,770	774,023,490
Investments and Other Assets:		
Goodwill	98,698,194	74,305,825
Leasehold rights	8,581,094	8,492,841
Intangible assets	36,868	32,725
Long-term prepaid expenses	1,600,246	1,005,942
Long-term deposits	533,242	89,386
Security deposits	956,754	946,804
Derivatives Assets	108,612	—
Deferred investment corporation bond issuance costs	21,039	22,411
Total investments and other assets	110,536,049	84,895,934
Total Assets	¥1,105,979,167	¥935,964,010

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

	Thousands of Yen	
	As of February 28, 2017	As of August 31, 2016
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥2,410,374	¥2,562,468
Short-term debt	5,000,000	—
Current portion of investment corporation bonds	9,000,000	10,000,000
Current portion of long-term debt	69,975,600	47,805,600
Lease obligations	8,651	8,651
Other accounts payable	2,294,600	2,226,125
Accrued expenses	361,542	330,953
Accrued income taxes	1,550	605
Accrued consumption taxes	—	530,466
Rent received in advance	5,083,682	4,320,066
Unearned revenue	366,627	341,707
Derivative liabilities	98,866	73,218
Other current liabilities	297,926	292,886
Total current liabilities	94,899,418	68,492,745
Long-term Liabilities:		
Investment corporation bonds	18,500,000	22,500,000
Long-term debt	396,308,400	329,466,200
Lease obligations	5,395	9,721
Long-term advanced received	713,191	671,420
Security deposits from tenants	37,892,970	33,331,213
Derivative liabilities	1,555,381	2,181,237
Total long-term liabilities	454,975,337	388,159,791
Total Liabilities	549,874,755	456,652,536
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	161,883,753	161,120,405
Surplus		
Capital surplus	394,012,959	315,299,775
Allowance for temporary difference adjustments	(5,374,246)	(6,137,594)
Other deductions from capital surplus	(3,800,508)	(941,669)
Total deductions from capital surplus	(9,174,754)	(7,079,263)
Net capital surplus	384,838,205	308,220,512
Retained earnings	10,928,088	12,225,011
Total surplus	395,766,293	320,445,523
Total unitholders' equity	557,650,046	481,565,928
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(1,545,634)	(2,254,454)
Total valuation and translation adjustments	(1,545,634)	(2,254,454)
Total Net Assets	556,104,412	479,311,474
Total Liabilities and Net Assets	¥1,105,979,167	¥935,964,010

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

STATEMENT OF INCOME AND RETAINED EARNINGS

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	¥34,714,979	¥29,532,380
Gain on sales of real estate	—	1,442,275
Gain on investments in silent partnership	—	1,900
	34,714,979	30,976,555
Operating Expenses:		
Real estate rental expenses	15,791,522	13,489,929
Loss on sale of real estate	—	329,201
Impairment Loss	269,797	—
Asset management fees	2,783,115	2,565,116
Asset custody fees	48,740	48,380
Administrative service fees	155,545	147,697
Merger expenses	1,374,890	375,501
Amortization of goodwill	2,622,243	1,946,878
Other operating expenses	424,331	391,184
	23,470,183	19,293,886
Operating Income	11,244,796	11,682,669
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	358	309
Reversal of dividends payable	23,391	4,081
Interest on refund	2	—
Other non-operating revenues	82	41
	23,833	4,431
Non-Operating Expenses:		
Interest expense	1,886,021	1,714,123
Interest expenses on investment corporation bonds	279,333	284,082
Amortization of investment corporation bond issuance costs	1,372	1,372
Loan arrangement fees	423,783	324,256
Other non-operating expenses	5,560	6,681
	2,596,069	2,330,514
Ordinary Income	8,672,560	9,356,586
Income before Income Taxes	8,672,560	9,356,586
Income Taxes:		
Current	1,605	605
	1,605	605
Net Income	8,670,955	9,355,981
Retained earnings brought forward	2,257,133	2,869,030
Retained Earnings at End of Period	¥10,928,088	¥12,225,011

