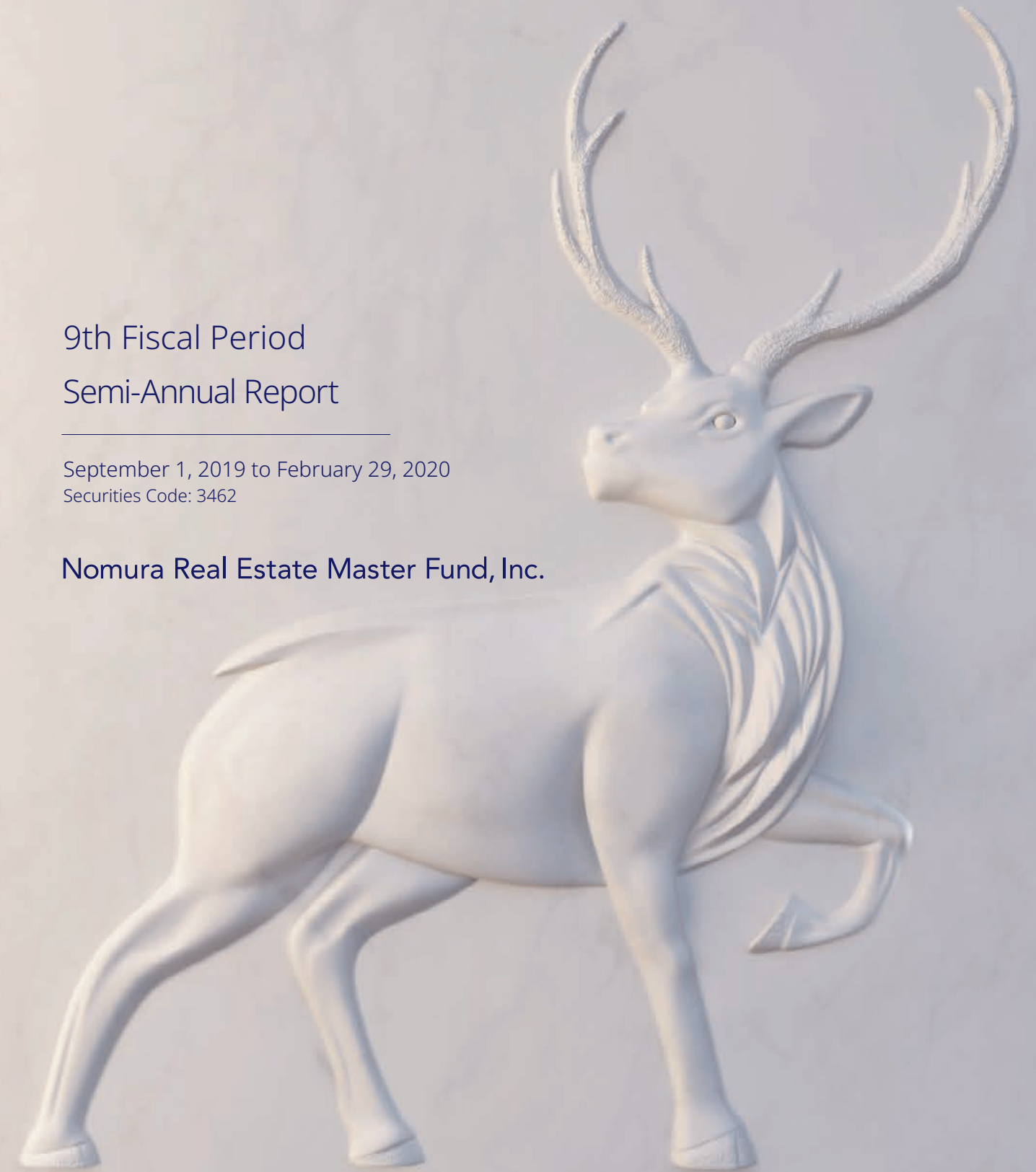




9th Fiscal Period Semi-Annual Report

September 1, 2019 to February 29, 2020
Securities Code: 3462

Nomura Real Estate Master Fund, Inc.



Driving the Market as One of Japan's Largest REITs



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Message from the Management



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

Shuhei Yoshida Executive Director
Mineo Uchiyama Supervisory Director
Koichi Owada Supervisory Director
Mika Okada^(Note) Supervisory Director
Nomura Real Estate Master Fund, Inc.

To Our Unitholders

In the ninth fiscal period, we have promoted internal growth on the back of an ongoing strong leasing market centering on the office sector as well as achieved steady external growth through the acquisition of properties developed by the Sponsor through capital increase by the third public offering since its incorporation.

As a result, at the end of the ninth fiscal period, our portfolio comprises 294 properties with a total acquisition price of ¥1,031.0 billion. Operating revenues totaled ¥36,927 million, operating profit reached ¥14,673 million, and net income came to ¥12,188 million. Accordingly, the per-unit distribution for the ninth fiscal period came to ¥3,279.

In the aforementioned public offering, by acquiring five properties with total acquisition price of ¥19.7 billion during the ninth fiscal period and four properties with total acquisition price of ¥20.6 billion during the following tenth fiscal period, all of which were relatively new and highly value-added properties developed by the Sponsor, we have improved the portfolio quality, while achieving growth in distribution from the tenth fiscal period onward and reduction of the ratio of interest-bearing liabilities to total assets.

Furthermore, two properties of the properties acquired, PROUD FLAT Shibuya Tomigaya and Landport Higashi-Narashino, were acquired through redevelopment and reacquisition type SPR (Strategic Property Replacement) with the Sponsor. We were able to acquire high-quality properties after redevelopment with conversion of property use, taking

full advantage of the characteristics of NMF as a diversified REIT which was not limited to the use of investment property and the diverse development capabilities of the Sponsor as a comprehensive real estate developer.

In our activities for ESG (Environmental, Social and Governance) issues, our sustainability promotion system and other aspects were highly evaluated, and in January 2020, we became the first J-REIT to be certified and registered under the "EcoAction 21," Japan's original environmental management system (EMS) established by Ministry of the Environment. In addition, Principles for Financial Action for the 21st Century Secretariat selected our certification and registration for EcoAction 21 as the most excellent efforts in fiscal year 2019, and Nomura Real Estate Asset Management Co., Ltd., to which NMF entrusts its asset management, received the "Minister of the Environment Award for Principles of Financial Action for the 21 Century."

Moreover, in February 2019, we established our ESG materiality issues that were of high importance to be addressed by NMF, as well as targets and key performance indicators (KPI) for each materiality. In January 2020, we reviewed them and further raised targets and set new KPIs.

J-REIT market has been adversely affected by COVID-19 outbreak, however, we remain strongly committed to enhance the fund performance and manage the fund's assets with the aim of living up to our unitholders' expectation and trust. We ask for your continued support and encouragement.

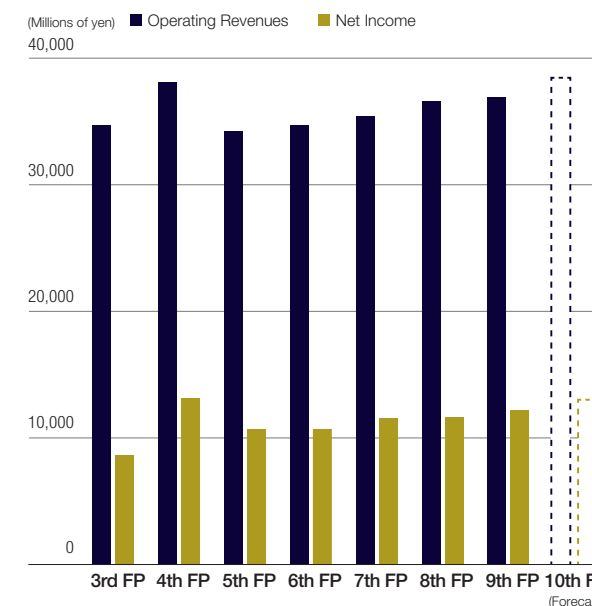
(Note) Mika Okada is her maiden name and the name she uses professionally. The name recorded on her family register is Mika Furusawa.

PERFORMANCE HIGHLIGHTS

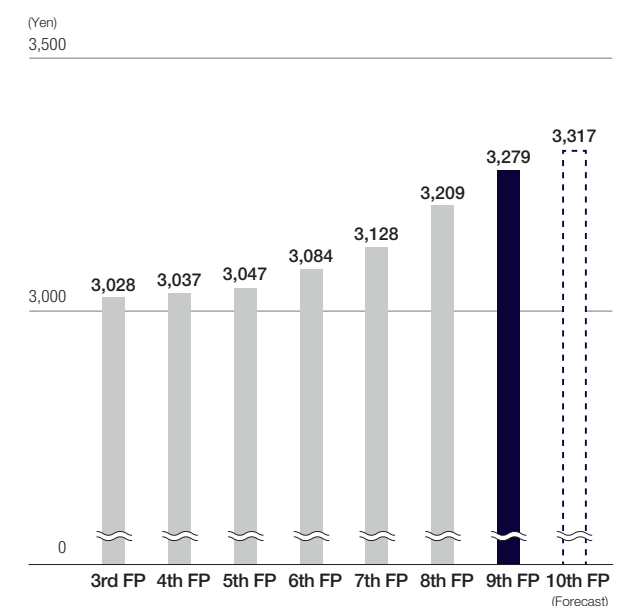
	8th Fiscal Period	9th Fiscal Period	10th Fiscal Period (forecast)*
Cash Distribution per Unit (including distribution in excess of net income)	¥3,209	¥3,279	¥3,317
Operating Revenues	¥36,617 million	¥36,927 million	¥38,452 million
Net Income	¥11,690 million	¥12,188 million	¥13,018 million
Total Assets	¥1,164,767 million	¥1,193,471 million	—
Net Assets	¥600,910 million	¥627,868 million	—
Net Assets per Unit	¥132,146	¥133,158	—

* The above forecast distribution is calculated based on certain assumptions as disclosed in "SUMMARY OF FINANCIAL RESULTS (REIT) For the 9th Fiscal Period Ended February 29, 2020," published April 14, 2020. As such, the actual distribution may differ from this forecast due to future property acquisitions or sales, changes in the real estate market, tenant changes or other changes in the circumstances surrounding NMF. The distribution forecast is not a guarantee of distributions.

Operating Revenues and Net Income



Cash Distribution per Unit



Top Interview

Interview on Growth Strategy

Hiroshi Ishigooka

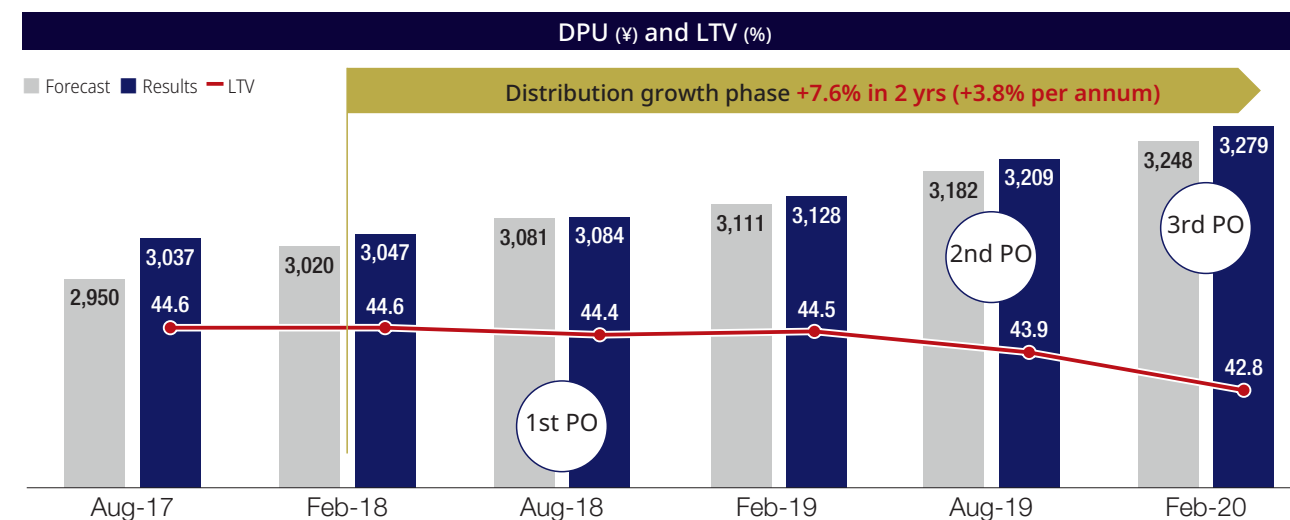
Executive director
Head of the NMF Investment Management Group,
Nomura Real Estate Asset Management Co., Ltd.



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

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

in high-quality assets, such as acquisition of Sponsor-developed properties by way of three public offerings conducted in February 2018, February 2019 and December 2019. **As a result, we were able to increase distribution per unit by ¥232, or up 7.6%, over two years** from ¥3,047 (5th fiscal period ended February 2018) to ¥3,279 (9th fiscal period ended February 2020). Based on such asset management strategy, NMF will aim to achieve continued growth of cash distributions.



Q2. How do you look back on the 9th fiscal period ended February 2020?

With regard to the asset management status for the 9th fiscal period, let me explain our asset acquisition and enhanced profitability of owned assets. NMF acquired five Sponsor-developed properties totaling ¥19.7 billion by way of the third

public offering in the fiscal period. As a result, the portfolio comprises 294 properties or ¥1,031.0 billion as of the end of the 9th fiscal period. As for improving the profitability of owned properties, **backed**

by strong demand in the leasing market in recent years, **we have successfully increased rents through tenant replacement and rent revision negotiations, mainly in the office building sector and the residential sector.** During the 9th fiscal period, these sectors have continued to drive our internal growth,

with tenant replacements helping us achieve an increase in rents of 17.6% in the office building sector and 4.5% in the residential sector mainly in the central Tokyo area. NMF will continue its focus on internal growth going forward.

Q3. Can you explain to us about the third public offering?

We announced a public offering on December 5, 2019, the third since our establishment. With this arrangement, we acquired a total of nine brand-name properties (amounting to ¥40.4 billion) developed by Nomura Real Estate Development, the Sponsor; of these, five properties (¥19.7 billion) were acquired during the 9th fiscal period and four properties (¥20.6 billion) were acquired after the end of the 9th fiscal period. **The J-REIT market, which had remained firm since the previous public offering, was viewed as a good opportunity to acquire capital. A distinguishing feature was the unusual timing of the public offering.**

Through this public offering, **we have also succeeded in enhancing the portfolio quality, growing cash distributions during the 10th fiscal period and beyond, and reinforcing the financial base.** The following three points are essential to the public offering.

- **Acquired recently built and high value-added brand-name properties developed by the Sponsor, such as office buildings and residential facilities located in the Greater Tokyo area, which have promising upside potential**
- **Acquired two high-quality properties (PROUD FLAT Shibuya Tomigaya and Landport Higashi-Narashino) after**

their redevelopment, which involved conversion of property use based on location characteristics, taking full advantage of our characteristics as a diversified REIT investing in unrestricted asset types and the diverse development capabilities of the Sponsor

- **Increased forecast distribution for the 10th fiscal period by about 3.4% above actual distribution in the 8th fiscal period, while pushing down the interest-bearing debt rate by 0.8 percentage points**

Since its establishment, NMF has promoted external growth centered on the acquisition of such high-quality properties developed by the Sponsor, and as a result, following the acquisition of these new properties, four brands (PMO, GEMS, Landport and PROUD FLAT) now account for 28.5% of our entire portfolio (based on acquisition price).

Partly because this growth strategy was highly appreciated, the latest public offering **attracted strong demand that was approximately 9.5 times larger than the planned issue amount.** We believe that, following on from the first and second public offerings, the current public offering has also been well received by investors.

Change in indicators			
	End of previous period (August 31, 2019)	Acquisition	After PO (March 31, 2020)
Asset size	¥1,011.2 bln	¥40.4 bln	¥1,051.6 bln
Number of properties	289	9	298
Average building age	18.8 yrs	1.1 yrs	18.6 yrs
Greater Tokyo area ratio	82.0%	100.0%	82.7%
Average NOI yield	5.1%	4.5%	5.2% (Note 1)
Unrealized gain (Unrealized gain per unit)	¥124.0 bln (¥27,277)	¥5.8 bln (¥35,098)	¥141.2 bln (Note 2) (¥29,948)
LTV ratio	43.9%	—	43.1% (-0.8%) (Note 3)
Distribution per unit	Aug. 2019 FP results ¥3,209	<div> <div>Feb. 2020 FP results ¥3,279 (+2.2%)</div> <div>Aug. 2020 FP forecast ¥3,317 (+3.4%)</div> </div>	

(Note 1) Average NOI yield is calculated based on February 2020 FP results. For properties acquired at the public offering, it is calculated based on appraisal value.

(Note 2) Unrealized gain includes the increase in unrealized gain on the subsequent appraisal acquired in February 2020 FP.

(Note 3) LTV ratio reflects the balance sheet of February 2020 FP.

MASTER FUND



Disposition summary

Former Mitsubishi Motors Shibuya (Land)



Disposition price	¥1,720 mln
Appraisal value	¥1,720 mln
Gain on sale	¥122 mln

Former Ito-Yokado Higashi-Narashino Store



Disposition price	¥664 mln
Appraisal value	¥649 mln
Gain on sale	¥15 mln
Building age	22.6 yrs

SPR

- 1 NMF receives a notice of cancellation from tenant
- 2 NMF disposes of property on the premise of redevelopment taking advantage of its location
- 3 NMF acquires property by exercising preferential negotiation rights

Effects of SPR

Elimination of the risk of decrease in income due to tenant move-out

Increase in value as a result of redevelopment (conversion of property use)

Securing opportunities for external growth through sales agreements with preferential negotiation rights

NOMURA REAL ESTATE DEVELOPMENT

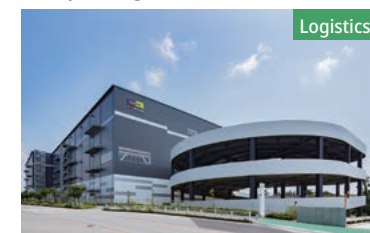
Acquisition summary

PROUD FLAT Shibuya Tomigaya



Acquisition price	¥3,960 mln
Appraisal value	¥4,440 mln
NOI yield	4.6%
Unrealized gain (Note)	¥480 mln
(Unrealized gain ratio)	(12.1%)

Landport Higashi-Narashino



Acquisition price	¥11,872 mln
Appraisal value	¥15,700 mln
NOI yield	5.7%
Unrealized gain (Note)	¥3,828 mln
(Unrealized gain ratio)	(32.2%)

Q4. Can you tell us about the impacts of the novel coronavirus (COVID-19)?

Amid the global challenge of preventing the spread of the novel coronavirus disease (COVID-19), a state of emergency was declared in Japan on April 7, and day by day, uncertainty over the economic future has been intensifying, fueled by government requests for self-isolation and the stagnation of corporate activity.

The asset management company is also working hard to prevent the spread of the disease, such as urging all officers and employees to work from home as a general rule, and is praying for the swift resolution of the disease.

The percentage of retail and hotel facilities expected to be directly affected by COVID-19 is approximately 17.7% of NMF's entire portfolio, while the percentage of variable rent linked to sales and so on will make up about 0.7% of all rent revenue. Nevertheless, it is our view that we must pay close attention to the developments of the coronavirus for the time being. As we promote operations, we will continue to keep a careful watch on changes in the economic situation and on the impact on the properties we own.

Impact of COVID-19 on NMF's Property Portfolio

No significant impact identified on over 80% of NMF's investment sectors. The ratio of variable rent in rent revenues is approximately 0.7%

Sector	Ratio
Office	45.5%
Residential	19.3%
Logistics	16.9%
Retail Facilities (Near Stations)	11.4%
Retail Facilities (Residential Areas)	5.7%
Hotels	0.6%

Note) Includes the share of other sector.

Variable-rent ratio to the total rent revenue (Total actual results for the 7th and 8th FP)

Total rent revenue (fixed rent)

Total variable rent revenue

Fixed-rent ratio 99.3%

Variable-rent ratio 0.7% (¥477 mln/yr.)

Impact of COVID-19

There has been no significant impact on property management, such as the current leasing activities and rent revision, etc. caused by the spread of COVID-19 infection.