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

STATEMENT OF CHANGES IN NET ASSETS

	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, 2016	3,722,010	¥161,120,405	¥315,299,775	(¥6,137,594)	(¥941,669)	(¥7,079,263)	¥308,220,512
Increase by merger	461,120	—	78,713,184	—	—	—	78,713,184
Distributions of retained earnings	—	—	—	—	—	—	—
Reversal of allowance for temporary difference adjustments	—	763,348	—	763,348	(763,348)	—	—
Other distributions in excess of net earnings	—	—	—	—	(2,095,491)	(2,095,491)	(2,095,491)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of February 28, 2017	4,183,130	¥161,883,753	¥394,012,959	(¥5,374,246)	(¥3,800,508)	(¥9,174,754)	¥384,838,205
	Thousands of Yen						
	Unitholders' Equity						
	Surplus						
	Retained earnings	Total surplus	Total unitholders' equity	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets	
Balance as of September 1, 2016	¥12,225,011	¥320,445,523	¥481,565,928	(¥2,254,454)	(¥2,254,454)	¥479,311,474	
Increase by merger	—	78,713,184	78,713,184	—	—	78,713,184	
Distributions of retained earnings	(9,204,530)	(9,204,530)	(9,204,530)	—	—	(9,204,530)	
Reversal of allowance for temporary difference adjustments	(763,348)	(763,348)	—	—	—	—	
Other distributions in excess of net earnings	—	(2,095,491)	(2,095,491)	—	—	(2,095,491)	
Net income	8,670,955	8,670,955	8,670,955	—	—	8,670,955	
Net changes of items other than unitholders' equity	—	—	—	708,820	708,820	708,820	
Balance as of February 28, 2017	¥10,928,088	¥395,766,293	¥557,650,046	(¥1,545,634)	(¥1,545,634)	¥556,104,412	
The accompanying notes to financial statements are an integral part of these statements.							
	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 other capital surplus	Total deductions from capital surplus	Net capital surplus
Balance as of March 1, 2016	3,722,010	¥161,120,405	¥315,299,775	—	—	—	¥315,299,775
Distributions of retained earnings	—	—	—	—	—	—	—
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	—	—	(¥6,137,594)	—	(¥6,137,594)	(6,137,594)
Other distributions in excess of net earnings	—	—	—	—	(941,669)	(941,669)	(941,669)
Net income	—	—	—	—	—	—	—
Net changes of items other than unitholders' equity	—	—	—	—	—	—	—
Balance as of August 31, 2016	3,722,010	¥161,120,405	¥315,299,775	(¥6,137,594)	(¥941,669)	(¥7,079,263)	¥308,220,512
	Thousands of Yen						
	Unitholders' Equity						
	Surplus						
	Retained earnings	Total surplus	Total unitholders' equity	Deferred Gains or Losses on Hedges	Total Valuation and Translation Adjustments	Total Net Assets	
Balance as of March 1, 2016	¥ 4,048,907	¥319,348,682	¥480,469,087	(¥2,867,595)	(¥2,867,595)	¥477,601,492	
Distributions of retained earnings	(1,179,877)	(1,179,877)	(1,179,877)	—	—	(1,179,877)	
Distributions in excess of net earnings from allowance for temporary difference adjustments	—	(6,137,594)	(6,137,594)	—	—	(6,137,594)	
Other distributions in excess of net earnings	—	(941,669)	(941,669)	—	—	(941,669)	
Net income	9,355,981	9,355,981	9,355,981	—	—	9,355,981	
Net changes of items other than unitholders' equity	—	—	—	613,141	613,141	613,141	
Balance as of August 31, 2016	¥12,225,011	¥320,445,523	¥481,565,928	(¥2,254,454)	(¥2,254,454)	¥479,311,474	
The accompanying notes to financial statements are an integral part of these statements.							

STATEMENT OF CASH FLOWS

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	¥8,672,560	¥9,356,586
Depreciation	4,757,916	4,207,239
Impairment loss	269,797	—
Amortization of goodwill	2,622,243	1,946,878
Amortization of investment corporation bond issuance costs	1,372	1,372
Interest income	(358)	(309)
Interest expense	2,165,354	1,998,205
Loss on disposal of property and equipment	5,259	5,166
Increase (Decrease) in allowance for doubtful accounts	(54)	—
Decrease (Increase) in rental receivables	176,868	(157,025)
Decrease (Increase) in long-term prepaid expenses	(227,234)	(263,149)
Decrease (Increase) in long-term deposits	3,407	—
Increase (Decrease) in trade accounts payable	(466,026)	399,867
Increase (Decrease) in other accounts payable	(106,694)	150,153
Decrease (Increase) in consumption taxes receivables	(147,670)	—
Increase (Decrease) in accrued consumption taxes	(698,979)	389,764
Increase (Decrease) in accrued expenses	(144,523)	15,792
Increase (Decrease) in rent received in advance	(599)	(74,218)
Decrease in property and equipment due to sales	—	9,423,685
Decrease in property and equipment in trust due to sales	—	23,127,270
Other	272,228	(174,316)
Subtotal	17,154,867	50,352,960
Interest received	358	309
Interest paid	(2,383,092)	(2,187,967)
Income taxes paid	367	(2,382)
Net cash provided by (used in) operating activities	14,772,500	48,162,920
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(13,686,180)	(28,773,290)
Payments for purchases of leasehold rights and intangible assets	(7,949)	(15,064)
Proceeds from withdrawal of investment securities	—	86,592
Reimbursement of security deposits to tenants	(809,438)	(2,582,461)
Proceeds from security deposits from tenants	895,270	1,697,875
Proceeds from security deposits	50	30,780
Net cash provided by (used in) investing activities	(13,608,247)	(29,555,568)
Cash Flows from Financing Activities		
Proceeds from short-term debt	5,000,000	6,000,000
Repayments of short-term debt	—	(15,100,000)
Proceeds from long-term debt	42,950,000	46,530,000
Repayment of long-term debt	(44,055,300)	(30,822,800)
Redemption of investment corporation bonds	(5,000,000)	—
Distributions to unitholders	(10,219,933)	(1,189,881)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,782)	(6,137,594)
Other distributions in excess of net earnings	(2,092,350)	(941,669)
Net cash provided by (used in) financing activities	(13,419,365)	(1,661,944)
Net Increase (Decrease) in Cash and Cash Equivalents	(12,255,112)	16,945,408
Cash and Cash Equivalents at Beginning of Period	75,270,568	58,325,160
Increase in Cash and Cash Equivalents Resulting from Merger	10,315,583	—
Cash and Cash Equivalents at End of Period	¥73,331,039	¥75,270,568

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

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

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

Intangible assets

Intangible assets are amortized by the straight-line method.

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

Long-term prepaid expenses

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

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Allowance for doubtful accounts

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

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥77,205 thousand for the fiscal period ended August 31, 2016,and ¥3,333 thousand for the fiscal period ended February 28, 2017.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 28, 2017 and August 31, 2016 consist of the following:

	Thousands of Yen	
	As of February 28, 2017	As of August 31, 2016
Cash and bank deposits	¥73,331,039	¥75,270,568
Cash and cash equivalents	¥73,331,039	¥75,270,568

Important contents of the non-cash transactions

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

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

5. ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral are as follows:

	As of February 28, 2017	Thousands of Yen As of August 31, 2016
Buildings in trust	¥3,335,340	—
Land in trust	6,096,368	—
Total	¥9,431,708	—

The secured liabilities are as follows:

	As of February 28, 2017	Thousands of Yen As of August 31, 2016
Tenant leasehold and security deposits in trust	¥726,648	—
Total	¥726,648	—

6. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of February 28, 2017 and August 31, 2016 consist of the following:

	As of February 28, 2017		Thousands of Yen As of August 31, 2016	
			Acquisition costs	Book value
Land	¥193,986,143	¥193,986,143	¥185,217,460	¥185,217,460
Buildings and structures	112,734,556		106,359,015	
Accumulated depreciation	(4,897,682)	107,836,874	(3,144,755)	103,214,260
Machinery and equipment	591,582		569,898	
Accumulated depreciation	(172,580)	419,002	(109,416)	460,482
Tools, furniture and fixtures	109,031		82,496	
Accumulated depreciation	(13,537)	95,494	(5,002)	77,494
Land in trust	435,437,175	435,437,175	331,066,945	331,066,945
Buildings and structures in trust	196,564,478		164,449,621	
Accumulated depreciation	(14,585,392)	181,979,086	(11,698,891)	152,750,730
Machinery and equipment in trust	168,606		128,437	
Accumulated depreciation	(14,366)	154,240	(7,150)	121,287
Tools, furniture and fixtures in trust	388,097		297,186	
Accumulated depreciation	(68,629)	319,468	(38,082)	259,104
Lease assets in trust	24,495		24,495	
Accumulated depreciation	(11,387)	13,108	(7,368)	17,127
Construction in progress	22,180	22,180	838,601	838,601
Total	¥920,262,770	¥920,262,770	¥774,023,490	¥774,023,490

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

Short-term debt and current portion of long-term debt as of February 28, 2017 and August 31, 2016 consist of the following:

	As of February 28, 2017		As of August 31, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on February 23, 2018	¥5,000,000	0.58205%	—	—
Unsecured loans from a bank due on November 26, 2016	—	—	¥13,000,000	0.64250%
Unsecured loans from a bank due on February 26, 2017	—	—	1,000,000	1.07450%
Unsecured loans from a bank due on February 26, 2017	—	—	2,000,000	0.88700%
Unsecured loans from a bank due on February 26, 2017	—	—	1,800,000	0.69000%
Unsecured loans from a bank due on February 26, 2017 ^(Note 2)	—	—	1,000,000	0.45182%
Unsecured loans from banks due on March 11, 2017 ^(Note 3)	4,000,000	0.33606%	4,000,000	0.35182%
Unsecured loans from a bank due on March 26, 2017	1,000,000	0.21000%	1,000,000	0.21182%
Unsecured loans from banks due on June 10, 2017	3,900,000	1.43500%	3,900,000	1.43500%
Unsecured loans from banks due on June 30, 2017	17,500,000	Note 6	—	—
Unsecured loans from a bank due on August 26, 2017	750,000	0.43727%	750,000	0.44000%
Unsecured loans from banks due on August 26, 2017	5,000,000	0.21000%	5,000,000	0.21182%
Unsecured loans from banks due on August 27, 2017	9,000,000	1.12850%	9,000,000	1.12850%
Unsecured loans from banks due on August 27, 2017	3,920,000	1.08500%	3,920,000	1.08500%
Unsecured loans from banks due on September 26, 2017	4,000,000	0.15000%	—	—
Unsecured loans from banks due on December 26, 2017	12,900,000	1.03775%	—	—
Unsecured loans from a bank due on February 26, 2018	1,000,000	1.84650%	—	—
Unsecured loans from banks due on February 26, 2018	1,500,000	0.43727%	—	—
Unsecured loans from banks due on February 27, 2018	5,420,000	1.12013%	—	—
Unsecured loans from a bank due on February 26, 2016 ^(Note 4)	—	—	1,350,000	2.03000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 5)	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 5)	42,800	2.21812%	42,800	2.21812%
Total	¥74,975,600		¥47,805,600	

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

Note 2: The borrowing was ¥3,500 million repaid on May 26,2016 in advance to the maturity date.

Note 3: The borrowing was ¥1,000 million repaid on May 26,2016 in advance to the maturity date.

Note 4: The amount of ¥50 million every Date of Repayment from August 26, 2010 to August 26, 2016, and ¥1,350 million on February 26, 2017, the last Date of Repayment.

Note 5: Repay ¥10.7 million of principal at each repayment date during the period between August 26, 2013, and February 26, 2025, and repay ¥497.1 million on May 26, 2025, the last repayment date.

Note 6: Based on an agreement, of the ¥17,500 million, the weighted average interest rates were 0.51000% applicable to ¥9,000 million and 0.79450% applicable to the remaining ¥8,500 million in consideration of the effect of interest rate swaps used for the purpose of avoiding interest rate fluctuation risk.

- (1) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended February 28, 2017. The total unused amounts of such credit facilities were ¥10,000 million as of February 28, 2017.
- (2) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the fiscal period ended February 28, 2017. The total unused amounts of such credit facilities were ¥35,000 million as of February 28, 2017.
- (3) The Company entered into ¥10,000 million credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2016. The total unused amounts of such credit facilities were ¥10,000 million as of August 31, 2016.
- (4) The Company entered into ¥40,000 million credit facilities in the form of commitment lines with five financial institutions for the fiscal period ended August 31, 2016. The total unused amounts of such credit facilities were ¥40,000 million as of August 31, 2016.