Decrease in variable rent as a result of a fall in sales for retail and hotel facilities

- Sales fell mainly at restaurants due to self-restraint from going out. (However, rent at GEMS is based on a fixed-rent)
- Most of stores excluding some in UCW Osaka has been closed due to the closure of USJ (Scheduled from Feb. 29 to mid-May)
- Demand for accommodation has decreased due to self-restraint from going out and a sharp decline in number of foreign visitors to Japan (Decline in occupancy rate and ADR).

Variable rent revenue breakdown

- UCW
- Hotel Vista Sapporo Odori
- Other Properties

91.1% (85.7%: Universal CityWalk Osaka) (5.3%: Hotel Vista Sapporo Odori)

Impact of COVID-19 on earnings

10th Fiscal Period: Some impact from COVID-19, but no change to per-unit distribution due to progress of internal growth and other factors

11th Fiscal Period: Earnings forecasts from September 2020 assume no significant impact from COVID-19

<Policy for impact of COVID-19 on earnings>

In the event there is an additional temporary decrease in revenues in relation to COVID-19, distributions in excess of earnings will be made, up to the amount of internal reserves (Note)

Internal reserves (as of February 29, 2020)

¥3.42 billion (¥725/unit)

(Note) Refers to the amount of internal reserves equivalent to the gains on sales arising from past property sales.

Q5. ESG has attracted attention in recent years. Can you describe your initiatives in this area?

NMF acknowledges that realizing a sustainable society is essential for its continuous growth, and has long promoted management of its assets with considerations given to ESG from a variety of aspects. Our activities are wide-ranging, including more efficient energy use through asset management, such as investments in properties having low environmental burdens plus environmental and energy-saving measures at owned properties, as well as initiatives on contributions to local communities. In January 2020, partly in recognition of NMF's sustainability policies and systems, we became the first J-REIT to be certified and registered for "EcoAction 21," Japan's original environmental management system (EMS) established by the Ministry of the Environment. These efforts were also recognized by the secretariat of the Principles for Financial Action for the 21st Century as an example of best practice in fiscal 2019, with the Minister of the Environment Award being given to Nomura Real Estate Asset Management Co., Ltd., to which NMF entrusts its asset management. Furthermore, in order to promote these initiatives even more proactively and in a more specific manner, in February 2019, NMF established the ESG materiality issues comprising eight highly important items

that NMF should address. In January 2020, following a review of the materiality issues, we raised the targets further and set new Key Performance Indicators (KPIs). NMF will continue to promote ESG-related initiatives, and work to resolve these issues while disclosing ESG information including on materiality issues.



(Norio Ambe, President & CEO, Nomura Real Estate Asset Management Co., Ltd. (left) and Shinjiro Koizumi, Minister of the Environment (right) at the award ceremony)

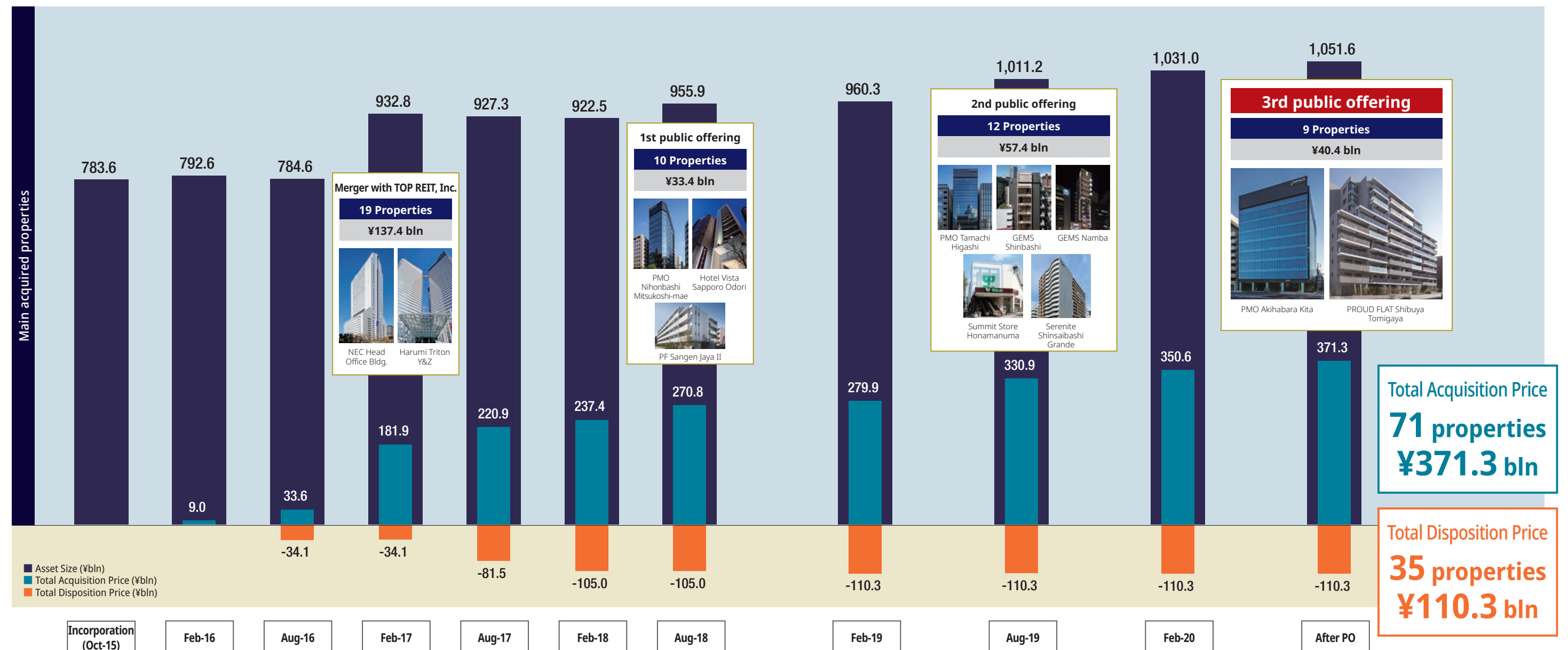
(Note) Norio Ambe became Chairman as of Apr. 1, 2020.

Track Record of Growth since Incorporation

Improved portfolio quality through property replacement taking advantage of the Sponsor's support and achieved steady increase in distributions.

	Incorporation		Feb. 2020 FP	After PO (Note 2)
Number of Properties	257	Acquisition of high-quality properties mainly developed by the Sponsor	294	298
Ratio of top 10 Properties	26.8%		22.7%	22.3%
Ratio of Greater Tokyo area	79.8%	Disposition of less competitive properties due to building age, etc.	82.4%	82.7%
Average building age	19.3 yrs		18.9 yrs	18.6 yrs
DPU (Note 1)	¥2,656		¥3,279 (+23.5%)	

(23.8 years without SPR) (Note 3)



(Note 1) Distributions for February 2016 FP are calculated on a six-month basis for 152 operating days.

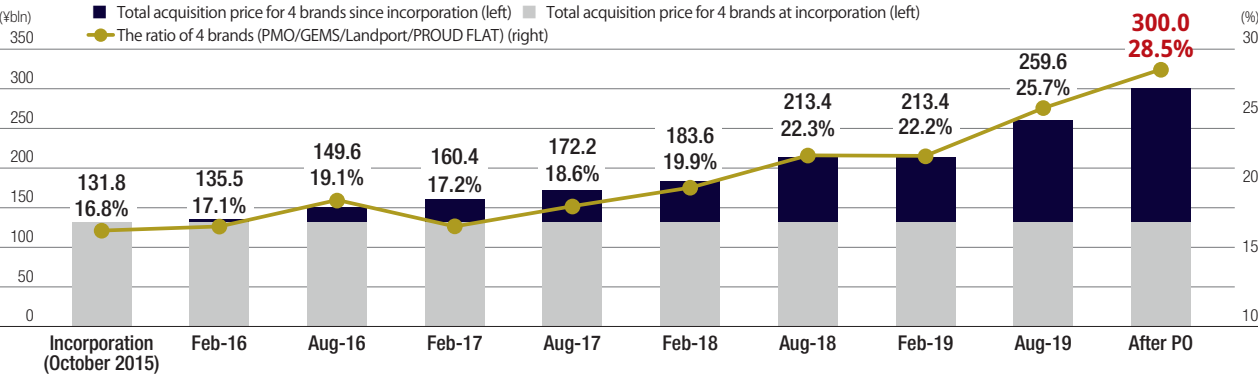
(Note 2) "After PO" is the time as of the end of March 2020.

(Note 3) It is an average building age without taking into account the effect of property acquisition and disposition from the original portfolio at incorporation until the end of March 2020.

New Acquisitions (3rd Public Offering)

Property Name	Sector	Location	Acquisition Price (¥/m ²)	Appraisal Value (¥/m ²)	Appraisal NOI Yield (%)	Floor area (m ²)	Month of completion	Acquisition Date
PMO Akihabara Kita	Office	Taito Ward, Tokyo	8,450	8,930	3.8	6,367.04	Dec, 2018	Jan 7, 2020
PMO Higashi-Shinbashi	Office	Minato Ward, Tokyo	4,730	5,180	3.8	3,430.06	Apr, 2018	Jan 7, 2020
PMO Hamamatsucho	Office	Minato Ward, Tokyo	4,380	4,830	3.7	2,872.41	Nov, 2018	Mar 25, 2020
GEMS Sangenjaya	Retail (Near Stations)	Setagaya Ward, Tokyo	1,815	1,840	4.0	1,176.76	Apr, 2018	Mar 25, 2020
Landport Higashi-Narashino	Logistics	Narashino City, Chiba	11,872	15,700	5.7	61,573.49	Jul, 2019	Mar 2, 2020
PROUD FLAT Shibuya Tomigaya	Residential	Shibuya Ward, Tokyo	3,960	4,440	4.6	5,079.46	Feb, 2019	Jan 7, 2020
PROUD FLAT Miyazakidai	Residential	Kawasaki City	1,390	1,490	4.7	2,473.04	Feb, 2018	Jan 7, 2020
PROUD FLAT Asakusabashi III	Residential	Taito Ward, Tokyo	1,230	1,260	4.4	1,575.38	Jul, 2018	Jan 7, 2020
PROUD FLAT Togoshi-Koen	Residential	Shinagawa Ward	2,580	2,630	4.3	3,354.13	Nov, 2018	Mar 10, 2020
Total			40,407	46,300	4.5	87,901.77		

Acquisition track record of Sponsor-developed properties (Note 1)



(Note 1) The ratio of 4 brands is the ratio of the total acquisition price for the 4 brands to the total acquisition price for the entire portfolio as of the relevant time.

Office

PMO Hamamatsucho



Located in Minato-ku. Good location within one-minute walk from station in “Hamamatsucho” area where redevelopment is underway

The Property is a one-minute walk from “Hamamatsucho” Station on the JR Yamanote and Keihin-Tohoku Lines, and has access to three stations on five lines, including “Monorail Hamamatsucho” Station on the Tokyo Monorail and “Daimon” Station on the Toei Asakusa and Oedo Lines. Accordingly, the Property is excellent for convenient transportation to major business areas in central Tokyo. The Property is also located near JR “Tokyo” Station and JR “Shinagawa” Station, where the Shinkansen stops at. Therefore, high demand from tenants is expected, including the Tokyo branches of manufacturers and companies headquartered in rural areas. In addition, it has excellent access to Haneda Airport and demand from foreign companies is high. Accordingly, stable demand from tenants can be expected. Various redevelopment projects are underway in the vicinity of “Hamamatsucho” Station and the convenience for businesses is expected to be strengthened further in the future.

Retail

GEMS Sangenjaya



Located in “Sangen-jaya,” where stable demand for restaurants can be expected on both weekdays and weekends.

The Property is a two-minute walk from “Sangen-jaya” Station on the Tokyu Railways Den-en-toshi and Setagaya Lines, has excellent visibility due to its location at an attractive corner along a flourishing Chazawa Street. In addition, transportation is excellent with the Property being a five-minute via train to “Shibuya” Station, which is the second stop from “Sangen-jaya” Station. In the vicinity of “Sangen-jaya” Station, there is a commercial area visited by residents along the railway line and because of its high convenience for daily living, such vicinity is highly valued as a residential area as well and stable demand can be expected regardless of whether it is a weekday or holiday. The composition of tenants is highly diverse, including flourishing stores associated with Sangen-jaya, full-scale specialty stores and the new face stores that opened in the area for the first time. The Property can respond to diverse needs.

Logistics

Landport Higashi-Narashino

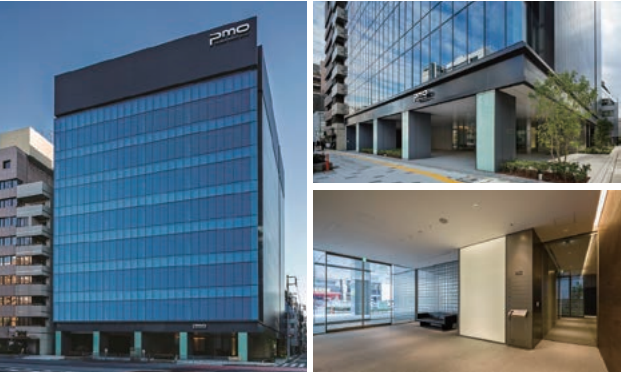


High performance logistics facility satisfied every need of “logistics function, location, security and employment environment”

The Property is located within an approx. 30 km area to the center of Tokyo. In addition to its capability of delivery to a wide-area of the Tokyo metropolitan area, it also has access to Narita International Airport, Haneda Airport and other transportations; thus, it is located in a fit distribution place that can meet diverse logistics needs. Since the number of the working age population in the vicinity of the Property is high and it is also possible to commute on foot from “Yachiyodai” Station on the Keisei Electric Railway Main Line, the Property gives a high advantage in securing labor force. The Property is a large-scale property with a total floor space of more than 60,000 sqm and designed for improved operational efficiency by adopting a ramp way, etc.. In addition, security gates using IC cards were adopted, resulting in enhanced security.

Office

PMO Akihabara Kita



Large-size PMO with the standard floor area of over 200 tsubo located in “Akihabara” area

The Property is a seven-minute walk from “Akihabara” Station on the JR Yamanote, Sobu and Keihin-Tohoku Lines, the Tokyo Metro Hibiya Line, and the Tsukuba Express of Metropolitan Intercity Railway Company, and a six-minute walk from “Suehirocho” Station on the Tokyo Metro Ginza Line. Accordingly, with access to two stations on six lines, the Property is excellent for convenient transportation to major business areas in central Tokyo. The area surrounding “Akihabara” station, where the Property is located, is concentrated with the head offices of major corporations and corporate groups, the Tokyo branches of regional enterprises and companies engaged in the chemical and textile industries. On the other hand, in and after 2005, large-scale office buildings were supplied through redevelopment, and IT-related companies engaged in software development moved in, improving the area's reputation as an office area, and stable demand from a wide range of tenants can be expected.

PMO Higashi-Shinbashi



Located in Minato-ku. High visibility alongside Dai-ichi Keihin and easy access to four stations on six lines

In addition to being easily visible along Dai-ichi Keihin (National Road No. 15), the Property is a five-minute walk from “Daimon” Station on the Toei Oedo and Asakusa Lines, a six-minute walk from “Onarimon” Station on the Toei Mita Line, with access to four stations on six lines, including “Hamamatsucho” Station on the JR Yamanote and Keihin-Tohoku Lines and “Monorail Hamamatsucho” Station of the Tokyo Monorail. Accordingly, the Property is excellent for convenient transportation to major business areas in central Tokyo. The Property is also located near JR “Tokyo” Station and JR “Shinagawa” Station, where the Shinkansen stops at. Therefore, high demand from tenants is expected, including the Tokyo branches of manufacturers and companies headquartered in rural areas. In addition, it has excellent access to Haneda Airport and demand from foreign companies is high. Accordingly, stable demand from tenants can be expected.

Residential

PROUD FLAT Shibuya Tomigaya



Located in a quiet residential area surrounded by greenery within walking distance of “Shibuya”

The Property is located within walking distance of the Shibuya area, which is one of Japan's leading commercial areas. Using “Yoyogi-Hachiman” Station on the Odawara Line of Odakyu Electric Railway, “Yoyogi-Koen” Station on the Tokyo Metro Chiyoda Line and other nearby stations, it has an easy access to major business and commercial areas, such as Shinjuku, Shibuya, Akasaka and Otemachi, and it offers excellent transportation. Along the road from “Yoyogi-Hachiman” Station and “Yoyogi-Koen” Station, the nearest stations from the Property, there are restaurants and retail stores. On the east side of Yamate Street, shopping districts were expanded, making it highly convenient for people to live in the area. On the northeast side of the Property, there is “Yoyogi Park” and the Property is located in an area where people can enjoy the greenery in addition to urban-type living convenience, and therefore demand from single workers and DINK populations who seek superior living environments can be expected.

PROUD FLAT Miyazakidai



Located at “Miyazaki-dai” with rich greenery cityscape and high convenience

The Property is a two-minute walk from “Miyazaki-dai” Station on the Tokyu Railways Den-en-toshi Line, and by using the Tokyo Metro Hanzomon Line, which has direct service to, among other stations, Futako-Tamagawa and Shibuya, the Property offers direct access to Omotesando and Otemachi. It also offers excellent convenience for commuting to work or school, and going out on holidays. The area around the Property is rich in greenery. In addition, the Property has an abundance of convenient facilities necessary for daily life, such as supermarkets and drugstores, the area has a highly convenient and quiet living environment as a result of planned urban development unique to “Tokyu Tama Den-en City,” and demand from the single working population can be expected.

Residential

PROUD FLAT Asakusabashi III



Located in “Asakusa-bashi” near central Tokyo, where an atmosphere of the Tokyo past decades survives.

The Property is a two-minute walk from “Asakusa-bashi” Station on the JR Sobu Line and the Toei Asakusa Line, and a seven-minute walk from “Bakurocho” Station on the JR Sobu Rapid Line. The Property is excellent for convenient transportation to business areas, such as Akihabara, Tokyo, Nihonbashi and Shinbashi. The Asakusa-bashi area, where the Property is located, is approximately 2.5 kilometers from JR “Tokyo” Station and is a metropolitan area near central Tokyo. While the area gives a feeling that central Tokyo is close to the area and offers a high level of convenience for daily living, it also has an excellent living environment that preserves the atmosphere of the Edo period and provides an opportunity to experience the pleasantness of the waterfront from the Sumida River Terrace and water buses. Demand can be expected from single workers and DINK populations who prefer to live in close proximity to working place.

PROUD FLAT Togoshi-Koen



Located in “Togoshi-koen,” a historic town in Jonan area, within a two-minute walk from station. Received GOOD DESIGN AWARD FY2019.

The Property is a two-minute walk from “Togoshi-koen” Station on the Tokyu Railways Oimachi Line, an eight-minute walk from “Nakanobu” Station on the Toei Asakusa Line. Using these stations, the Property is excellent for convenient transportation to access stylish commercial areas, such as Jiyugaoka and Futako-Tamagawa, in addition to the business areas such as Shinagawa, Shinbashi and Gotanda. The “Togoshi-koen Central Shopping District,” which extends north and south of the nearest station, has an abundance of convenient facilities necessary for living, and the Property is located in a low-rise residential district while located close to the station. In addition, in the vicinity of the Property, there is “Togoshi Park” which was built using the remnants of the garden of the shimoyashiki (second house) of the state of Higo, and the area offers an excellent living environment. Therefore, demand from single workers and DINK populations who seek convenient living conditions and superior living environments can be expected.

Driving Force for External Growth: Sponsor Pipelines (Note 1)

4 Property Brands Developed by the Sponsor



16 properties

- 1 Office buildings where people will be proud to work, strengthening hiring and retention
- 2 Offices that enhance corporate image and reputation, helping to attract customers
- 3 Building with one tenant per floor to ensure efficiency, independence and safety
- 4 Places that stimulate employee motivation and communication, fostering enhanced productivity



8 properties



11 properties



34 properties

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

GEMS comprise a variety of restaurants, primarily in urban areas, with a commitment to quality. Brightening and enriching the lives of nearby office workers and residents while proposing new lifestyles.