8. LONG-TERM DEBT

Long-term debt as of February 28, 2017 and August 31, 2016 consist of the following:

	As of February 28, 2017		As of August 31, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on September 26, 2017	—	—	¥4,000,000	0.15182%
Unsecured loans from a bank due on December 26, 2017	—	—	12,900,000	1.03775%
Unsecured loans from banks due on February 26, 2018	—	—	1,000,000	1.84650%
Unsecured loans from banks due on February 26, 2018	—	—	1,500,000	0.44000%
Unsecured loans from banks due on February 27, 2018	—	—	5,420,000	1.12013%
Unsecured loans from banks due on March 27, 2018	¥4,670,000	0.63000%	—	—
Unsecured loans from a bank due on March 27, 2018	2,355,000	1.08448%	—	—
Unsecured loans from banks due on April 30, 2018	1,230,000	0.63000%	—	—
Unsecured loans from a bank due on May 26, 2018	12,200,000	0.86250%	12,200,000	0.86250%
Unsecured loans from banks due on June 26, 2018	2,000,000	1.09000%	2,000,000	1.09000%
Unsecured loans from banks due on August 26, 2018	2,000,000	1.03500%	2,000,000	1.03500%
Unsecured loans from a bank due on August 26, 2018	5,400,000	0.99000%	5,400,000	0.99000%
Unsecured loans from a bank due on November 26, 2018	2,000,000	0.93600%	2,000,000	0.93600%
Unsecured loans from a bank due on November 26, 2018	4,000,000	0.72500%	4,000,000	0.72500%
Unsecured loans from a bank due on November 26, 2018	3,000,000	0.77650%	3,000,000	0.77650%
Unsecured loans from banks 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 a bank 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 a bank 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 a bank due on May 26, 2019	9,000,000	1.11750%	9,000,000	1.11750%
Unsecured loans from a bank due on May 26, 2019	1,000,000	1.04875%	1,000,000	1.04875%
Unsecured loans from a bank due on May 26, 2019	1,100,000	0.69894%	1,100,000	0.69894%
Unsecured loans from a bank due on August 26, 2019	2,200,000	1.22000%	2,200,000	1.22000%
Unsecured loans from a bank due on August 26, 2019	5,700,000	1.25200%	5,700,000	1.25200%
Unsecured loans from a bank due on August 26, 2019	2,500,000	1.27625%	2,500,000	1.27625%
Unsecured loans from a bank due on August 26, 2019	4,700,000	0.81080%	4,700,000	0.81080%
Unsecured loans from banks due on October 26, 2019	3,000,000	0.20000%	—	—
Unsecured loans from a bank due on November 26, 2019	1,600,000	1.16500%	1,600,000	1.16500%
Unsecured loans from a bank due on November 26, 2019	4,000,000	0.72650%	4,000,000	0.72650%
Unsecured loans from a bank due on November 26, 2019	5,600,000	0.54065%	5,600,000	0.54065%
Unsecured loans from a bank due on November 26, 2019	3,450,000	0.37420%	3,450,000	0.37420%
Unsecured loans from a bank due on February 26, 2020	5,750,000	1.01150%	5,750,000	1.01150%
Unsecured loans from a bank due on February 26, 2020	2,500,000	0.64685%	2,500,000	0.64685%
Unsecured loans from a bank 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%	—	—
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 a bank 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 a bank 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 a bank due on November 26, 2020	3,500,000	0.46075%	3,500,000	0.46075%
Unsecured loans from a bank 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 a bank 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 a bank due on February 26, 2021	2,000,000	1.19211%	2,000,000	1.19211%

	As of February 28, 2017		As of August 31, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on February 26, 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 a bank 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%	—	—
Unsecured loans from a bank due on February 26, 2021	400,000	0.21810%	400,000	0.21810%
Unsecured loans from a bank 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 a bank 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 a bank 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 a bank due on November 26, 2021	2,000,000	1.11662%	2,000,000	1.11662%
Unsecured loans from a bank 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 a bank due on February 26, 2022	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from a bank due on February 26, 2022	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from a bank due on February 26, 2022	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from a bank 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%	—	—
Unsecured loans from a bank 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 a bank 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%	—	—
Unsecured loans from a bank due on November 26, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from a bank due on November 26, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from a bank due on November 26, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 26, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 26, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from a bank due on November 26, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 26, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 26, 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%	—	—
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%	—	—
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 26, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 26, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from a bank due on August 26, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 26, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 26, 2023	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	—	—
Unsecured loans from a bank due on November 26, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from a bank due on November 26, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from banks due on November 26, 2023	4,000,000	0.49380%	—	—
Unsecured loans from banks due on November 26, 2023	1,500,000	0.47483%	—	—

	As of February 28, 2017		As of August 31, 2016	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on February 26, 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%	—	—
Unsecured loans from banks due on May 26, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 26, 2024	2,700,000	0.46376%	2,700,000	0.46376%
Unsecured loans from a bank due on May 26, 2024	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 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%	—	—
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	—	—
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	¥4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	—	—
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	—	—
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	—	—
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%	—	—
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%	—	—
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	—	—
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	—	—
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	—	—
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	—	—
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	—	—
Unsecured loans from a bank due on October 26, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 26, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	796,700	2.17000%	818,100	2.17000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	796,700	2.21812%	818,100	2.21812%
Total	¥396,308,400		¥329,466,200	

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 August 31, 2016	¥46,505,600	¥48,285,600	¥47,385,600	¥49,435,600
As of February 28, 2017	¥51,940,600	¥60,685,600	¥56,655,600	¥47,715,600

9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of February 28, 2017		As of August 31, 2016	
	Amount (Thousands of Yen)	Interest rate ^(Note)	Amount (Thousands of Yen)	Interest rate ^(Note)
NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020	¥5,000,000	2.47%	¥5,000,000	2.47%
NOF's 6th series of unsecured investment corporation bonds due on March 17, 2017	5,000,000	2.21%	5,000,000	2.21%
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.9%	4,500,000	2.9%
NOF's 9th series of unsecured investment corporation bonds due on November 24, 2017	4,000,000	1.52%	4,000,000	1.52%
NRF's 2nd series of unsecured investment corporation bonds due on February 24, 2017	—	—	5,000,000	1.03%
Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024	3,000,000	0.87%	3,000,000	0.87%
NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024	6,000,000	1.02%	6,000,000	1.02%
Total	¥27,500,000		¥32,500,000	

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

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
As of August 31, 2016	¥10,000,000	¥4,000,000	—	¥5,000,000	—
As of February 28, 2017	—	—	—	¥5,000,000	—

10. UNITHOLDERS' EQUITY

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

11. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

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

1. Reason, related assets and amounts

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

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Impairment loss

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

(4) Deferred gains or losses on hedges.