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

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

Landport (Logistics)



Landport Ome II

Name	Location	Completion (Planned)	Status
1 Landport Ome II Plan	Ome-shi, Tokyo	2020/2	u/c
2 Landport Narashino	Narashino-shi, Chiba	2020/3	u/c
3 Landport Atsugi Aikawacho (Note 2)	Atsugi-shi, Kanagawa	2020/3	u/c
4 Landport Shinonome	Koto-ku, Tokyo	(2020/5)	u/c
5 Landport Koshigaya	Koshigaya-shi, Saitama	(2021/5)	u/c
6 Landport Ome III	Ome-shi, Tokyo	(2021/5)	u/c
7 Landport Ageo	Ageo-shi, Saitama	(2022/1)	Planning
8 Landport Tama	Hachioji-shi, Tokyo	TBD	Planning
9 Upcoming project 1	Tokyo Metropolitan Area	TBD	Planning
10 Upcoming project 2	Tokyo Metropolitan Area	TBD	Planning
11 Upcoming project 3	Tokyo Metropolitan Area	TBD	Planning

(Note 1) Based on NREHD presentation materials for the Consolidated Financial Results for the Third Quarter, FY2020. Properties sold as of April 1, 2020 has been excluded.

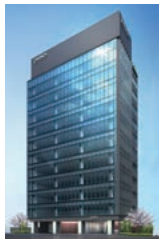
(Note 2) Joint venture project

(Note 3) As of the date of this presentation materials, NMF does not intend to acquire properties listed above.

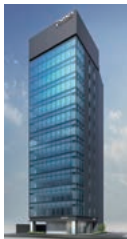
PMO (Office)



PMO Hamamatsucho Daimonmae



PMO Shibuya 3-chome



PMO Kanda-Manseibashi Plan

Name	Location	Completion (Planned)	Status
1 PMO Nihonbashi Edo-dori (Note 2)	Chuo-ku, Tokyo	2016/6	Operating
2 PMO Uchi-Kanda	Chiyoda-ku, Tokyo	2017/5	Operating
3 PMO Nishi-Shinjuku	Shinjuku-ku, Tokyo	2019/6	Operating
4 PMO Kanda-Manseibashi Plan	Chiyoda-ku, Tokyo	2020/1	u/c
5 PMO Hamamatsucho Daimonmae	Minato-ku, Tokyo	(2020/7)	u/c
6 PMO Shibuya 3-chome	Shibuya-ku, Tokyo	(2020/8)	u/c
7 PMO Kanda-Iwamotocho 2-chome	Chiyoda-ku, Tokyo	(2021/1)	u/c
8 PMO Kojimachi	Chiyoda-ku, Tokyo	(2021/3)	Planning
9 Minato-ku Plan 1	Minato-ku, Tokyo	(2022/9)	Planning
10 Chuo-ku Plan 1	Chuo-ku, Tokyo	(2023/3)	Planning
11 Minato-ku Plan 2	Minato-ku, Tokyo	(2025/9)	Planning
12 Chiyoda-ku Plan	Chiyoda-ku, Tokyo	(2022/5)	Planning
13 PMO Honmachi West Plan	Osaka-shi, Osaka	(2022/2)	Planning
14 Chuo-ku Plan 2	Chuo-ku, Tokyo	(2023/4)	Planning
15 PMO Meguro Plan	Meguro-ku, Tokyo	(2023/10)	Planning
16 PMO Ikebukuro Plan	Toshima-ku, Tokyo	(2023/11)	Planning

GEMS (Retail)



GEMS Jingu-mae



GEMS Sakae



GEMS Kawasaki Plan

Name	Location	Completion (Planned)	Status
1 GEMS Jingu-Mae	Shibuya-ku, Tokyo	2018/4	Operating
2 GEMS Sakae	Nagoya-shi, Aichi	2019/10	Operating
3 GEMS Kawasaki Plan	Kawasaki-shi, Kanagawa	(2020/10)	u/c
4 GEMS Meguro Plan	Meguro-ku, Tokyo	(2021/1)	u/c
5 GEMS Roppongi Plan	Minato-ku, Tokyo	(2021/4)	u/c
6 Chiyoda-ku Plan	Chiyoda-ku, Tokyo	(2022/8)	Planning
7 Shinjuku-ku Plan	Shinjuku-ku, Tokyo	TBD	Planning
8 GEMS Meieki 3-chome	Nagoya-shi, Aichi	(2022/2)	Planning

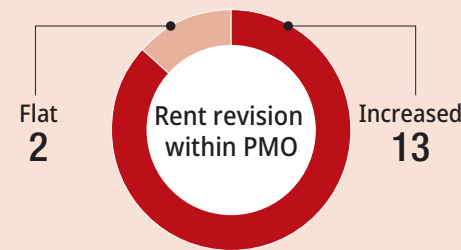
Internal Growth: Management Status

Office

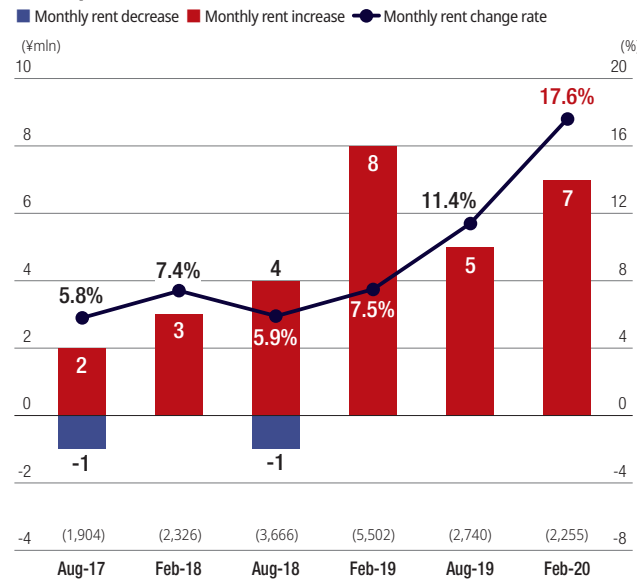
Achieved an increase in average unit rent through tenant replacements and rent revisions (Increased to ¥18,214/*tsubo* (+0.9%) from ¥18,060/*tsubo* at the end of previous period.)

Asset Management Topics for Feb. 2020 FP

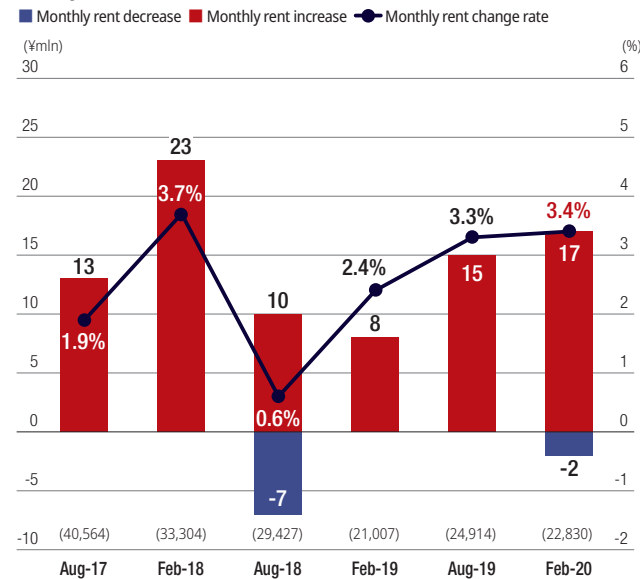
- **The rate of rent increase upon tenant replacement: +17.6%**
(The rate of rent increase within tenant replacement with rent increase: +18.5%)
- **The rate of rent increase upon rent revision: +3.4%**
(The rate of rent increase within rent revision with rent increase: +5.8%)
- **The rate of rent increase upon rent revision at PMOs: +4.7%**
(contract renewal included)
- **The rent gap is still expanding. (Note 1)**
As of Feb. 29, 2020: **+9.9%** (Up 3.5% from previous FP)



Amount of change in monthly rent and rate of change in monthly rent upon tenant replacement (Note 2)



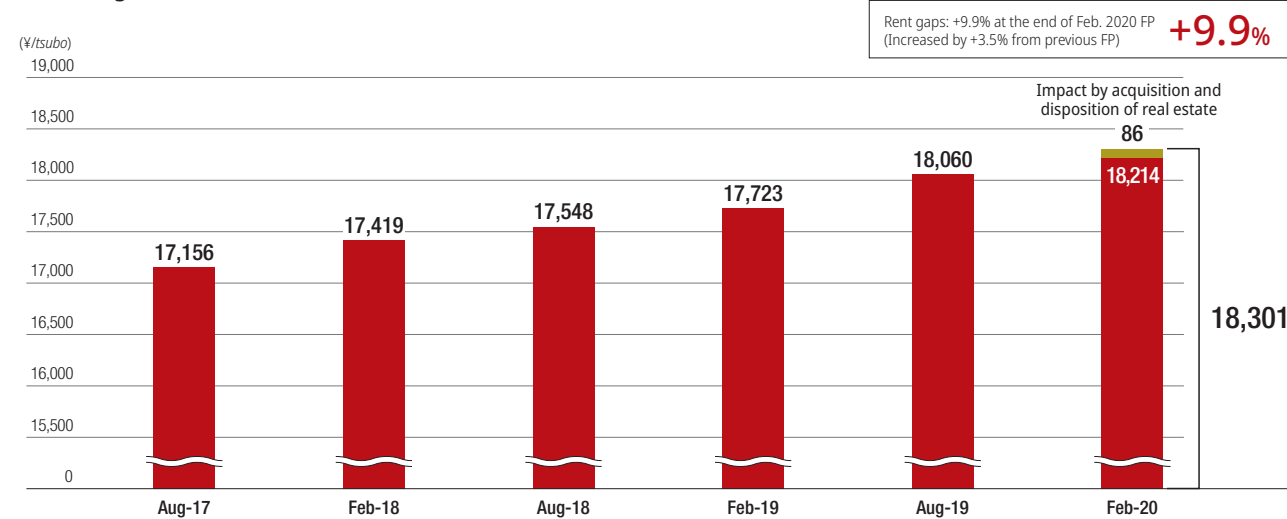
Amount of change in monthly rent and rate of change in monthly rent upon rent revision (Note 2)



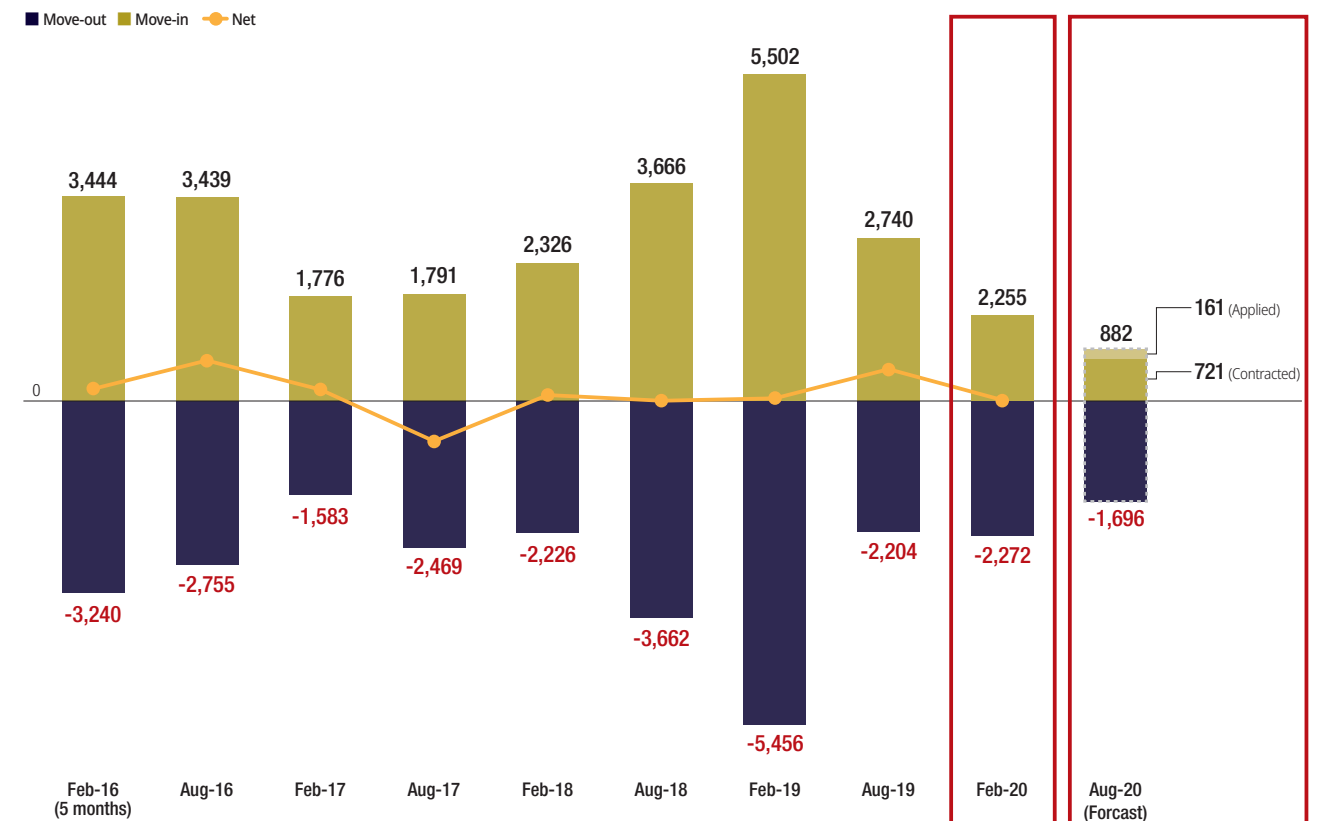
(Note 1) It is calculated subject to the properties held by NMF excluding the properties which the entire building leased to one tenant.

(Note 2) Figures in parentheses are the floor area upon tenant replacement and the floor area (*Tsubo*) subject to rent revision. The change in monthly rent is calculated as the weighted average of all subjected area. The same applies to the following investment sectors.

Average Rent (¥/*tsubo*)



Change in floor area from move-ins & move-outs (*tsubo*)

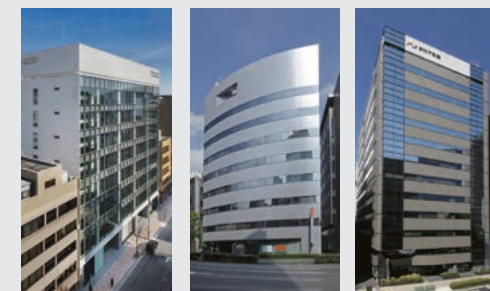


<Feb. 2020 FP> Tenant replacement effect

2,255 *tsubo* in total

The rate of rent increase: **+17.6%**

<Example>



Upper figures show the subjected floor area, and lower figures show rate of rent increase upon tenant replacement.

Property	Floor Area (tsubo)	Rent Increase Rate (%)
PMO Akihabara	131	+27.0%
NRE Higashi-nihonbashi Building	506	+20.0%
NRE Nishi-Umeda Building	56	+70.5%

<Aug. 2020 FP> Progress on tenant replacement (as of Mar. 31, 2020)

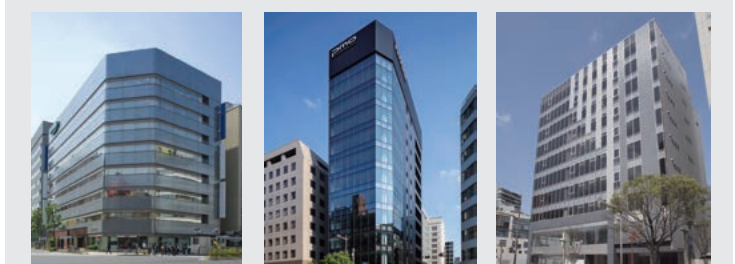
Floor area subject to move-out (scheduled): 1,696 *tsubo* in total

Of the above, floor area subject to move-in (scheduled)

Contracted...721 *tsubo*
Applied...161 *tsubo* (Note)

The rate of rent increase: **+24.2%**

<Example>



Upper figures show the subjected floor area, and lower figures show rate of rent increase upon tenant replacement.

Property	Floor Area (tsubo)	Rent Increase Rate (%)
NMF Gotanda Ekimae Building	213	+51.8%
PMO Nihonbashi Mitsukosi-mae	68	+20.0%
NMF Tenjin-Minami Building	62	+35.5%

(Note) The figure shows floor area for which NMF received an application for occupancy.

Internal Growth: Management Status

Residential

Promoting continuous rent increase with a focus on the downtown Tokyo area through move-ins and move-outs.

Asset Management Topics in February 2020 FP

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

1) Change in monthly rent due to move-ins and move-outs
733 out of 978 units (74.9%) replaced with increased rent
Change in monthly rent **+4.5% (+¥4,617 thousand/mo)**

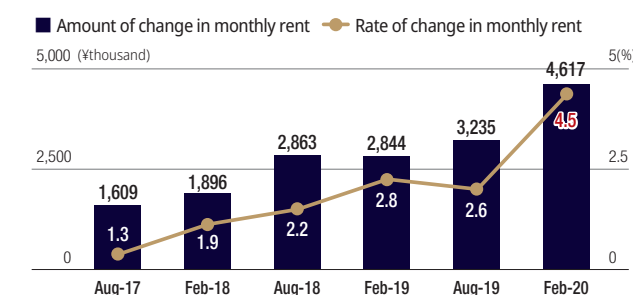
2) Change in monthly rent due to contract renewals
93 out of 1,194 units (7.8%) renewed contract with increased rent
Change in monthly rent **+0.4% (+¥488 thousand/mo)**

Achieved rent increase mainly in the downtown Tokyo area through move-ins and move-outs.

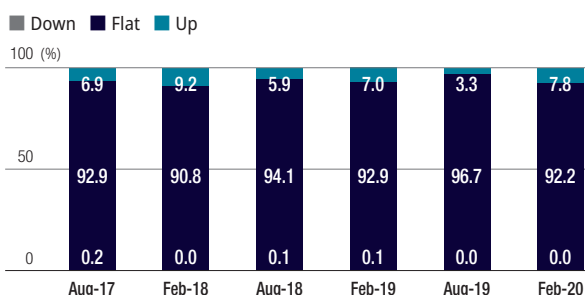
Rent increase by move-ins/outs in the Tokyo 23 wards:
+5.4% (Increased by +1.7% from previous FP)

Name of property	Number of move-ins/outs	Change in rent (¥)	Change in rent (%)	Type
Kojimachi Millennium Garden (Residential)	2	¥211,000	34.1%	Family
PRIME URBAN Shinkawa	9	¥425,400	25.4%	Family
PRIME URBAN Nihonbashi Kayabacho	12	¥143,000	10.1%	Single
RIME URBAN Ebisu	2	¥39,000	10.0%	Compact

Amount of change in monthly rent at move-ins and move-outs



Rate of change in monthly rent at renewals



(Note) From the presentation material of the fiscal period ended February 2020, as to "Amount of change in monthly rent at move-ins and move-outs" and "Rate of change in monthly rent at renewals," they are recounted and revised for the purpose the subject area is the residential area excluding the area used as retail stores, including the actual results for the previous fiscal periods.

Retail

Proactive promotion for rent increase upon tenant replacement and rent revision, supported by a high occupancy rate and stable income from fixed rents.

Asset Management Topics in February 2020 FP

Rent change upon tenant replacement

Floor area subject to replacement: 865 *tsubo*
Rent change rate **+19.7% (+¥3,355 thousand/mo)**

<Example>

EQUINIA Aobadai: 479 *tsubo* (+26.5%)

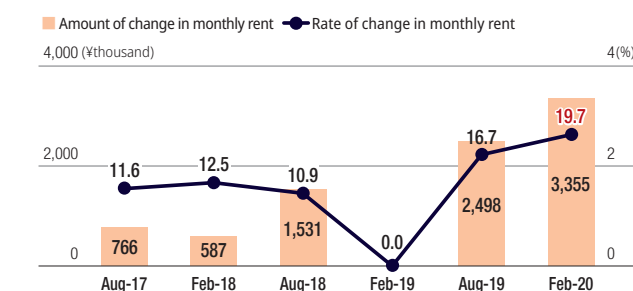
Rent change upon rent revision

Floor area subject to rent revision: 4,048 *tsubo*
Rent change rate **+5.0% (+¥1,801 thousand/mo)**

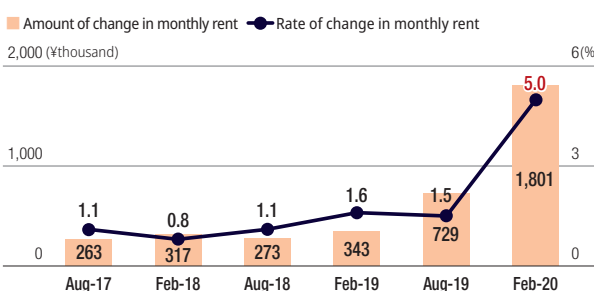
<Example>

Recipe SHIMOKITA: 65 *tsubo* (+59.4%)

Amount of change in monthly rent and rate of change in monthly rent upon tenant replacement (Retail properties in station area)



Amount of change in monthly rent and rate of change in monthly rent upon rent revision (Retail properties in station area)



Logistics

Completed lease-up of Landport Iwatsuki. Achieved environmental load reduction and rent increase through green lease agreement.