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

For the period from March 1, 2016 to August 31, 2016

1. Reason, related assets and amounts

		Thousands of Yen					
		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
Related assets, etc.	Reason						
Goodwill	Amortization of goodwill	¥1,622,398	—	¥1,622,398	—	¥1,622,398	—
Land, buildings, etc.	Merger expenses	2,638,862	—	1,568,581	—	1,568,581	—
Land, buildings, etc.	Impairment loss	79,020	—	79,020	—	79,020	—
Deferred gains or losses on hedges	Loss on interest rate swaps recognized at the end of the fiscal period	2,867,595	—	2,867,595	—	2,867,595	—
Increase - subtotal		7,207,875	—	6,137,594	—	6,137,594	—
Buildings, building improvements, etc.	Depreciation deficiency equivalent	(790,132)	—	—	—	—	—
Investment corporation bond issuance costs	Investment corporation bonds issuance cost amortization deficiency equivalent	(97,558)	—	—	—	—	—
Unearned revenue, etc.	Write-down of loss on interest rate swap due to merger	(172,304)	—	—	—	—	—
Other	—	(10,287)	—	—	—	—	—
Decrease - subtotal		(1,070,281)	—	—	—	—	—
Total		¥6,137,594	—	¥6,137,594	—	¥6,137,594	—

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 Leasehold rights in trust	Upon sale, etc, the corresponding amount is scheduled to be reversed.
Investment securities	Upon redemption, etc., the corresponding amount is scheduled to be reversed.

(3) Impairment loss

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

(4) Deferred gains or losses on hedges.

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

12. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of February 28, 2017 and August 31, 2016 were as follows:

	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Net assets per unit	¥132,939	¥128,777
Net income per unit	¥2,072	¥2,513

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

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

	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Net income (Thousands of Yen)	¥8,670,955	¥9,355,981
Amount not available to ordinary unitholders (Thousands of Yen)	—	—
Net income available to ordinary unitholders (Thousands of Yen)	¥8,670,955	¥9,355,981
Average number of units during the period (Units)	4,183,130	3,722,010

13. RELATED PARTY TRANSACTIONS

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

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 February 28, 2017. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥11,266,518 thousand for the fiscal period ended February 28, 2017 respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Deferred tax asset:		
Valuation difference on other assets acquired by merger	¥24,633,095	¥12,309,409
Deferred gains or losses on hedges	488,323	712,266
Unearned revenue	339,961	319,728
Write-offs for long-term prepaid expenses	28,780	32,211
Impairment losses of non-repudiation	85,628	—
Depreciation costs of trust leasehold rights	733	611
Accrued enterprise tax	39	—
Excess allowance for doubtful accounts	—	17
Subtotal	¥25,576,559	¥13,374,242
Valuation allowance	(¥25,576,559)	(¥13,374,242)
Total non-current deferred tax assets	—	—
Total deferred tax assets	—	—
Net deferred tax assets	—	—

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

	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Statutory tax rate	31.74%	32.31%
Deductible cash distributions	(41.62%)	(8.61%)
Valuation of allowance	0.30%	(30.43%)
Amortization of goodwill	9.60%	6.72%
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

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

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

3. Supplementary Explanation on Estimated Fair Value of Financial Instruments

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in “19. Derivatives and Hedge Accounting” below do not represent the market risk involved in these derivative transactions.

Fair Value of Financial Instruments

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

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

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

For the period from March 1, 2016 to August 31, 2016

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2016.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	¥75,270,568	¥75,270,568	—
(ii) Short-term debt	—	—	—
(iii) Current portion of investment corporation bonds	(10,000,000)	(10,074,295)	¥74,295
(iv) Current portion of long-term debt	(47,805,600)	(47,886,883)	81,283
(v) Investment corporation bonds	(22,500,000)	(24,314,967)	1,814,967
(vi) Long-term debt	(329,466,200)	(336,081,428)	6,615,228
(vii) Derivative transactions	(¥2,274,820)	(¥2,274,820)	—

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) Shot-term debt

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

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

For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest rate swaps (see “19. 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.

(v) Derivative transactions

See “19. Derivatives and Hedge Accounting.”

Note 3: Redemption schedule for cash and bank deposits as of February 28, 2017

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

Redemption schedule for cash and bank deposits as of August 31, 2016

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	¥75,270,568	—	—	—	—	—
Total	¥75,270,568	—	—	—	—	—

Note 4: Redemption schedule for cash and bank deposits as of February 28, 2017

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

Redemption schedule for debt as of August 31, 2016

	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	¥10,000,000	¥4,000,000	—	¥5,000,000	—	¥13,500,000
Long-term debt	¥47,805,600	¥46,505,600	¥48,285,600	¥47,385,600	¥49,435,600	¥137,853,800
Total	¥57,805,600	¥50,505,600	¥48,285,600	¥52,385,600	¥49,435,600	¥151,353,800

16. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Carrying value		
Balance at beginning of the period	¥782,457,778	¥790,306,905
Amount of increase (decrease) during the period	146,378,940	(7,849,126)
Balance at end of the period	928,836,719	782,457,778
Fair value at end of the period	¥996,084,000	¥834,749,000