Asset Management Topics in February 2020 FP

Asset Management Topics in February 2020 FP

The move-out of a tenant leasing the entire building on December 1, 2019. (7,287 *tsubo*)

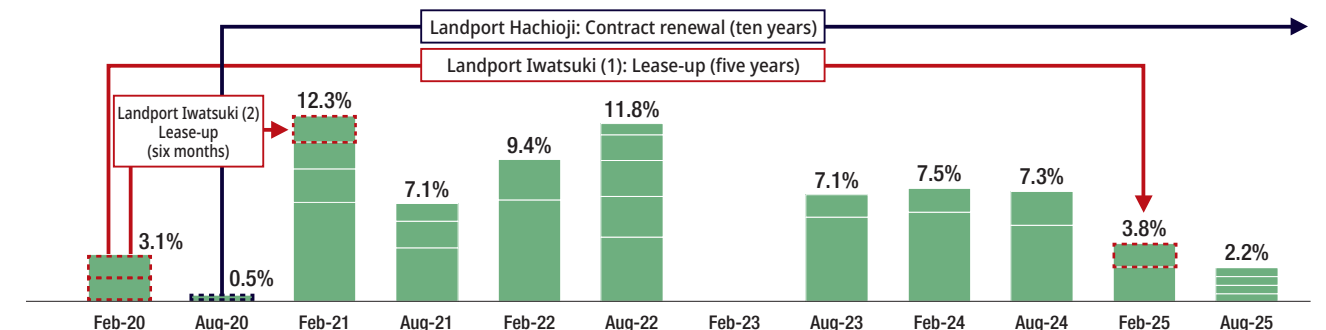
- Accomplished the early lease-up (without downtime) with a new tenant for 5-year contract term for the half of the sections.
 - For the remaining half, the short-term lease agreement for 6 months has been concluded with a new tenant with an eye to continuous leasing in the future.
- (Rent increase by +12.1% compared with previous tenant)

Landprt Hachioji Conclusion of green lease agreement in line with LED installment work at LP Hachioji

- Achieved rent increase through conclusion of green lease agreement with 3 tenants (3,781 *tsubo*)
 - Tenant A (lease maturity: Aug. 2020 FP)
Re-contracted to extend lease maturity to June 2030 with rent increase by +13.2% from previous contract.
 - Tenant B and C
Rent revision during lease term with rent increase by the average of +3.3%.
- All repair costs can be recovered during the lease term.
- Expected annual power reduction of approximately 56% at sites where LED devices are installed and replaced. (Note)

(Note) Annual power reduction is the estimated reduction in areas where LED devices are installed and replaced.

Lease Maturity (Rent basis)



Occupancy Rate and Average Rent

Occupancy Rate

	Aug-17	Feb-18	Aug-18	Feb-19	Aug-19	Feb-20
Office	99.2	99.4	99.4	99.4	99.8	99.8
Logistics	99.1	99.3	99.6	99.6	99.1	99.2
Retail	98.2	98.3	100.0	100.0	100.0	98.5
Residential	96.7	97.2	97.0	97.2	96.8	97.3
Hotels	—	—	100.0	100.0	100.0	100.0
Others	100.0	100.0	100.0	100.0	100.0	100.0
Total	98.4	98.6	99.3	99.3	99.3	98.8

Average Rent

	Aug-17	Feb-18	Aug-18	Feb-19	Aug-19	Feb-20
Office	17,156	17,419	17,548	17,723	18,060	18,301
Logistics	8,731	8,471	8,461	8,255	8,642	8,693
Retail	3,887	3,915	3,922	3,936	3,983	3,999
Residential	11,106	11,107	11,234	11,327	11,358	11,520

ESG Measures

NREAM received Minister of the Environment Award being evaluated NMF's registration for Environment Management System (EMS) as the first J-REIT.

NREAM has received Minister of the Environment Award in the general department as the most excellent efforts in fiscal year 2019 from Principles for Financial Action for the 21st Century Secretariat



(Left: Norio Ambe (Note), President & CEO of Nomura Real Estate Asset Management, Co., Ltd.
Right: KOIZUMI Shinjiro, Minister of the Environment) (Note) Norio Ambe became Chairman as of Apr. 1, 2020.

NMF's certification and registration for an Environmental Management System (EMS) by the third party, EcoAction 21, as the first J-REIT initiative, was highly evaluated and led to reception of the Award.

Principles for Financial Action for the 21st Century

As the action guidelines of financial institutions who hope fulfill their responsibilities and roles required for the formation of a sustainable society, "Financial Principles towards the Formation of a Sustainable Society" was formed in October 2011. NREAM agreed with the principles advocated by the Ministry of the Environment and signed on Principles for Financial Action for the 21st Century in July 2019.



The financial institutions which have signed the Principles: 284 institutions (as of Nov. 28, 2019)

NMF received and registered to EcoAction 21, an Environmental Management System (EMS), as the first J-REIT.

EcoAction 21

The EcoAction 21 Certification/Registration Program is the certification and registration system by a third party for business operators promoting environmental management based on "EcoAction 21 Guidelines" formulated by Japan's Ministry of the Environment as part of its Environmental Management System.

* Environmental Management System (EMS)

In the course of its operation and management, the organization sets its own environmental policies and targets and works to achieve them. This is called "Environmental Management" and the system and procedures for this purpose are called "Environmental Management System (EMS)."

[Scope of Certification and Registration]
Investment and management of office buildings and residential properties



Revised ESG materiality issues (Materiality) and reset KPI targets to higher levels

<Principal changes>

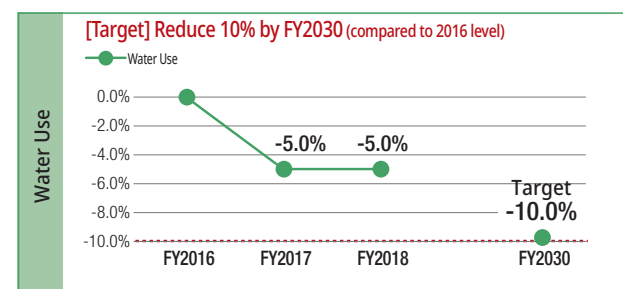
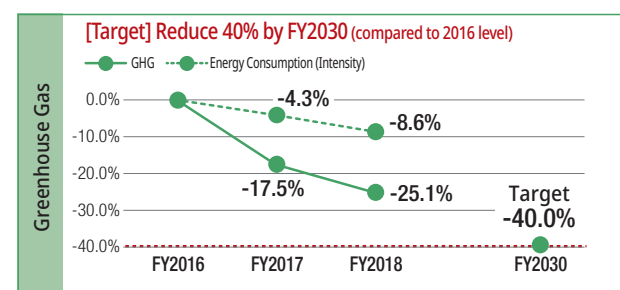
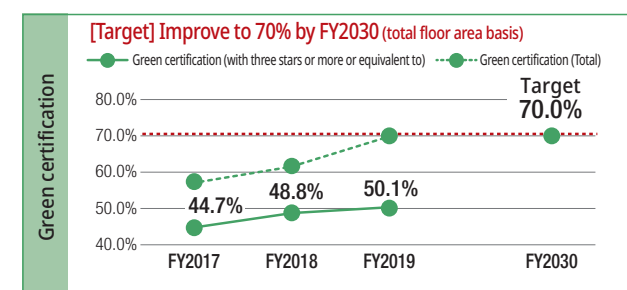
- Addition of "Countering water resources" to Materiality and setting of quantitative target
- Target property of "Raising the proportion of "green" properties in our investment portfolio" are redefined as property acquired green certification with three stars or more or equivalent. (No level of evaluation has been defined in the previous target.)
- Raised KPI target of "Countering climate change" to -40% from previous target of -25%.
- KPI and a part of KPI targets of Materiality in "Society" and "Governance" were defined.

Please visit our website for more detailed information.



ESG Measures (E: Environment)

Environmental Indicators



(Note) "Green certification" refers to either DBJ Green Building Certification, BELS Certification or CASBEE for Real Estate. "Green certification with three stars or more or equivalent to" refers to DBJ Green Building Certification with three stars or more, BELS Certification with three stars or more, or CASBEE for Real Estate (B+ or higher).

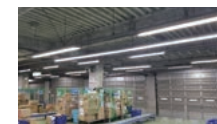
Specific Measures to Reduce Environmental Impact

Invested capital in owned properties to reduce our environmental impact (The examples below are from the 9th FP)

1) Saving Energy with LED Lighting

- Shinjuku Nomura Building
- NMF Gotanda Ekimae Building
- Musashiurawa Shopping Square
- EQUINIA Shinjuku
- Kawaguchi Logistics Center A Tower
- PROUD FLAT Yoyogi Uehara
- PROUD FLAT Fujimidai, others

<Energy reduction by the works in the 9th FP>
-1,992Mwh/year (approx.-61.1%)



Kawaguchi Logistics Center A Tower

3) Saving Water by Upgrading Toilets

- Landport Atsugi

<Water use reduction by the works in the 9th FP>
-39 KI/year (approx.-42.4%)



NMF Gotanda Ekimae Building

2) Saving Energy by Upgrading Air Conditioners

- NMF Shinjuku EAST Building
- Universal CityWalk Osaka
- Izumiya Senrioka
- Atsugi Minami Logistics Center A Tower, others

<Energy reduction by the works in the 9th FP>
-344 Mwh/year (approx.-20.3%)

Conducted energy-saving checks

Plans future energy-saving works based on the results of the checks

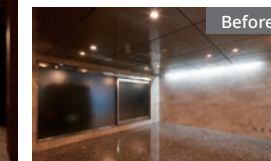
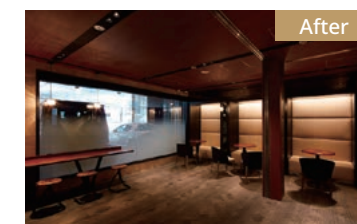


Percentage of checked areas
(as of February 29, 2020)
64.0% (Total floor area basis)

ESG Measures (S: Society)

Response to tenants' satisfaction survey

Installed community lounge on the first floor at NMF Ginza 4-chome Building in response to its tenants' request on the satisfaction survey.



Cooperation with UNHCR (Japan for UNHCR)

Provided a part of the common area of NMF's properties to help UNHCR (Japan for UNHCR) for their refugee assistance campaign activities.



Musashiurawa Shopping Square



Omron Kyoto Center Building

Promotion of taking paid leaves

NREAM encourages its employees to take paid leaves, etc., targeting 18 days per year.

	FY2017	FY2018	FY2019
Average days of paid leaves taken	16	17	19

ESG Measures (G: Governance)

Compliance training sessions at the Asset Management Company

Training is conducted once a month to enhance compliance awareness and ensure thorough compliance with laws and regulations.

Month	Training Session Theme
Mar-19	Review of compliance training program for the fiscal year of 2018
Apr-19	Schedule of compliance training program for the fiscal year of 2019
May-19	Responding to antisocial forces
Jun-19	Anti-money laundering system
Jul-19	Insider transaction regulations
Aug-19	Insider transaction regulations (Web training)
Sep-19	Outline of the Civil Code Revision
Oct-19	Information management
Nov-19	Information management (Web training)
Dec-19	Regulations on related party transactions
Jan-20	Regulations on related party transactions (Web training)
Feb-20	Case study from issues pointed out in inspection to financial instruments business operators by the authority and its member association

Enhancement of sustainability promotion system through sustainability training session (once a year).

Training is conducted for the officers and employees at NREAM and property management companies.



Safety confirmation of the officers and employees

Nomura Real Estate Group has introduced a safety confirmation system via the Internet and e-mail to quickly ascertain the state of damage and the safety of its officers and employees in the event of a disaster. We conduct safety confirmation drills for all officers and employees.

Safety confirmation drills conducted: 4 times (FY2019)

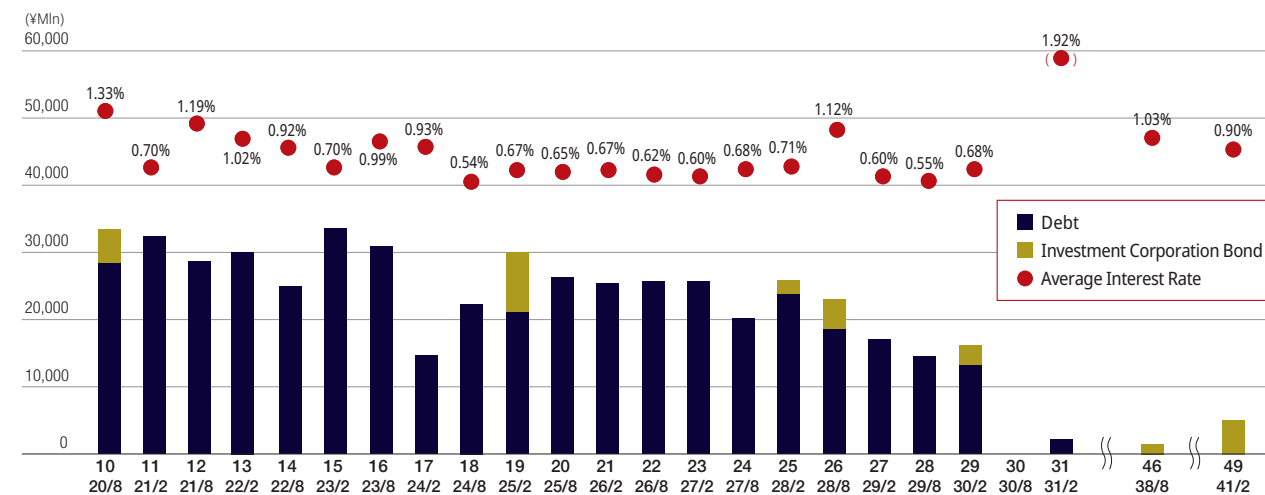
Financing Status

Continuing to reduce average interest rate and prolong borrowing period. NMF has been upgraded to AA-at R&I issuer rating.

Interest-bearing debt at the end of February 2020 FP

	Aug. 2018 (6th FP)	Feb. 2019 (7th FP)	Aug. 2019 (8th FP)	Feb. 2020 (9th FP)
Total Interest-bearing debt	¥497,155 million	¥497,112 million	¥510,770 million	¥510,727 million
Average remaining duration	4.61 years	4.52 years	4.64 years	4.82 years
Average interest rate	0.88%	0.87%	0.83%	0.82%
Ratio of long-term debt	87.2%	86.9%	86.0%	87.1%
Ratio of fixed-rate debt	95.4%	95.4%	94.1%	95.6%
LTV	44.4%	44.5%	43.9%	42.8%

Diversified maturity of repayment at the end of February 2020 FP



Refinancing during February 2020 FP

Repayment Overview (Note 1)	
Total amount of repayment	37,900 mln
Average interest rate	0.58%
Average remaining duration	3.7 years

(Note 1) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate at the time of repayment. Excluding ¥42.8 million in contractual repayment.

Refinancing Overview (Note 2)	
Total amount of repayment	37,900 mln
Average interest rate	0.47%
Average remaining duration	9.3 years

(Note 2) The average interest rate and remaining duration are calculated using figures at the time of borrowing.

Scheduled repayment during August 2020 FP

Scheduled Repayment (Note 3)	
Total amount of repayment	33,400 mln
Average interest rate	1.33%
Average remaining duration	7.8 years

(Note 3) Average remaining duration is it at the time of borrowing and average interest rate is weighted average interest rate as of the end of February 2020. Excluding ¥42.8 million in contractual repayment.

Ratings

NMF has been upgraded to AA- at R&I issuers rating in January 2020.

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

Financial Statements Highlights

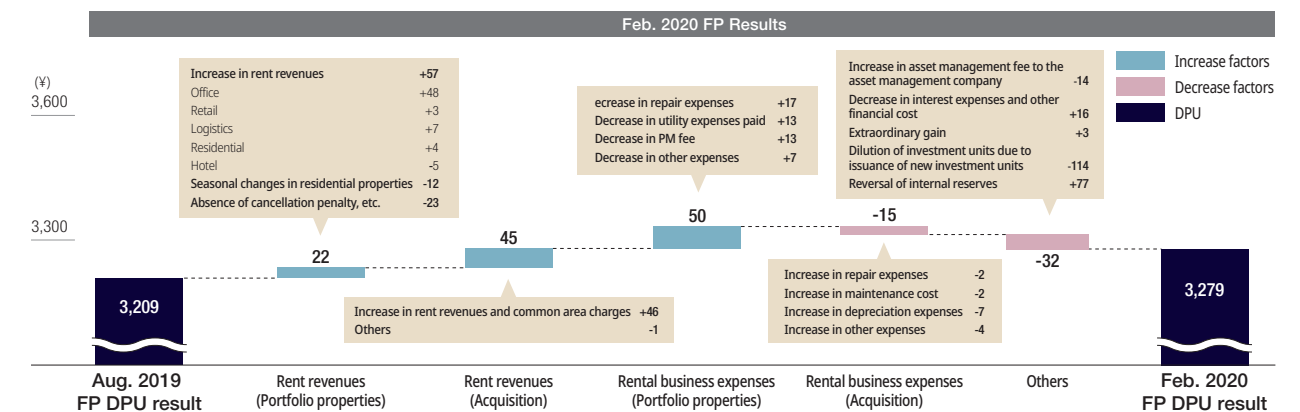
DPU for Feb. 2020 FP: ¥3,279, up ¥70 (+2.2%) from previous fiscal period results.