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 Tamachi (¥6,328,987 thousand), PMO Ginza Hatchome (¥4,025,053 thousand), PMO Shibakoen (¥3,975,082 thousand), Hirakata Kuzuha Logistics Center (¥3,516,505 thousand), PRIME URBAN Meguro Mita (¥1,137,130 thousand), PRIME URBAN Chikusa (¥1,205,712 thousand) and Ryotokuji University Shin-Urayasu Campus (Land) (¥5,125,367 thousand). The decrease during the previous fiscal period is mainly attributable to the sale of NOF Nihonbashi Honcho Building (¥10,449,586 thousand), NOF Tameike Building (¥4,804,276 thousand), NOF Shinagawa Konan Building (¥3,471,844 thousand), NOF Minami Shinjuku Building (¥2,219,005 thousand), Central Shintomicho Building (¥1,328,098 thousand), Toho Edogawabashi Building (¥1,095,234 thousand), Toshin Meguro Building (¥854,458 thousand), Yokohama Odori Koen Building (¥1,806,149 thousand), JCB Sapporo Higashi Building (¥3,266,519 thousand),PRIME URBAN Hatagaya (¥470,012 thousand), PRIME URBAN Ochiai (¥337,641 thousand), PRIME URBAN Sangen Jaya II (¥483,603 thousand), PRIME URBAN Kamikitazawa (¥596,632 thousand), PRIME URBAN Nakano (¥468,054 thousand), PRIME URBAN Ekoda (¥408,769 thousand), PRIME URBAN Urayasu II (¥219,614 thousand), and PRIME URBAN Yamahana (¥271,452 thousand) as well as depreciation (¥4,203,908 thousand). The increase during the current period is mainly attributable to the acquisition of 19 properties as a result of the absorption type merger with TOP REIT, Inc. (total of ¥137,495,038 thousand) and the acquisition of Landport Kashiwa Shonan II (¥10,916,634 thousand). The decrease during the current period is mainly attributable to depreciation (¥4,754,117 thousand)

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

The real estate rental revenues and expenses for the fiscal period ended February 28, 2017 are presented in “16. Breakdown of Real Estate Rental Revenues and Expenses”.

17. SEGMENT INFORMATION

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

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

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

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

For the period from March 1, 2016 to August 31, 2016

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	¥4,289,956	Rental real estate business

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended February 28, 2017 and August 31, 2016 consist of the following:

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Real estate rental revenues	¥34,714,979	¥29,532,380
Rental revenues	31,730,412	26,844,872
Rental revenues	29,030,376	24,461,221
Common area charges	2,700,036	2,383,651
Other rental revenues	2,984,567	2,687,508
Parking revenues	689,795	533,526
Incidental income	2,174,961	2,069,384
Other miscellaneous revenues	119,811	84,598
Real estate rental expenses	15,791,522	13,489,929
Property management costs	1,692,981	1,614,328
Property management fees	901,770	874,717
Property and other taxes	3,016,773	2,315,517
Utility expenses	1,807,086	1,711,878
Casualty insurance	45,751	37,635
Repairs and maintenance	2,135,500	1,581,099
Land rents	208,052	193,397
Depreciation	4,757,368	4,205,687
Other rental expenses	1,226,241	955,671
Real estate rental profits	¥18,923,457	¥16,042,451

19. IMPAIRMENT LOSS

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

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

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

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

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

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

	Thousands of Yen	
	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
Gain on sale of real estate		
Proceeds from sale of real estate	—	¥29,633,000
Cost of real estate	—	27,746,678
Other related sales expense	—	444,047
Gain on sale of real estate	—	¥1,442,275
Loss on sale of real estate		
Proceeds from sale of real estate	—	¥4,500,000
Cost of real estate	—	4,804,277
Other related sales expense	—	24,924
Loss on sale of real estate	—	¥329,201

21. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of February 28, 2017 and August 31, 2016 are summarized as follows:

	Thousands of Yen	
	As of February 28, 2017	As of August 31, 2016
Due within one year	¥32,053,051	¥24,861,465
Due after one year	83,352,588	71,432,067
Total	¥115,405,639	¥96,293,532

22. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of February 28, 2017

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

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

Note 1: Contract amount is based on notional amount.
Note 2: Fair value is calculated by swap counterparty, based on the actual market interest rate, etc.
Note 3: Out of the fair value, (¥17,856 thousand) is booked as “accrued expenses” on the Balance Sheet.
Note 4: Out of the fair value, (¥1,399,669 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest rate swaps.

Derivative transactions as of August 31, 2016

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

Thousands of Yen					
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value (Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	¥135,300,000	¥117,600,000	(¥2,274,820) (Note 3)
Special treatment of interest rate swaps	Interest rate swaps: Received/floating and paid/fixed	Long-term debt	114,760,900	101,718,100	(2,159,763) (Note 4)
Total			¥250,060,900	¥219,318,100	(¥4,434,584)

Note 1: Contract amount is based on notional amount.
Note 2: Fair value is calculated by swap counterparty, based on the actual market interest rate, etc.
Note 3: Out of the fair value, (¥20,365 thousand) is booked as “accrued expenses” on the Balance Sheet.
Note 4: Out of the fair value, (¥2,159,763 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest rate swaps.

23. CASH DISTRIBUTIONS

	For the period from September 1, 2016 to February 28, 2017	For the period from March 1, 2016 to August 31, 2016
1. Retained earnings at end of period	¥10,928,087,899	¥12,225,011,401
2. Distributions in excess of retained earnings	¥3,994,889,150	¥2,095,491,630
Of which, allowance for temporary difference adjustment	¥2,702,301,980	—
Of which, other distributions in excess of net income	¥1,292,587,170	¥2,095,491,630
3. Incorporation into unitholders' capital	¥708,820,764	¥763,347,909
Of which, reversal of allowance for temporary difference adjustments	¥708,820,764	¥763,347,909
4. Distributions	¥12,666,517,640	¥11,300,022,360
[Distributions (per unit)]	(¥3,028)	(¥3,036)
Of which, distributions of earnings	¥8,671,628,490	¥9,204,530,730
[Of which, distributions of earnings (per unit)]	(¥2,073)	(¥2,473)
Of which, allowance for temporary difference adjustments	¥2,702,301,980	—
[Of which, allowance for temporary difference adjustments (per unit)]	(¥646)	—
Of which, other distributions in excess of net income	¥1,292,587,170	¥2,095,491,630
[Of which, other distributions in excess of net income (per unit)]	(¥309)	(¥563)
4. Retained earnings carried forward	¥1,547,638,645	¥2,257,132,762