(¥mln)				
	Ended Aug. 31, 2019 (8th FP)	Ended Feb. 29, 2020 (9th FP)	Differences (B)-(A)	
	Result (A)	Result (B)		
Operating Revenue	36,617	36,927	310	
Rental revenues	33,388	33,877	489	
Other rental revenues	3,222	3,049	-173	
Gain on sales of real estate	6	-	-6	
Operating Expense	22,351	22,253	-97	
Rental Business Expenses	15,887	15,720	-166	
Repair Expenses	1,727	1,658	-69	
Tax and Public Dues	2,982	2,976	-6	
Depreciation and Amortization	5,135	5,151	15	
Others	6,041	5,934	-107	
Asset management fees	3,224	3,291	66	
Amortization of goodwill	2,622	2,622	-	
Other operating expenses	617	619	1	
Operating profit	14,265	14,673	408	
Non-operating revenues	5	8	2	
Non-operating expenses	2,578	2,506	-72	
Interest Expenses and other financial costs	2,514	2,439	-74	
Investment units issuance costs	55	55	-0	
Other non-operating expenses	8	10	2	
Ordinary income	11,692	12,175	482	
Extraordinary gain and loss	-	16	16	
Net income	11,690	12,188	498	
Distribution of Earnings	a	11,691	12,188	497
Distribution in excess of net earnings	b	2,901	3,272	371
Total distributions	a+b	14,592	15,461	868
Internal reserves	-282	-654	-372	
(Total Internal reserves)	(4,074)	(3,420)	(-654)	

			(¥)
DPU	3,209	3,279	70
Distributions of earnings per unit	2,571	2,585	14
Distributions in excess of retained earnings per unit [allowance for adjustment of temporary differences]	342	368	26
Distributions in excess of retained earnings per unit [other distributions in excess of net earnings]	296	326	30

	(¥mln)		
Total assets	1,164,767	1,193,471	28,704
Acquisition price	1,011,279	1,031,039	19,760
Interest-bearing debt	510,770	510,727	-42
LTV	43.9%	42.8%	-1.1%
Market Capitalization	843,524	807,713	-35,810
NOI	25,859	26,357	498
FFO	19,447	19,953	505

Main factors in change of DPU (¥/unit)



Main factors accounting for differences between the 8th results and the 9th results (¥mln)

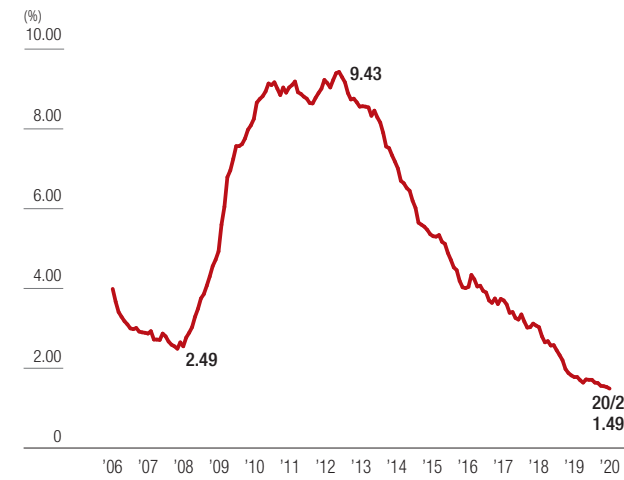
Operating Revenue	310
Rental revenues	489
Rent and common area charges of portfolio properties (excluding impact of tenant turnover at LP Iwatsuki)	346
Impact of tenant turnover at LP Iwatsuki	-76
Impact of acquisition	219
Other rental revenues	-173
Seasonal changes in residential properties (key money and contract renewal fee)	-56
Absence of cancellation penalty fee, etc.	-116
Absence of gain on sales (a part of the land area of PF Shinjuku Kawadacho)	-6
Operating Expense	-97
Rental Business Expenses	-166
Seasonal changes in utility expenses paid, etc.	-54
Rental business expenses of portfolio properties (excluding utility expenses paid)	-178
Impact of acquisition (excluding utility expenses paid)	65
Asset management fees/Other operating expenses	68
Non-operating expenses	-72
Interest Expenses and other financial costs	-74
Other non-operating expenses	2
Extraordinary gain and loss	16
Extraordinary gain on natural disasters (Insurance income>Restoration expenses)	16
Net income	498

Reversal of internal reserves	¥654 mln (¥138/unit)
Amount equivalent to tenant turnover impact at LP Urayasu and LP Iwatsuki	¥164 mln (¥34/unit)
Amount equivalent to dilution of investment units due to issuance of new investment units	¥490 mln (¥104/unit)

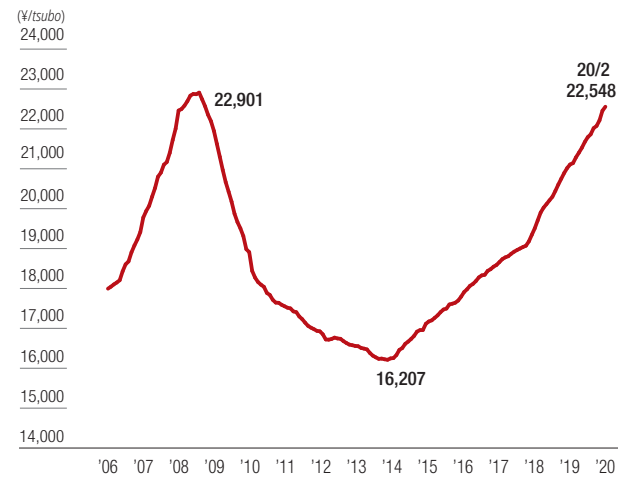
Market Review

Office

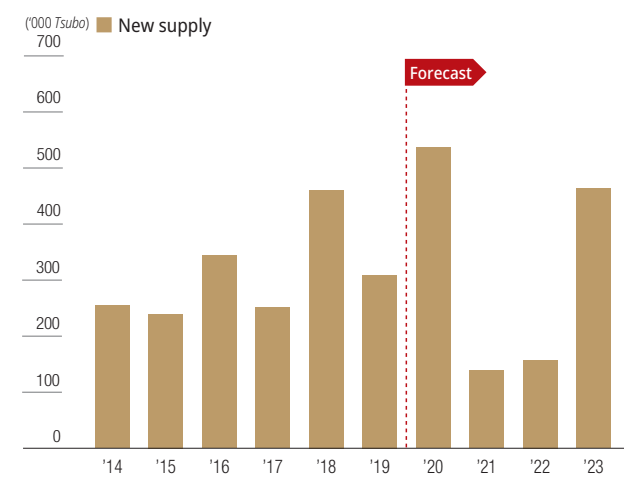
Vacancy Rate Tokyo Central Five Wards



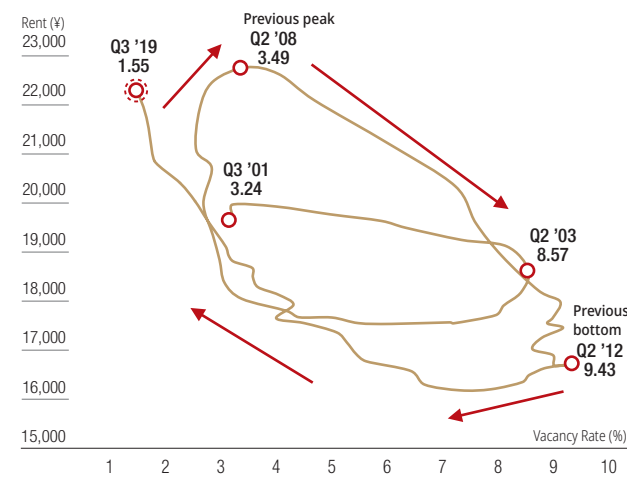
Average Monthly Rent Tokyo Central Five Wards



Office Building Supply Tokyo Central Five Wards



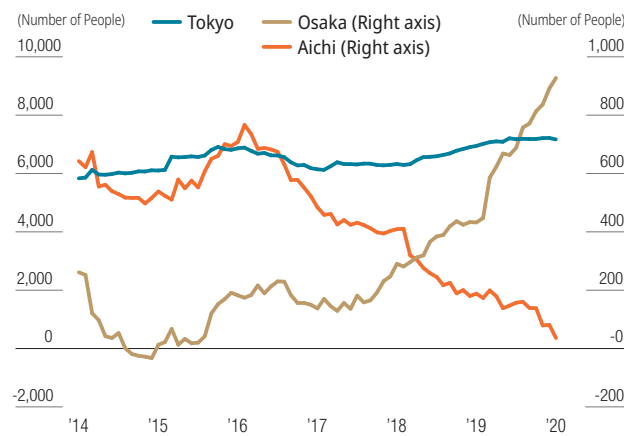
Rent and Vacancy Rate Matrix (Tokyo Central Five Wards)



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

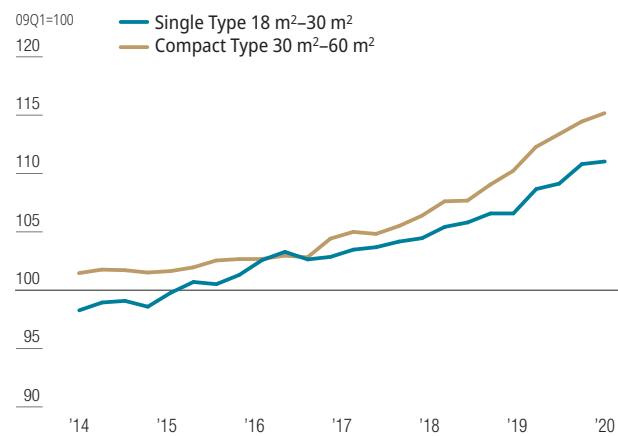
Residential

Net Population Inflow (12-month moving average)



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

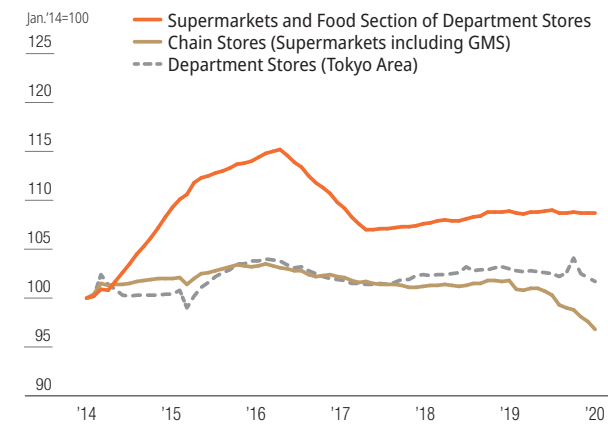
Rental Condominium Rent Index (Tokyo's 23 wards)



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

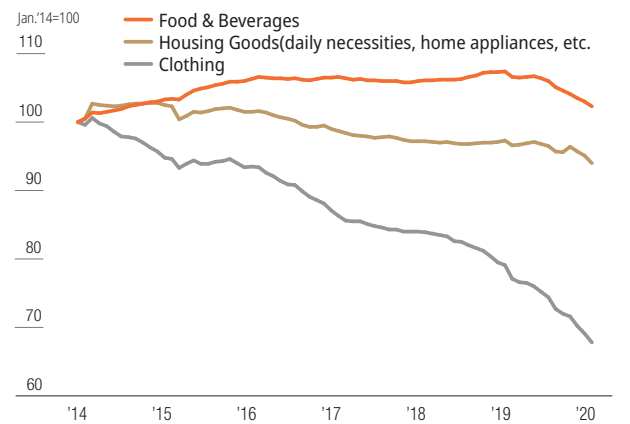
Retail

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



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

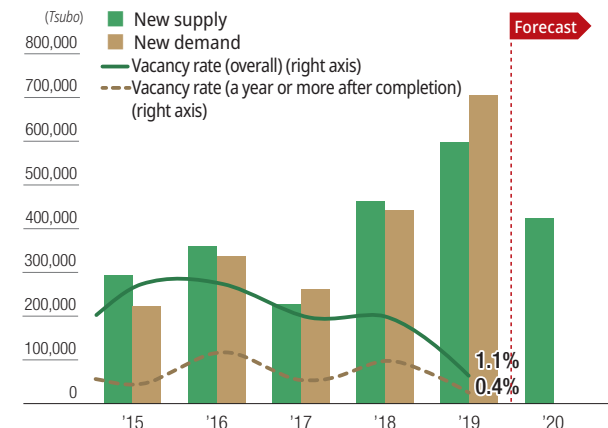
Retail Sales Volume by Product Type (12-month moving average)



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

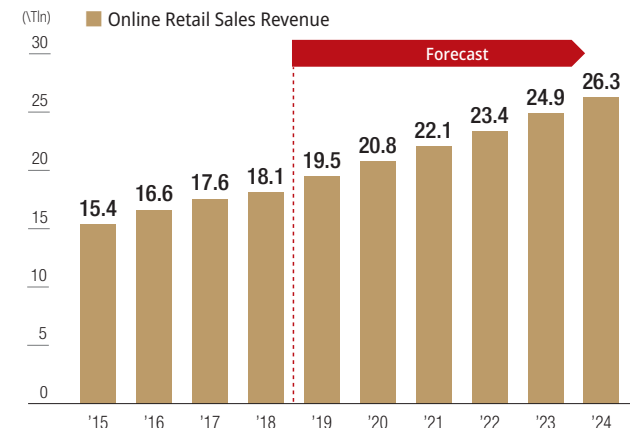
Logistics

Large-Scale Rental Logistics Facility Supply and Demand in the Tokyo Metropolitan Area as of Q4 2019



Source: Prepared by NREAM based on data from CBRD

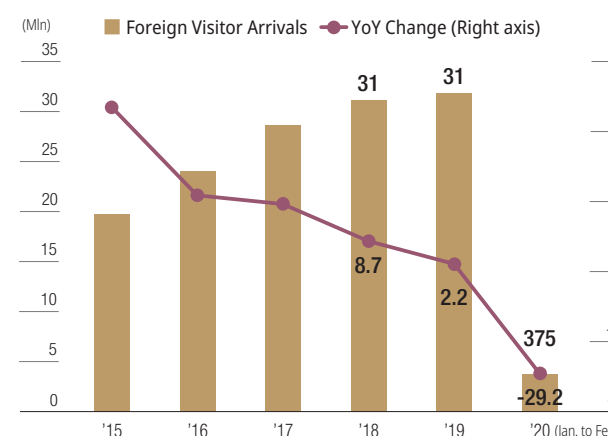
Ecommerce (B2C) Market



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

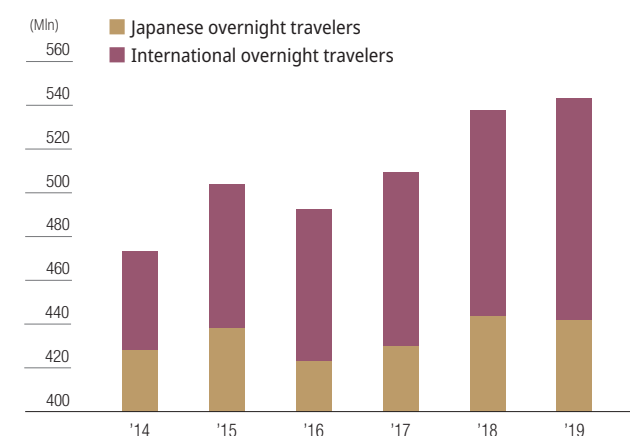
Hotel

Foreign Visitor Arrivals



Source: Prepared by NREAM based on data from JNTO
*Figures for 2020 is estimated figures from Jan. to Feb. 2020

Total Number of Overnight Guests



Source: Prepared by NREAM based on data from Tourism Agency
* Figures are from the second preliminary report

Portfolio Analysis (as of Feb. 29, 2020)

NUMBER OF PROPERTIES

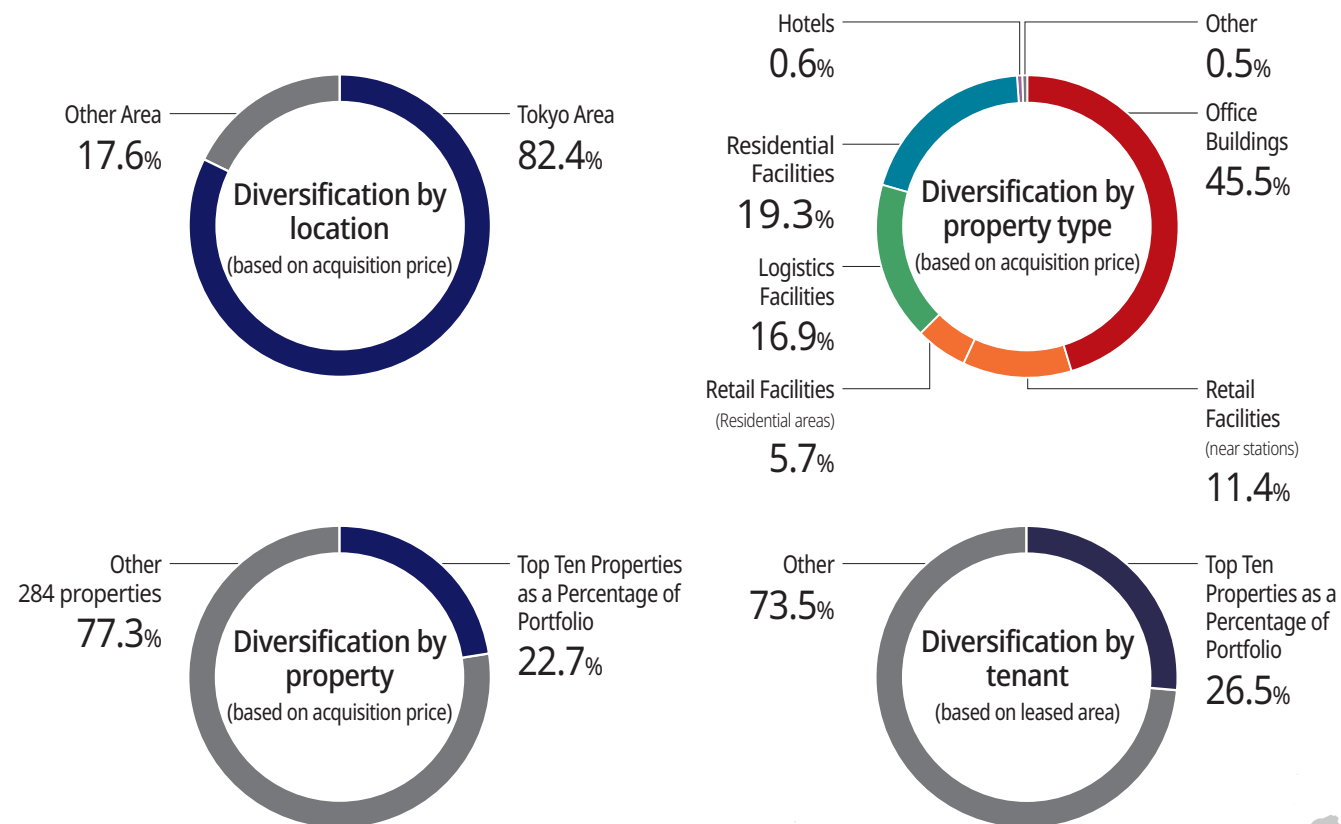
ASSET SIZE

OCCUPANCY RATE

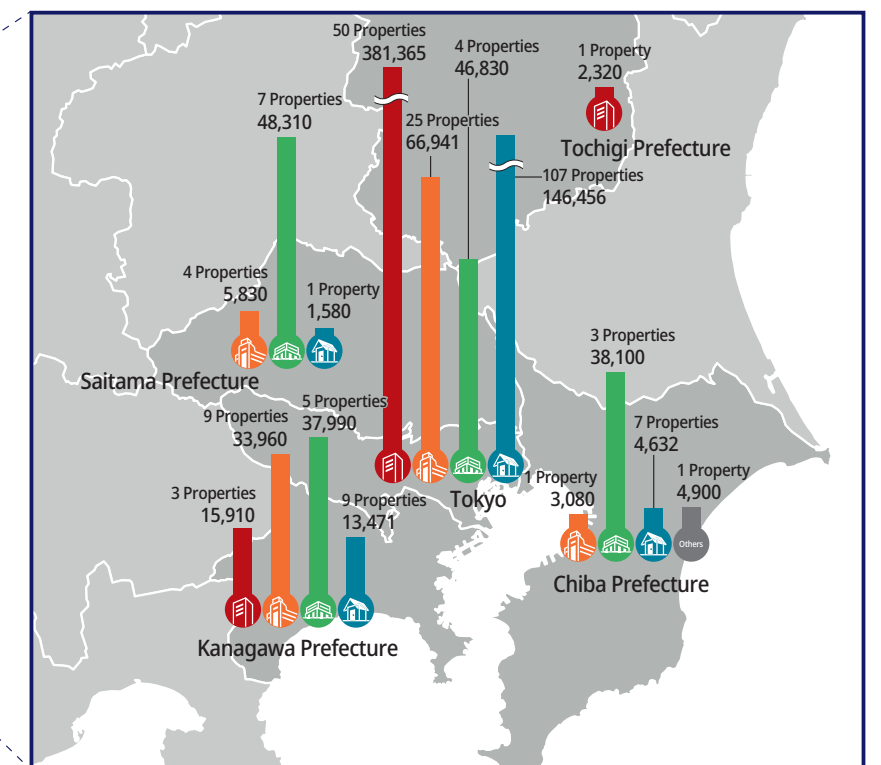
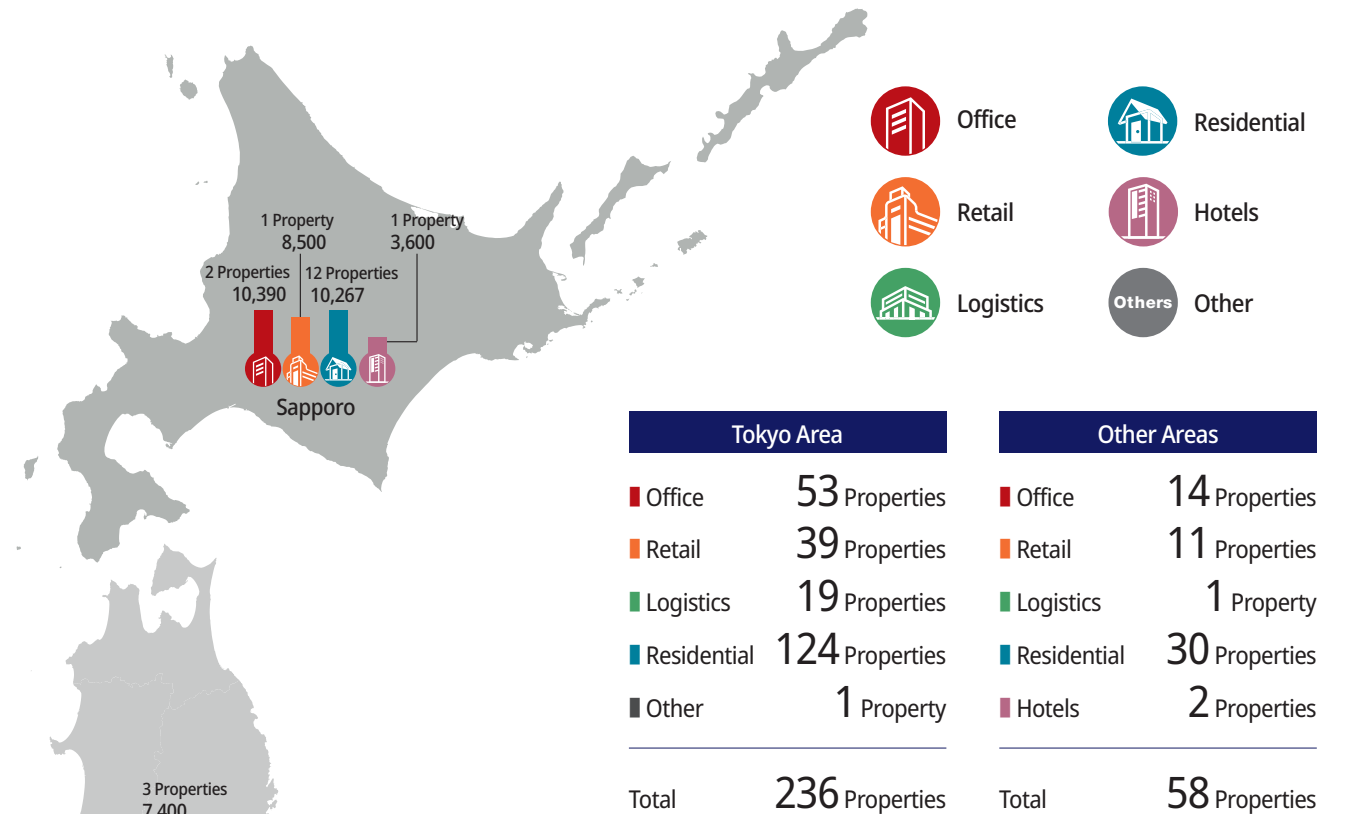
294_{properties}

¥1,031,039_{million}

98.8%



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



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

(Note) In the diversification by tenant, the leased areas of properties under pass-through master lease agreements are calculated based on the leased areas of end tenants.