Calculation method of distribution amount

Concerning distributions for the 3rd fiscal period, NMF decided the distribution per unit will be ¥3,028. In order to maximize the distribution of earnings included in deductible expenses by applying special measures for tax treatment (Article 67-15 Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957)), NMF decided to distribute almost the entire amount of net income as stipulated in Article 136 Paragraph 1 of the Investment Trust Act, less the reversal of allowance for temporary difference adjustments (as stipulated in Article 2 Paragraph 2 (30) of the Regulations Concerning Accounting of Investment Corporations, the same applies hereinafter), excluding the portion for which per-unit distributions would be less than ¥1. Accordingly, NMF declared an earnings distribution per investment unit of ¥2,073. This amount excludes the distribution in excess of earnings discussed below. In accordance with the distribution policy stipulated in the Articles of Incorporation and in consideration of the impact that such costs related to the merger of the three REITs that created NMF and the absorption-type merger with TOP REIT as goodwill amortization costs, net asset deductions (as described in Article 2 Paragraph 2 (30) (b) of the Regulations Concerning Accounting of Investment Corporations) and the reversal of allowance for temporary difference adjustments (excluding net asset deductions; hereinafter referred to together with goodwill amortization costs and other costs related to the merger of the three REITs and the absorption-type merger with TOP REIT as “merger-related costs”) will have on distributions, NMF will make a distribution in excess of earnings in an amount that it determines equivalent to the merger-related costs (hereinafter “distribution in excess of earnings”). When implementing a distribution in excess of earnings, if the period’s distribution of allowance for temporary difference adjustments is less than the amount of merger-related costs, other distributions in excess of net income will also be made. For the fiscal period under review, NMF decided to record ¥3,994 million in distributions in excess of earnings. This figure is equivalent to almost the entire sum (excluding the portion for which per-unit distributions would be less than ¥1) of ¥2,622 million in goodwill amortization and ¥1,374 million in fees paid to the Asset Management Company for the absorption-type merger with TOP REIT. Of this, ¥2,702 million will be distributions of allowance for temporary difference adjustments, for a per-unit distribution of allowance for temporary difference adjustments of ¥646. Other distributions in excess of net income will be ¥1,292 million; and other distributions in excess of net income per unit will be ¥309.

24. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

1. Reason of provision, related assets and amounts

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

2. Reason of reversal, related assets and amounts

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

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

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Impairment loss

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

(4) Deferred gains or losses on hedges

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

For the period from March 1, 2016 to August 31, 2016

1. Reason of reversal, related assets and amounts

		Thousands of Yen
		Reversal of allowance for temporary difference adjustments
Related assets, etc.	Reason of reversal	
Land, buildings, etc.	Sale of property and depreciation of merger expenses	¥71,187
Land, buildings, etc.	Sale of property on which impairment was recognized	79,020
Deferred gains or losses on hedges	Changes in fair value of derivative transactions	613,141
Total		¥763,348

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(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.

25. BUSINESS COMBINATION

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

Business Combination through Acquiree

1. Overview of Business Combination

(1) Name and Business Description of Acquirees

Name of acquire	Business description
TOP REIT, Inc. (hereinafter, “TOP”)	Real estate investment trust

(2) Main Reasons for Business Combination

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

(3) Date of Business Combination

September 1, 2016

(4) Legal Form of Business Combination

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

(5) Name of the Investment Corporation after Business Combination

Nomura Real Estate Master Fund, Inc.

(6) Main Reasons for Determining Acquiring Company

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

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

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

3. Acquisition Cost of Acquiree and the Breakdown

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

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

(1) Exchange Ratio of Investment Units

	NMF	TOP
Merger Ratio	1.00	2.62

(2) Method of Calculation

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

(3) Number of Investment Units Issued

Names of acquirees	Investment units issued
TOP	461,120 units

5. Details on and Amount of Main Merger Expenses

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

6. Amount and Reason for Goodwill

(1) Amount of Goodwill

¥27,014,612 thousand

(2) Reason

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

(3) Method of Goodwill Amortization and Amortization Period

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

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

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

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

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

Previous fiscal period (From from March 1, 2016 to August 31, 2016)

Not applicable

26. SIGNIFICANT SUBSEQUENT EVENTS

Asset Sales

(1) NMF sold the following asset after the conclusion of the 3rd fiscal period (February 28, 2017).

a. NOF Technoport Kamata Center Building

• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Office	
• Contract date:	December 22, 2016
• Transfer date:	March 31, 2017
• Transfer price:	¥5,020 million
• Buyer:	A domestic special purpose corporation (tokutei mokuteki kaisha)
• Impact on 4th fiscal period earnings:	— (Note)

INDEPENDENT AUDITOR’S REPORT

(2) NMF reached sales agreements and sold the following assets after the conclusion of the 3rd fiscal period (February 28, 2017).

a. NOF Nihonbashi Honcho Building	
• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Office	
• Contract date:	March 21, 2017
• Transfer date:	March 31, 2017
• Transfer price:	¥11,730 million
• Buyer:	Nomura Real Estate Development Co., Ltd.
• Impact on 4th fiscal period earnings (Scheduled) :	¥777 million
b. Tennozu Park Side Building	
• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Office	
• Contract date:	April 4, 2017
• Transfer date (Scheduled):	May 12, 2017
• Transfer price (Scheduled):	¥12,700 million
• Buyer:	A domestic special purpose corporation (tokutei mokuteki kaisha)
• Impact on 4th fiscal period earnings:	— (Note)

(3) NMF reached sales agreements to sell the following assets after the conclusion of the 3rd fiscal period (February 28, 2017).

a. Mitsubishi Motors Shibuya	
• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Retail facility (land)	
• Contract date:	March 31, 2017
• Transfer date (Scheduled) :	June 1, 2017
• Transfer price (Scheduled):	¥1,720 million
• Buyer:	Nomura Real Estate Development Co., Ltd.
• Impact on 4th fiscal period earnings (Scheduled):	¥121 million
b. Mitsubishi Motors Suginami	
• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Retail facility (land)	
• Contract date:	March 31, 2017
• Transfer date (Scheduled):	June 1, 2017
• Transfer price (Scheduled):	¥896 million
• Buyer:	Nomura Real Estate Development Co., Ltd.
• Impact on 4th fiscal period earnings (Scheduled):	¥139 million

The impact of (1) through (3), above, on earnings for the 4th fiscal period (March 1, 2017 to August 31, 2017) will be recorded as gain on sales of real estate under operating revenues.

(Note) An amount equivalent to the loss on sales of real estate resulting from the sales of NOF Technoport Kamata Center Building and Tennozu Park Side Building has been recorded as impairment loss.
For details, please refer to “Notes to Impairment Loss” above.

(Additional Information)

Asset Sales

(1) NMF plans to sell the following asset after the conclusion of the 3rd fiscal period (February 28, 2017).

a. Ito-Yokado Higashi-Narashino Store	
• Type of asset:	Trust beneficiary interest mainly in real estate
• Use: Retail facility	
• Contract date:	December 28, 2016
• Transfer date (Scheduled):	June 5, 2017
• Transfer price (Scheduled):	¥664 million
• Buyer:	Nomura Real Estate Development Co., Ltd.
• Impact on 4th fiscal period earnings (Scheduled):	¥14 million

The impact of this sale on earnings for the 4th fiscal period (March 1, 2017 to August 31, 2017) will be recorded as gain on sales of real estate under operating revenues.



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Independent Auditor’s Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at February 28, 2017, and the statements of income and retained earnings, changes in net assets, and cash flows from September 1, 2016 to February 28, 2017 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

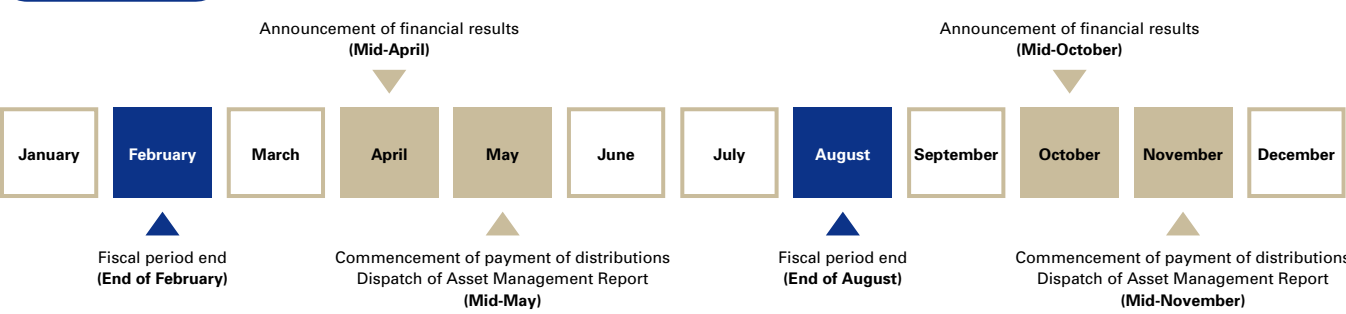
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Master Fund, Inc. as at February 28, 2017, and its financial performance and cash flows from September 1, 2016 to February 28, 2017 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

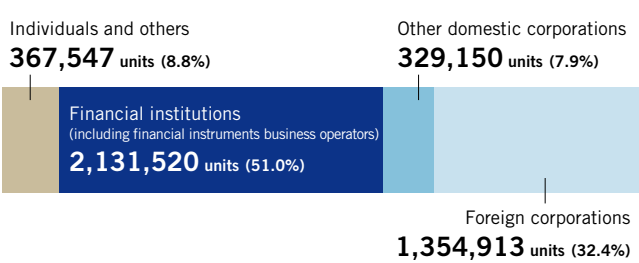
May 22, 2017
Tokyo, Japan

INVESTOR INFORMATION

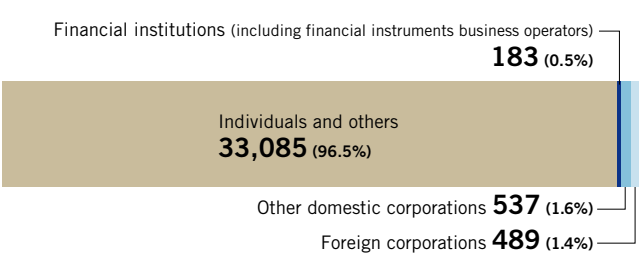
IR Calendar



Number of Investment Units



Number of Unitholders



Guide to Website

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

We hope that you will take the time to access and view the NMF site. The English website is at <http://www.nre-mf.co.jp/en/>. Disclosure materials of the former three REITs before the merger are also available at “Disclosure Materials” under “Investor Relations.”

Top 10 Unitholders

Unitholder	Units held	Share
1 Japan Trustee Services Bank, Ltd.	919,626	21.98%
2 The Master Trust Bank of Japan, Ltd.	366,525	8.76%
3 Trust & Custody Services Bank, Ltd.	316,097	7.56%
4 Nomura Real Estate Development Co., Ltd.	210,671	5.04%
5 The Nomura Trust and Banking Co., Ltd.	152,141	3.64%
6 NOMURA BANK (LUXEMBOURG) S.A.	117,060	2.80%
7 STATE STREET BANK WEST CLIENT - TREATY 505234	109,069	2.61%
8 STATE STREET BANK - WEST PENSION FUND CLIENTS - EXEMPT 505233	74,500	1.78%
9 STATE STREET BANK AND TRUST COMPANY 505012	65,521	1.57%
10 CBNY DFA INTERNATIONAL REAL ESTATE SECURITIES PORTFOLIO	42,901	1.03%
Total	2,374,111	56.75%

Note: The figures are based on data as of February 28, 2017.