Portfolio Gallery

Office

TOP 3 Properties (acquisition price)

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



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



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



PMO Higashi Shinbashi
Location: Minato Ward, Tokyo
Total floor area: 3,430.06 m²

NEW



NRE Tennozu Building
Location: Shinagawa Ward, Tokyo
Total floor area: 25,260.48 m²



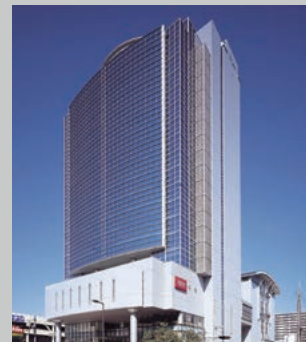
Harumi Island Triton Square Office Tower Y
Location: Chuo Ward, Tokyo
Total floor area: 24,000.76 m²



PMO Tamachi Higashi
Location: Minato Ward, Tokyo
Total floor area: 7,088.17 m²



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



NMF Hakata Ekimae Building
Location: Fukuoka City, Fukuoka
Total floor area: 10,961.34 m²



TOP 3 Properties (acquisition price)

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



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



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



Retail

PMO Higashi Shinbashi
Location: Minato Ward, Tokyo
Total floor area: 3,430.06 m²



NRE Tennozu Building
Location: Shinagawa Ward, Tokyo
Total floor area: 25,260.48 m²



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



GEMS Shinbashi
Location: Minato Ward, Tokyo
Total floor area: 1,478.44 m²



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



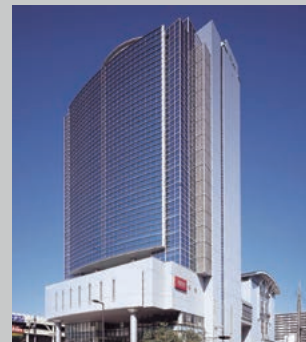
Recipe SIMOKITA
Location: Setagaya Ward, Tokyo
Total floor area: 8,552.53 m²



PMO Tamachi Higashi
Location: Minato Ward, Tokyo
Total floor area: 7,088.17 m²



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



NMF Hakata Ekimae Building
Location: Fukuoka City, Fukuoka
Total floor area: 10,961.34 m²



Nitori Makuhari
Location: Chiba City, Chiba
Total floor area: 13,521.89 m²



Kawasaki More's
Location: Kawasaki City, Kanagawa
Total floor area: 22,235.96 m²



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



Portfolio Gallery

Logistics

TOP 3 Properties (acquisition price)

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



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



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



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



Landport Ome I
Location: Oume City, Tokyo
Total floor area: 57,721.34 m²



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



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



Landport Kashiwa Shonan II
Location: Kashiwa City, Chiba
Total floor area: 51,485.62 m²



Sagamihara Tana Logistics Center
Location: Sagamihara City, Kanagawa
Total floor area: 51,474.82 m²



TOP 3 Properties (acquisition price)

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



2 **Serenite Shinsaibashi Grande**
Location: Osaka City, Osaka
Acquisition price: ¥5,567 million
Total floor area: 7,794.23 m²



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



PROUD FLAT Shibuya Tomigaya
Location: Shibuya Ward, Tokyo
Total floor area: 5,079.46 m²

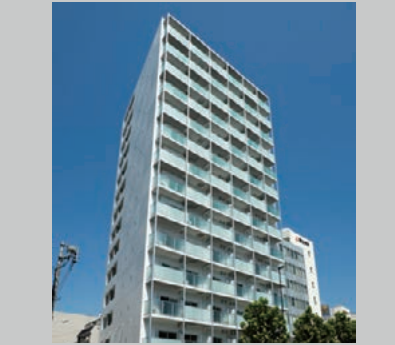
NEW



PRIME URBAN Nihonbashi Yokoyamacho
Location: Chuo Ward, Tokyo
Total floor area: 6,898.33 m²



PROUD FLAT Shirokane Takanawa
Location: Minato Ward, Tokyo
Total floor area: 3,620.46 m²



PRIME URBAN Nakameguro II
Location: Meguro Ward, Tokyo
Total floor area: 2,990.65 m²



PROUD FLAT Sotokanda
Location: Chiyoda Ward, Tokyo
Total floor area: 2,882.48 m²



PRIME URBAN Sapporo Riverfront
Location: Sapporo City, Hokkaido
Total floor area: 21,239.84 m²

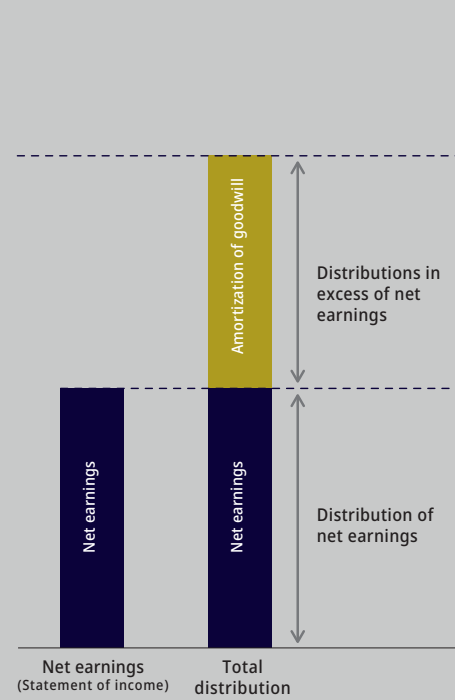


Residential

Distribution Policy

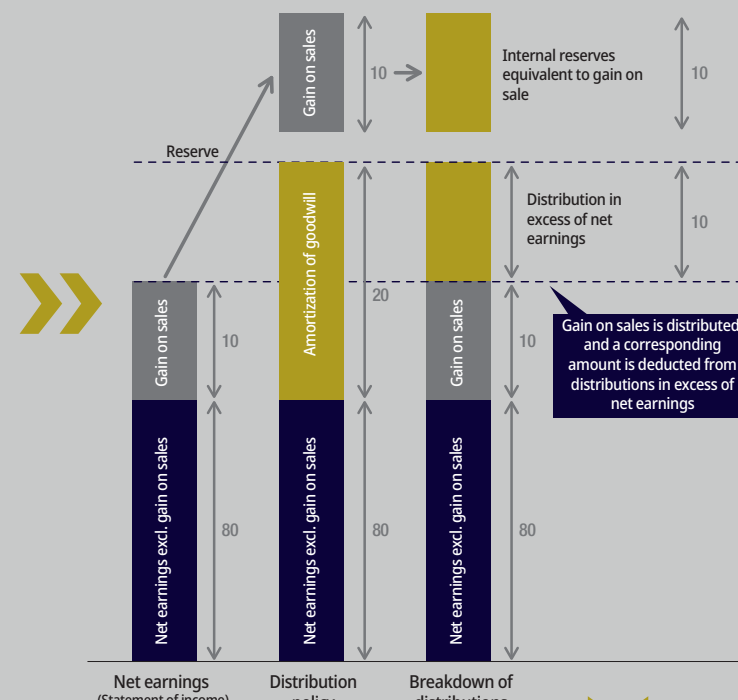
Basic distribution policy

Distribute net earnings + amortization of goodwill



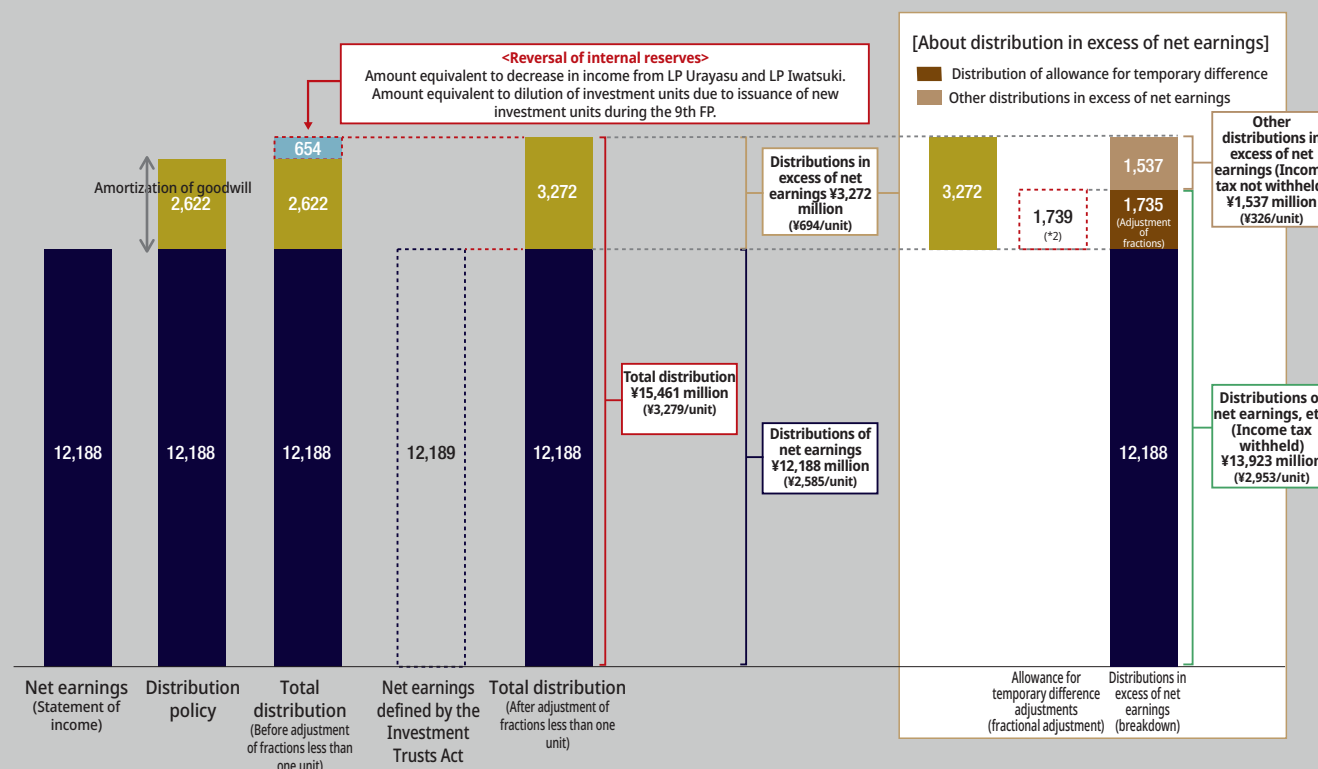
Distribution policy if gain on sales of real estate occurs

Distributions in excess of net earnings may be adjusted to retain cash of an amount equivalent to gain on sale of real estate to promote stable medium-to long-term management. ^(Note 1)



(Note) Figures shown above are for illustrative purposes only

Distributions in excess of net earnings in the 9th Fiscal Period

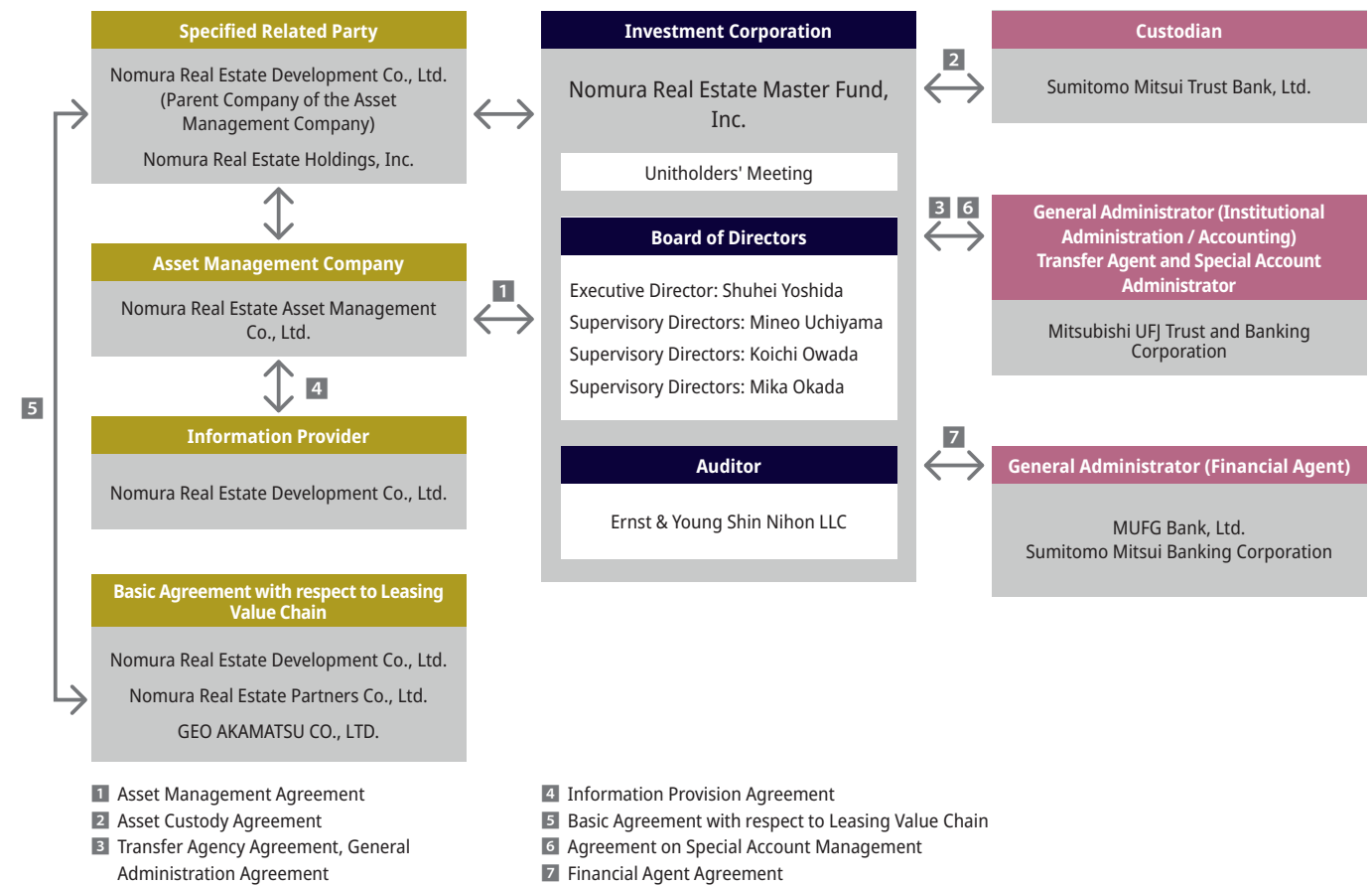


(Note 1) When there is a gain on sales, NMF's policy is, in principle, to set aside an amount equivalent to the gain that is not more than the amount of amortization of goodwill as retained earnings within the scope that will not be subject to income tax.

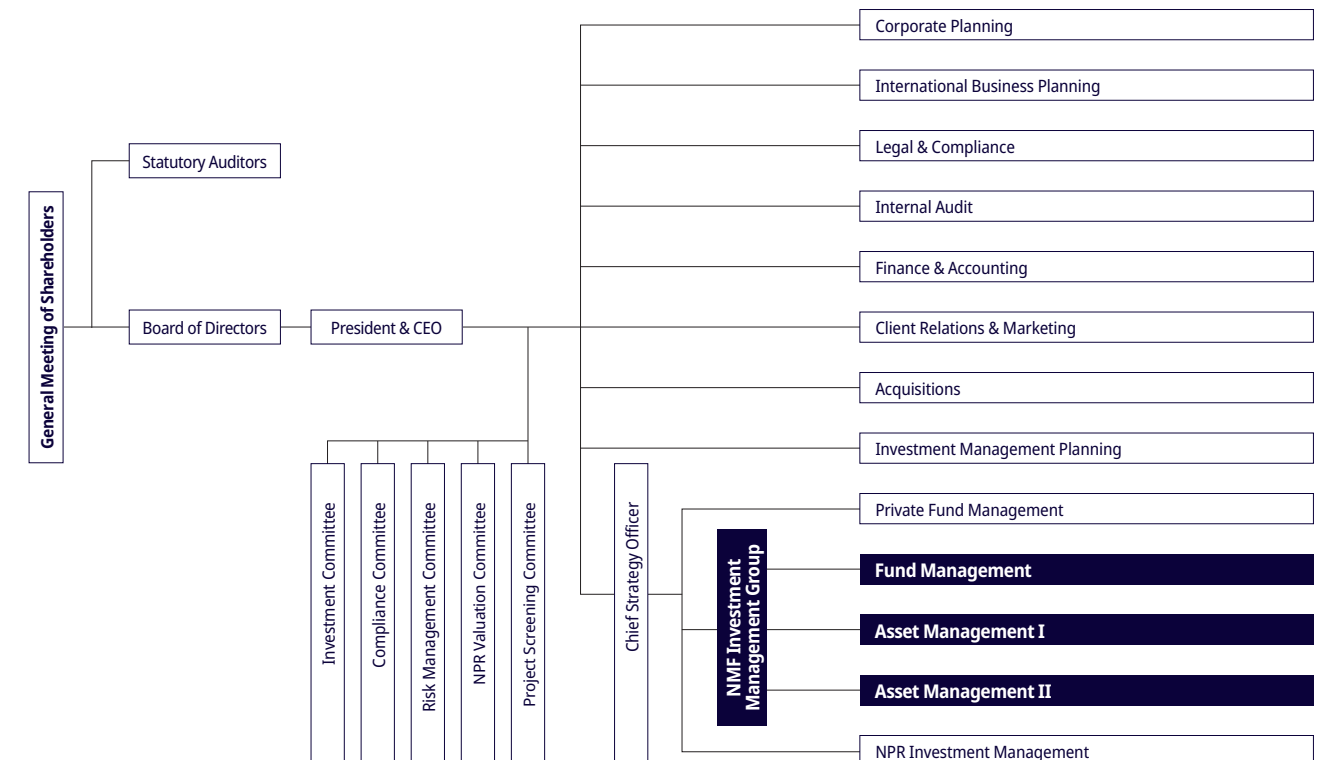
(Note 2) The amount is obtained by deducting underdepreciation, etc. (provision deduction items) attributable to the difference between depreciation in tax and accounting treatments from amortization of goodwill, etc. (provision addition items).

Structure and Organization

Structure of NMF

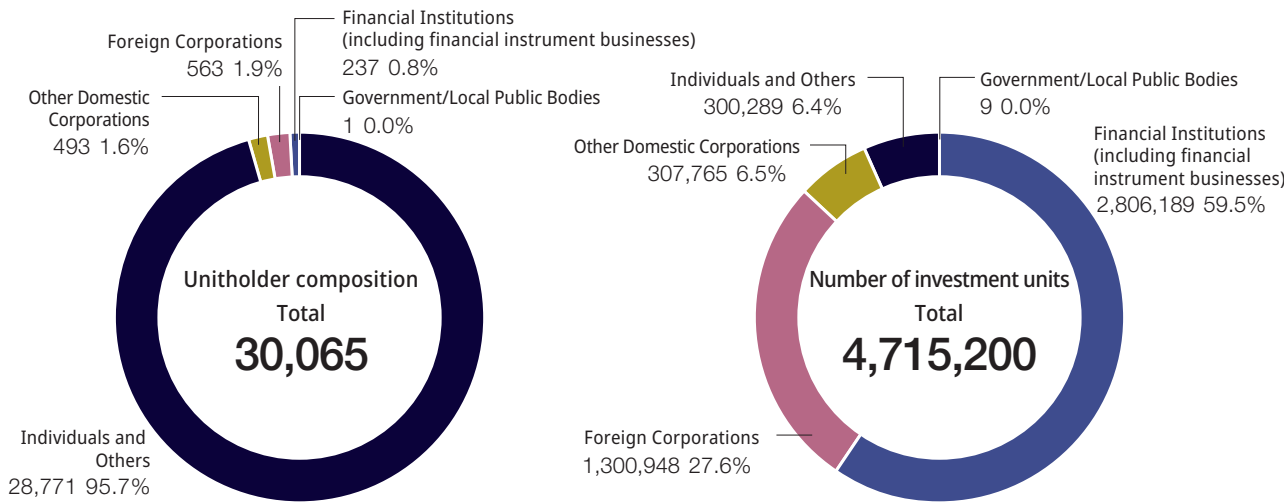


Organization of NREAM

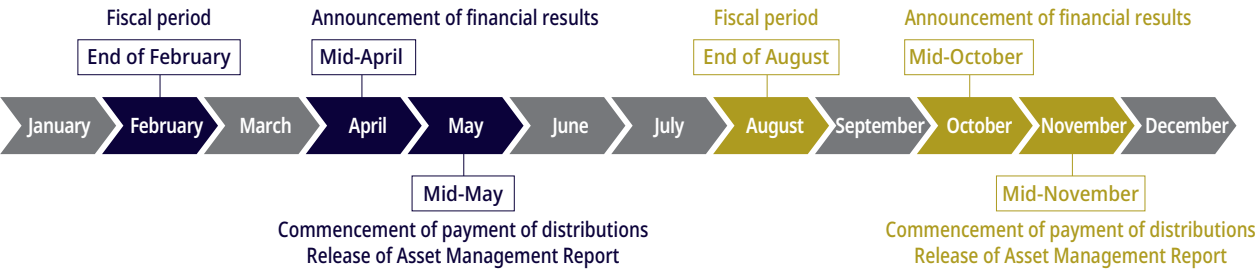


Investor Information

Composition of Unitholders



IR Calendar



Unitholder Information

The process for changing your address and other information

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

Distributions

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

Important Reminders for Unitholders

Closing dates	The last days of February and August of every year
General meeting of unitholders	At least once every two years in principle
Unitholder record date for voting eligibility	The last day of February 2017, and then the last day of February every second year or a date announced in advance
Distribution payment record dates	The last days of February and August of every year
Stock exchange listings	Tokyo Securities Exchange (securities code: 3462)
Newspaper for announcements	Nihon Keizai Shimbun
Share transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Contact information for the share transfer agent	Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikko-cho, Fuchu, Tokyo, Japan TEL. 0120-232-711 (toll free) in Japan only Mailing address: P.O. Box #29 Shin-Tokyo Post Office, Tokyo, Japan 137-8081 Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation

WEBSITE

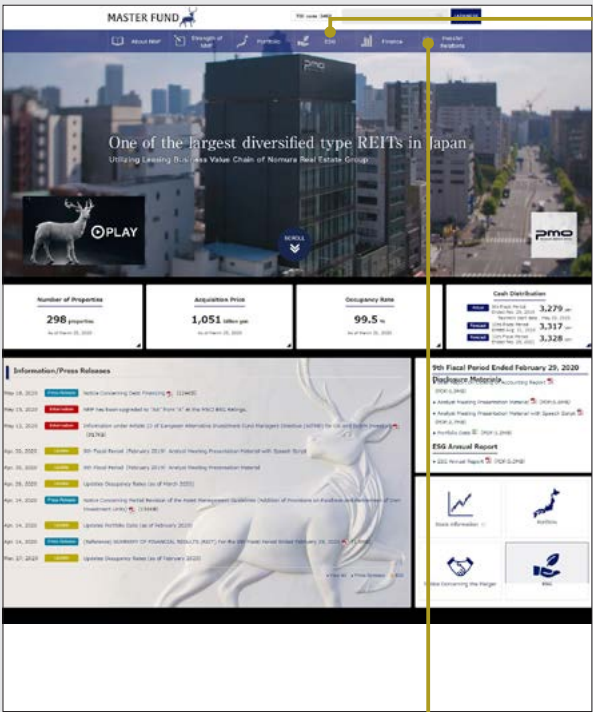
NMF strives to ensure accurate, timely disclosure through its website. For convenience, the website also offers a variety of other information, including the following.

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

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

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

Nomura Master Fund



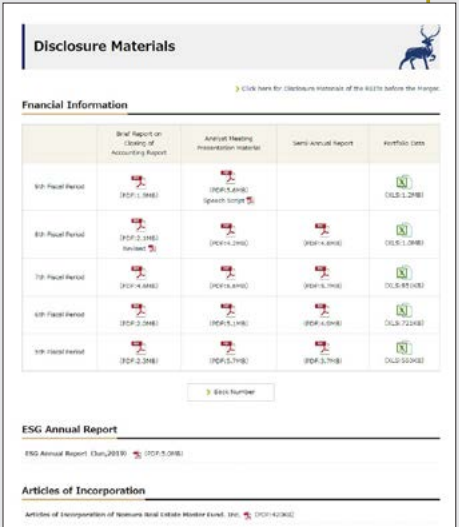
The latest news is aggregated on the home page. (An RSS feed is available.)

Revisions were made to the materiality issues in the ESG section of the website.

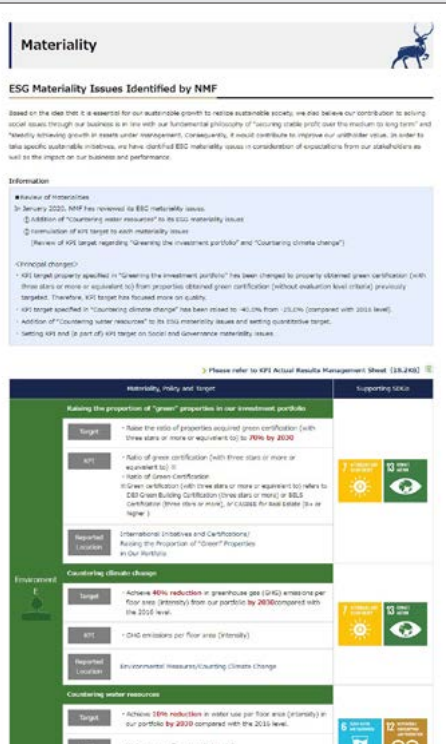
ESG

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

NMF will continue to update information.



Excel files with detailed data are available for download.



BALANCE SHEET

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
ASSETS		
Current Assets:		
Cash and bank deposits	73,420,753	87,599,067
Rental receivables	695,682	593,233
Consumption taxes receivable	657,804	-
Other current assets	1,673,760	1,606,233
Total current assets	76,448,000	89,798,534
Property and Equipment:		
Land	696,240,931	711,394,696
Buildings and structures	332,825,576	340,477,012
Machinery and equipment	1,332,528	1,516,277
Tools, furniture and fixtures	1,135,222	1,259,197
Leased assets	14,859	4,752
Construction in progress	12,050	24,761
Subtotal	1,031,561,168	1,054,676,697
Less accumulated depreciation	(41,470,695)	(46,604,324)
Net property and equipment	990,090,472	1,008,072,373
Investments and Other Assets:		
Goodwill	85,586,980	82,964,737
Leasehold rights	8,958,920	8,958,534
Intangible assets	35,565	32,785
Long-term prepaid expenses	2,131,942	2,065,881
Long-term deposits	508,948	519,577
Security deposits	946,452	936,452
Derivatives assets	3,320	-
Deferred investment corporation bond issuance costs	56,838	123,090
Total investments and other assets	98,228,969	95,601,059
Total Assets	1,164,767,442	1,193,471,967

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

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
LIABILITIES		
Current Liabilities:		
Trade accounts payable	2,820,452	2,559,513
Short-term debt	8,000,000	-
Current portion of investment corporation bonds	5,000,000	5,000,000
Current portion of long-term debt	58,385,600	60,885,600
Lease obligations	1,082	871
Other accounts payable	2,535,771	2,827,990
Accrued expenses	344,928	364,346
Accrued income taxes	1,999	2,998
Accrued consumption taxes	-	1,158,419
Rent received in advance	5,260,541	5,380,495
Unearned revenue	159,244	132,539
Provision for loss on disaster	-	20,244
Derivatives liabilities	65,574	39,952
Other current liabilities	9,683	10,171
Total current liabilities	82,584,878	78,383,142
Long-term Liabilities:		
Investment corporation bonds	17,000,000	25,000,000
Long-term debt	422,384,400	419,841,600
Lease obligations	4,134	3,775
Long-term advanced received	187,302	129,354
Security deposits from tenants	40,852,194	41,500,327
Derivatives liabilities	843,558	745,604
Total long-term liabilities	481,271,590	487,220,660
Total Liabilities	563,856,468	565,603,803
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	214,855,487	244,185,429
Surplus		
Capital surplus	394,012,959	394,012,959
Allowance for temporary difference adjustment	(10,439,617)	(11,903,126)
Other deductions from capital surplus	(9,301,010)	(10,738,678)
Total deductions from capital surplus	(19,740,627)	(22,641,804)
Net capital surplus	374,272,331	371,371,154
Retained earnings	12,688,967	13,094,910
Total surplus	386,961,298	384,466,064
Total unitholders' equity	601,816,786	628,651,494
Valuation and Translation Adjustments:		
Deferred gains or losses on hedges	(905,812)	(783,330)
Total valuation and translation adjustments	(905,812)	(783,330)
Total Net Assets	600,910,974	627,868,163
Total Liabilities and Net Assets	1,164,767,442	1,193,471,967

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

STATEMENT OF INCOME AND RETAINED EARNINGS

	Thousands of Yen	
	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Real estate rental revenues	36,610,991	36,927,357
Gain on sales of real estate	6,213	-
	36,617,204	36,927,357
Operating Expenses:		
Real estate rental expenses	15,887,320	15,720,670
Asset management fees	3,224,402	3,291,289
Asset custody fees	57,119	59,207
Administrative service fees	173,069	169,605
Amortization of goodwill	2,622,242	2,622,242
Other operating expenses	387,680	390,886
	22,351,834	22,253,901
Operating Income	14,265,370	14,673,456
NON-OPERATING REVENUES AND EXPENSES		
Non-Operating Revenues:		
Interest income	596	415
Reversal of dividends payable	4,975	4,123
Interest on refund	-	3,379
Other non-operating revenues	107	176
	5,679	8,095
Non-Operating Expenses:		
Interest expense	1,907,676	1,813,077
Interest expenses on investment corporation bonds	185,270	210,186
Amortization of investment corporation bonds issuance costs	3,160	5,584
Loan arrangement fees	421,076	416,210
Investment units issuance expenses	55,843	55,727
Other non-operating expenses	5,259	5,255
	2,578,287	2,506,040
Ordinary Income	11,692,763	12,175,510
Extraordinary Income:		
Insurance income	-	28,611
	-	28,611
Extraordinary Losses:		
Loss on disaster	-	12,344
	-	12,344
Income before Income Taxes	11,692,763	12,191,777
Income Taxes:		
Current	2,055	3,057
	2,055	3,057
Net Income	11,690,708	12,188,719
Retained earnings brought forward	998,259	906,191
Retained Earnings at End of Period	12,688,967	13,094,910

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

STATEMENT OF CHANGES IN NET ASSETS

For the period from March 1, 2019 to August 31, 2019

	Thousands of Yen						
	Unitholders' Equity						
	Surplus						
	Capital surplus						
	Deductions from capital surplus						
	Units	Unitholders' capital	Capital surplus	Allowance for temporary difference adjustment	Other deductions from capital surplus	Total deductions from capital surplus	Net capital surplus
Balance as of March 1, 2019	4,321,800	182,051,777	394,012,959	(8,879,447)	(8,678,670)	(17,558,118)	376,454,840
Issuance of new investment units	225,500	32,803,710	-	-	-	-	-
Distributions of retained earnings	-	-	-	-	-	-	-
Distributions in excess of net earnings from allowance for temporary difference adjustments	-	-	-	(1,560,169)	-	(1,560,169)	(1,560,169)
Other distributions in excess of net earnings	-	-	-	-	(622,339)	(622,339)	(622,339)
Net income	-	-	-	-	-	-	-
Net changes of items other than unitholders' equity	-	-	-	-	-	-	-
Total changes of items during the period	225,500	32,803,710	-	(1,560,169)	(622,339)	(2,182,509)	(2,182,509)
Balance as of August 31, 2019	4,547,300	214,855,487	394,012,959	(10,439,617)	(9,301,010)	(19,740,627)	374,272,331

	Thousands of Yen						
	Unitholders' Equity			Valuation and Translation Adjustments			
	Surplus			Total unitholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
	Retained earnings	Total surplus					
Balance as of March 1, 2019	12,334,340	388,789,181	570,840,958		(997,480)	(997,480)	569,843,478
Issuance of new investment units	-	-	32,803,710		-	-	32,803,710
Distributions of retained earnings	(11,336,081)	(11,336,081)	(11,336,081)		-	-	(11,336,081)
Distributions in excess of net earnings from allowance for temporary difference adjustments	-	(1,560,169)	(1,560,169)		-	-	(1,560,169)
Other distributions in excess of net earnings	-	(622,339)	(622,339)		-	-	(622,339)
Net income	11,690,708	11,690,708	11,690,708		-	-	11,690,708
Net changes of items other than unitholders' equity	-	-	-		91,667	91,667	91,667
Total changes of items during the period	354,626	(1,827,882)	30,975,828		91,667	91,667	31,067,496
Balance as of August 31, 2019	12,688,967	386,961,298	601,816,786		(905,812)	(905,812)	600,910,974

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

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

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

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

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

STATEMENT OF CASH FLOWS

	Thousands of Yen	
	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
CASH FLOWS		
Cash Flows from Operating Activities		
Income before income taxes	11,692,763	12,191,777
Depreciation	5,137,887	5,153,337
Amortization of goodwill	2,622,242	2,622,242
Investment units issuance expenses	55,843	55,727
Amortization of investment corporation bonds issuance costs	3,160	5,584
Increase (Decrease) in provision for loss on disaster	(43,480)	20,244
Interest income	(596)	(415)
Interest expense	2,092,946	2,023,263
Loss on disposal of property and equipment	5,302	4,042
Decrease (Increase) in rental receivables	(37,771)	102,448
Decrease (Increase) in long-term prepaid expenses	(184,298)	66,061
Decrease (Increase) in long-term deposits	(16,043)	(10,628)
Increase (Decrease) in trade accounts payable	863,316	(260,939)
Increase (Decrease) in other accounts payable	(21,753)	16,901
Decrease (Increase) in consumption taxes receivables	(657,804)	657,804
Increase (Decrease) in accrued consumption taxes	(990,633)	1,158,419
Increase (Decrease) in accrued expenses	8,739	53,619
Increase (Decrease) in rent received in advance	224,309	119,954
Decrease in property and equipment due to sales	14,403	-
Other	(280,470)	69,175
Subtotal	20,488,065	24,048,621
Interest received	596	415
Interest paid	(2,166,900)	(2,088,004)
Income taxes paid	(925)	(2,059)
Net cash provided by (used in) operating activities	18,320,837	21,958,973
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(54,380,717)	(22,909,351)
Payments for purchases of leasehold rights and intangible assets	(551)	(4,620)
Reimbursement of security deposits to tenants	(1,016,699)	(865,829)
Proceeds from security deposits from tenants	3,468,968	1,513,961
Proceeds from security deposits	35	10,000
Net cash provided by (used in) investing activities	(51,928,965)	(22,255,840)
Cash Flows from Financing Activities		
Proceeds from short-term debt	13,600,000	-
Repayments of short-term debt	(6,100,000)	(8,000,000)
Proceeds from long-term debt	40,900,000	29,900,000
Repayments of long-term debt	(34,742,800)	(29,942,800)
Proceeds from issuance of investment corporation bonds	-	8,000,000
Payments of investment corporation bonds issuance costs	-	(71,836)
Proceeds from issuance of investment units	32,803,710	29,238,273
Payments of investment units issuance expenses	(123,730)	(55,727)
Distributions to unitholders	(11,334,400)	(11,691,370)
Distributions in excess of net earnings from allowance for temporary difference adjustments	(1,563,076)	(1,554,693)
Other distributions in excess of net earnings	(623,564)	(1,346,666)
Net cash provided by (used in) financing activities	32,816,137	14,475,179
Net Increase (Decrease) in Cash and Cash Equivalents	(791,990)	14,178,313
Cash and Cash Equivalents at Beginning of Period	74,212,743	73,420,753
Cash and Cash Equivalents at End of Period	73,420,753	87,599,067

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

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

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

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

Intangible assets

Intangible assets are amortized by the straight-line method.

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

NOTES TO FINANCIAL STATEMENTS

Long-term prepaid expenses

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

Impairment of fixed assets

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

Deferred investment corporation bond issuance costs

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

Investment units issuance expenses

The entire amount is expensed as incurred.

Allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for loss on disaster

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

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for the fiscal period. The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥182,534 thousand for the fiscal period ended August 31, 2019, and ¥67,984 thousand for the fiscal period ended February 29, 2020.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

(Accounting standards issued but not yet applied)

“Accounting Standard for Revenue Recognition” (the Accounting Standards Board of Japan (ASBJ) Statement No. 29, issued by ASBJ on March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by ASBJ on March 30, 2018)

(1) Overview

Comprehensive accounting standards on revenue recognition were developed jointly by the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), and were released publicly in May 2014 as “Revenue from Contracts with Customers” (IFRS 15 by the IASB, and Topic 606 by the FASB). In light of this, the ASBJ developed a comprehensive accounting standard on revenue recognition, and issued it together with implementation guidance.

The basic policy adopted by the ASBJ in developing the accounting standard was to start by incorporating the basic principles of IFRS 15 from the perspective of comparability between financial statements, which is one of the benefits of maintaining consistency with IFRS 15. Then, where consideration should be given to practices used up to that time in Japan, the ASBJ added alternative treatments, to the extent they do not impair comparability.

(2) Scheduled date of application

These accounting standard and guidance will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the new accounting standard.

The impact on financial statements of applying these accounting Standard and guidance is currently under evaluation.

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued by ASBJ on July 4, 2019)

“Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, issued by ASBJ on July 4, 2019).

(1) Overview

The IASB and the FASB have established detailed guidance on measuring fair value (IFRS 13 “Fair Value Measurement” issued by the IASB, and Topic 820 “Fair Value Measurement” issued by the FASB). In order to improve comparability with the provisions of these international accounting standards, the ASBJ gave extensive consideration primarily regarding guidance and disclosure concerning the fair value of financial instruments, following which it issued the Accounting Standard for Fair Value Measurement and the Implementation Guidance on Accounting Standard for Fair Value Measurement.

The basic policy adopted by the ASBJ in developing the accounting standard was to fundamentally incorporate all of the provisions of IFRS 13 from the perspective of improving comparability of financial statements between companies in Japan and overseas by using uniform methods of calculation. Then, taking account of practices used up to that time in Japan, the ASBJ established other treatment for individual items, to the extent it does not significantly impair comparability between financial statements.

(2) Scheduled date of application

These accounting standard and guidance will be applied from the beginning of the fiscal period ending February 28, 2022.

(3) Impact of applying the new accounting standard.

The impact on financial statements of applying these accounting standard and guidance is currently under evaluation.

NOTES TO FINANCIAL STATEMENTS

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of August 31, 2019 and February 29, 2020 consist of the following:

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
Cash and bank deposits	73,420,753	87,599,067
Cash and cash equivalents	73,420,753	87,599,067

Important contents of the non-cash transactions:
Not applicable.

5. ASSETS PLEDGED AS COLLATERAL AND SECURED LIABILITIES

The assets pledged as collateral are as follows:

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
Buildings in trust	3,349,815	3,323,304
Land in trust	6,096,368	6,096,368
Structures in trust	2,581	2,528
Tools, furniture and fixtures in trust	143	122
Total	9,448,908	9,422,323

The secured liabilities are as follows:

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
Tenant leasehold and security deposits in trust	726,648	726,648
Total	726,648	726,648

6. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2019 and February 29, 2020 consist of the following:

	Thousands of Yen			
	As of August 31, 2019		As of February 29, 2020	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	282,632,048	282,632,048	294,597,869	294,597,869
Buildings and structures	145,727,184		150,505,558	
Accumulated depreciation	(14,332,350)	131,394,833	(16,519,965)	133,985,593
Machinery and equipment	729,577		834,291	
Accumulated depreciation	(465,179)	264,397	(500,882)	333,409
Tools, furniture and fixtures	333,772		398,249	
Accumulated depreciation	(103,877)	229,895	(134,487)	263,761
Land in trust	413,608,883	413,608,883	416,796,827	416,796,827
Buildings and structures in trust	187,098,392		189,971,453	
Accumulated depreciation	(26,202,758)	160,895,634	(28,994,937)	160,976,516
Machinery and equipment in trust	602,951		681,985	
Accumulated depreciation	(106,849)	496,102	(138,124)	543,861
Tools, furniture and fixtures in trust	801,449		860,947	
Accumulated depreciation	(249,652)	551,797	(315,398)	545,548
Lease assets in trust	14,859		4,752	
Accumulated depreciation	(10,028)	4,830	(528)	4,224
Construction in progress	12,050	12,050	24,761	24,761
Total	990,090,472	990,090,472	1,008,072,373	1,008,072,373

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

Short-term debt and current portion of long-term debt as of August 31, 2019 and February 29, 2020 consist of the following:

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on October 2,2019	8,000,000	0.46545%	-	-
Unsecured loans from banks due on October 28,2019	3,000,000	0.24545%	-	-
Unsecured loans from banks due on October 28,2019	4,000,000	0.21545%	-	-
Unsecured loans from banks due on November 26,2019	1,600,000	1.16500%	-	-
Unsecured loans from banks due on November 26,2019	4,000,000	0.72650%	-	-
Unsecured loans from banks due on November 26,2019	5,600,000	0.54065%	-	-
Unsecured loans from banks due on November 26,2019	3,450,000	0.37420%	-	-
Unsecured loans from banks due on February 26,2020	5,750,000	1.01150%	-	-
Unsecured loans from banks due on February 26,2020	2,500,000	0.64685%	-	-
Unsecured loans from banks due on May 26,2020	10,000,000	1.33750%	10,000,000	1.33750%
Unsecured loans from a bank due on May 26,2020	800,000	1.25875%	800,000	1.25875%
Unsecured loans from a bank due on May 27,2020	1,000,000	1.48625%	1,000,000	1.48625%
Unsecured loans from banks due on May 29,2020	4,000,000	0.43000%	4,000,000	0.43000%
Unsecured loans from a bank due on August 26,2020	1,100,000	1.53674%	1,100,000	1.53674%
Unsecured loans from a bank due on August 26,2020	800,000	1.28277%	800,000	1.28277%
Unsecured loans from banks due on August 26,2020	4,700,000	1.18000%	4,700,000	1.18000%
Unsecured loans from a bank due on August 26,2020	500,000	1.15566%	500,000	1.15566%
Unsecured loans from banks due on August 26,2020	4,500,000	1.08100%	4,500,000	1.08100%
Unsecured loans from a bank due on August 26,2020	1,000,000	0.72000%	1,000,000	0.72000%
Unsecured loans from banks due on September 28, 2020	-	-	3,000,000	0.23909%
Unsecured loans from banks due on November 26, 2020	-	-	3,500,000	0.46075%
Unsecured loans from banks due on November 26, 2020	-	-	2,350,000	0.46190%
Unsecured loans from a bank due on November 26, 2020	-	-	500,000	0.47375%
Unsecured loans from banks due on November 26, 2020	-	-	1,230,000	0.20909%
Unsecured loans from banks due on February 26, 2021	-	-	5,000,000	1.35250%
Unsecured loans from a bank due on February 26, 2021	-	-	2,000,000	1.17750%
Unsecured loans from banks due on February 26, 2021	-	-	2,000,000	1.19211%
Unsecured loans from banks due on February 26, 2021	-	-	2,000,000	0.80832%
Unsecured loans from a bank due on February 26, 2021	-	-	3,000,000	0.86350%
Unsecured loans from banks due on February 26, 2021	-	-	2,120,000	0.85050%
Unsecured loans from a bank due on February 26, 2021	-	-	500,000	0.46725%
Unsecured loans from a bank due on February 26, 2021	-	-	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%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	42,800	2.17000%	42,800	2.17000%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	42,800	2.21812%	42,800	2.21812%
Total	66,385,600		60,885,600	

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

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

- (1) The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended August 31, 2019. The total unused amount of such credit facilities was ¥10,000 million as of August 31, 2019.
- (2) The Company entered into ¥40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended August 31, 2019. The total unused amount of such credit facilities was ¥32,000 million as of August 31, 2019.
- (3) The Company entered into ¥10,000 million of credit facilities in the form of commitment lines with two financial institutions for the fiscal period ended February 29, 2020. The total unused amount of such credit facilities was ¥10,000 million as of February 29, 2020.
- (4) The Company entered into 40,000 million of credit facilities in the form of commitment lines with four financial institutions for the fiscal period ended February 29, 2020. The total unused amount of such credit facilities was ¥40,000 million as of February 29, 2020.

NOTES TO FINANCIAL STATEMENTS

8. LONG-TERM DEBT

Long-term debts as of August 31, 2019 and February 29, 2020 consist of the following:

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on September 28, 2020	3,000,000	0.24545%	-	-
Unsecured loans from banks due on November 26, 2020	3,500,000	0.46075%	-	-
Unsecured loans from banks due on November 26, 2020	2,350,000	0.46190%	-	-
Unsecured loans from a bank due on November 26, 2020	500,000	0.47375%	-	-
Unsecured loans from banks due on November 26, 2020	1,230,000	0.21545%	-	-
Unsecured loans from banks due on February 26, 2021	5,000,000	1.35250%	-	-
Unsecured loans from a bank due on February 26, 2021	2,000,000	1.17750%	-	-
Unsecured loans from banks due on February 26, 2021	2,000,000	1.19211%	-	-
Unsecured loans from banks due on February 26, 2021	2,000,000	0.80832%	-	-
Unsecured loans from a bank due on February 26, 2021	3,000,000	0.86350%	-	-
Unsecured loans from banks due on February 26, 2021	2,120,000	0.85050%	-	-
Unsecured loans from a bank due on February 26, 2021	500,000	0.46725%	-	-
Unsecured loans from a bank due on February 26, 2021	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%	-	-
Unsecured loans from banks due on March 26, 2021	4,670,000	0.24545%	4,670,000	0.23909%
Unsecured loans from banks due on May 26, 2021	8,000,000	1.56250%	8,000,000	1.56250%
Unsecured loans from a bank due on May 26, 2021	1,000,000	1.46375%	1,000,000	1.46375%
Unsecured loans from a bank due on May 27, 2021	1,000,000	1.68200%	1,000,000	1.68200%
Unsecured loans from a bank due on May 27, 2021	3,500,000	1.62500%	3,500,000	1.62500%
Unsecured loans from banks due on July 26, 2021	4,180,000	1.23920%	4,180,000	1.23920%
Unsecured loans from a bank due on August 26, 2021	2,700,000	1.24100%	2,700,000	1.24100%
Unsecured loans from banks due on August 26, 2021	3,600,000	0.81585%	3,600,000	0.81585%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.30289%	2,000,000	1.30289%
Unsecured loans from banks due on November 26, 2021	2,000,000	1.11662%	2,000,000	1.11662%
Unsecured loans from banks due on November 26, 2021	4,900,000	0.97410%	4,900,000	0.97410%
Unsecured loans from banks due on December 27, 2021	6,375,000	0.24545%	6,375,000	0.23909%
Unsecured loans from a bank due on January 26, 2022	3,500,000	1.48300%	3,500,000	1.48300%
Unsecured loans from banks due on February 28, 2022	4,500,000	1.31850%	4,500,000	1.31850%
Unsecured loans from a bank due on February 28, 2022	2,750,000	1.29600%	2,750,000	1.29600%
Unsecured loans from banks due on February 28, 2022	4,000,000	1.16000%	4,000,000	1.16000%
Unsecured loans from banks due on May 26, 2022	5,500,000	1.25900%	5,500,000	1.25900%
Unsecured loans from banks due on May 31, 2022	4,500,000	0.82500%	4,500,000	0.82500%
Unsecured loans from banks due on June 27, 2022	-	-	4,000,000	0.20909%
Unsecured loans from banks due on August 26, 2022	2,980,000	1.19700%	2,980,000	1.19700%
Unsecured loans from a bank due on August 26, 2022	3,000,000	1.09133%	3,000,000	1.09133%
Unsecured loans from banks due on August 26, 2022	4,000,000	1.08034%	4,000,000	1.08034%
Unsecured loans from a bank due on August 26, 2022	1,000,000	0.32886%	1,000,000	0.32886%
Unsecured loans from banks due on September 30, 2022	4,000,000	0.76250%	4,000,000	0.76250%
Unsecured loans from banks due on October 26, 2022	-	-	3,000,000	0.23909%
Unsecured loans from banks due on November 28, 2022	2,100,000	0.92280%	2,100,000	0.92280%
Unsecured loans from banks due on November 28, 2022	4,550,000	1.11000%	4,550,000	1.11000%
Unsecured loans from a bank due on November 28, 2022	1,800,000	1.05000%	1,800,000	1.05000%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.98624%	1,500,000	0.98624%
Unsecured loans from a bank due on November 28, 2022	1,000,000	0.71221%	1,000,000	0.71221%
Unsecured loans from banks due on November 28, 2022	1,500,000	0.69250%	1,500,000	0.69250%
Unsecured loans from a bank due on February 27, 2023	1,300,000	1.13250%	1,300,000	1.13250%
Unsecured loans from banks due on February 27, 2023	2,800,000	0.40740%	2,800,000	0.40740%
Unsecured loans from banks due on February 28, 2023	10,000,000	0.48700%	10,000,000	0.48700%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on May 26, 2023	1,000,000	1.83875%	1,000,000	1.83875%
Unsecured loans from a bank due on May 26, 2023	1,000,000	0.41250%	1,000,000	0.41250%
Unsecured loans from a bank due on May 26, 2023	2,500,000	0.43408%	2,500,000	0.43408%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.14850%	1,000,000	1.14850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.15850%	1,000,000	1.15850%
Unsecured loans from a bank due on August 28, 2023	1,000,000	1.18032%	1,000,000	1.18032%
Unsecured loans from a bank due on August 28, 2023	4,000,000	1.20772%	4,000,000	1.20772%
Unsecured loans from banks due on August 28, 2023	6,100,000	1.08510%	6,100,000	1.08510%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.43466%	1,000,000	0.43466%
Unsecured loans from a bank due on August 28, 2023	1,000,000	0.41000%	1,000,000	0.41000%
Unsecured loans from a bank due on August 28, 2023	500,000	0.41435%	500,000	0.41435%
Unsecured loans from banks due on August 31, 2023	6,700,000	0.55700%	6,700,000	0.55700%
Unsecured loans from banks due on November 27, 2023	2,000,000	1.75900%	2,000,000	1.75900%
Unsecured loans from banks due on November 27, 2023	2,600,000	0.82800%	2,600,000	0.82800%
Unsecured loans from banks due on November 27, 2023	4,000,000	0.49380%	4,000,000	0.49380%
Unsecured loans from banks due on November 27, 2023	1,500,000	0.47483%	1,500,000	0.47483%
Unsecured loans from a bank due on February 26, 2024	2,750,000	1.59400%	2,750,000	1.59400%
Unsecured loans from banks due on February 26, 2024	1,300,000	0.53630%	1,300,000	0.53630%
Unsecured loans from a bank due on February 26, 2024	500,000	0.24000%	500,000	0.24000%
Unsecured loans from banks due on May 27, 2024	1,100,000	0.51000%	1,100,000	0.51000%
Unsecured loans from a bank due on May 27, 2024	2,700,000	0.46376%	2,700,000	0.46376%
Unsecured loans from a bank due on May 27, 2024	2,000,000	0.53676%	2,000,000	0.53676%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.85925%	2,700,000	0.85925%
Unsecured loans from a bank due on June 26, 2024	2,700,000	0.49533%	2,700,000	0.49533%
Unsecured loans from a bank due on August 26, 2024	3,000,000	0.58175%	3,000,000	0.58175%
Unsecured loans from a bank due on August 26, 2024	2,430,000	0.49971%	2,430,000	0.49971%
Unsecured loans from banks due on August 26, 2024	5,670,000	0.49485%	5,670,000	0.49485%
Unsecured loans from a bank due on August 26, 2024	1,000,000	0.28624%	1,000,000	0.28624%
Unsecured loans from a bank due on November 26, 2024	2,250,000	0.50825%	2,250,000	0.50825%
Unsecured loans from banks due on November 26, 2024	3,000,000	0.58000%	3,000,000	0.58000%
Unsecured loans from a bank due on November 26, 2024	1,800,000	0.55979%	1,800,000	0.55979%
Unsecured loans from a bank due on November 26, 2024	500,000	0.52384%	500,000	0.52384%
Unsecured loans from banks due on November 26, 2024	2,000,000	0.42630%	2,000,000	0.42630%
Unsecured loans from a bank due on November 26, 2024	-	-	800,000	0.21380%
Unsecured loans from banks due on February 26, 2025	4,200,000	0.62675%	4,200,000	0.62675%
Unsecured loans from a bank due on February 26, 2025	1,000,000	0.52140%	1,000,000	0.52140%
Unsecured loans from banks due on February 26, 2025	3,000,000	0.53936%	3,000,000	0.53936%
Unsecured loans from banks due on February 26, 2025	1,500,000	0.53880%	1,500,000	0.53880%
Unsecured loans from banks due on February 26, 2025	1,000,000	0.50604%	1,000,000	0.50604%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	2,000,000	0.60286%	2,000,000	0.60286%
Unsecured loans from banks due on May 26, 2025	2,800,000	0.60286%	2,800,000	0.60286%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.61434%	1,000,000	0.61434%
Unsecured loans from a bank due on May 26, 2025	1,000,000	0.50506%	1,000,000	0.50506%
Unsecured loans from banks due on May 26, 2025	2,000,000	0.46301%	2,000,000	0.46301%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.56380%	3,000,000	0.56380%
Unsecured loans from banks due on August 26, 2025	4,050,000	0.58727%	4,050,000	0.58727%
Unsecured loans from banks due on August 26, 2025	1,850,000	0.67915%	1,850,000	0.67915%
Unsecured loans from banks due on August 26, 2025	2,600,000	0.60489%	2,600,000	0.60489%
Unsecured loans from banks due on August 26, 2025	3,000,000	0.58380%	3,000,000	0.58380%
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.09830%	1,100,000	1.09830%

NOTES TO FINANCIAL STATEMENTS

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on November 26, 2025	1,100,000	1.06250%	1,100,000	1.06250%
Unsecured loans from a bank due on November 26, 2025	2,000,000	1.03955%	2,000,000	1.03955%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.59639%	2,000,000	0.59639%
Unsecured loans from a bank due on November 26, 2025	2,000,000	0.60448%	2,000,000	0.60448%
Unsecured loans from banks due on November 26, 2025	4,200,000	0.64616%	4,200,000	0.64616%
Unsecured loans from a bank due on November 26, 2025	900,000	0.65123%	900,000	0.65123%
Unsecured loans from a bank due on November 26, 2025	1,300,000	0.64278%	1,300,000	0.64278%
Unsecured loans from a bank due on November 26, 2025	1,000,000	0.59499%	1,000,000	0.59499%
Unsecured loans from a bank due on November 26, 2025	500,000	0.56311%	500,000	0.56311%
Unsecured loans from banks due on February 26, 2026	4,000,000	0.74080%	4,000,000	0.74080%
Unsecured loans from banks due on February 26, 2026	2,500,000	0.59592%	2,500,000	0.59592%
Unsecured loans from banks due on February 26, 2026	800,000	0.37630%	800,000	0.37630%
Unsecured loans from a bank due on February 26, 2026	500,000	0.39196%	500,000	0.39196%
Unsecured loans from banks due on February 26, 2026	1,500,000	0.17136%	1,500,000	0.17136%
Unsecured loans from a bank due on May 26, 2026	2,500,000	0.63995%	2,500,000	0.63995%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.65267%	1,100,000	0.65267%
Unsecured loans from banks due on May 26, 2026	3,600,000	0.60880%	3,600,000	0.60880%
Unsecured loans from a bank due on May 26, 2026	1,000,000	0.59614%	1,000,000	0.59614%
Unsecured loans from a bank due on May 26, 2026	1,100,000	0.37000%	1,100,000	0.37000%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from a bank due on August 26, 2026	2,700,000	0.67591%	2,700,000	0.67591%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.77669%	3,000,000	0.77669%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.70414%	1,000,000	0.70414%
Unsecured loans from banks due on August 26, 2026	3,000,000	0.67483%	3,000,000	0.67483%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.64500%	1,000,000	0.64500%
Unsecured loans from a bank due on August 26, 2026	1,000,000	0.42118%	1,000,000	0.42118%
Unsecured loans from a bank due on August 26, 2026	500,000	0.43627%	500,000	0.43627%
Unsecured loans from banks due on August 26, 2026	1,500,000	0.20880%	1,500,000	0.20880%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.76000%	2,000,000	0.76000%
Unsecured loans from a bank due on November 26, 2026	2,000,000	0.74229%	2,000,000	0.74229%
Unsecured loans from banks due on November 26, 2026	4,165,000	0.73506%	4,165,000	0.73506%
Unsecured loans from banks due on November 26, 2026	4,000,000	0.69956%	4,000,000	0.69956%
Unsecured loans from banks due on November 26, 2026	1,500,000	0.64999%	1,500,000	0.64999%
Unsecured loans from banks due on November 26, 2026	2,000,000	0.60750%	2,000,000	0.60750%
Unsecured loans from banks due on November 26, 2026	-	-	1,000,000	0.28000%
Unsecured loans from banks due on November 26, 2026	-	-	1,200,000	0.30000%
Unsecured loans from banks due on February 26, 2027	2,320,000	0.71500%	2,320,000	0.71500%
Unsecured loans from banks due on February 26, 2027	1,500,000	0.46630%	1,500,000	0.46630%
Unsecured loans from a bank due on February 26, 2027	500,000	0.44859%	500,000	0.44859%
Unsecured loans from banks due on February 26, 2027	1,000,000	0.48144%	1,000,000	0.48144%
Unsecured loans from a bank due on February 26, 2027	-	-	1,500,000	0.28500%
Unsecured loans from a bank due on February 26, 2027	-	-	1,000,000	0.28500%
Unsecured loans from banks due on March 26, 2027	1,500,000	0.69068%	1,500,000	0.69068%
Unsecured loans from banks due on May 26, 2027	3,060,000	0.78177%	3,060,000	0.78177%
Unsecured loans from banks due on May 26, 2027	2,300,000	0.74736%	2,300,000	0.74736%
Unsecured loans from a bank due on May 26, 2027	1,800,000	0.70250%	1,800,000	0.70250%
Unsecured loans from a bank due on May 26, 2027	-	-	1,400,000	0.32000%
Unsecured loans from banks due on August 26, 2027	4,000,000	0.76843%	4,000,000	0.76843%
Unsecured loans from banks due on August 26, 2027	2,600,000	0.76290%	2,600,000	0.76290%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.74500%	1,000,000	0.74500%
Unsecured loans from a bank due on August 26, 2027	1,000,000	0.51356%	1,000,000	0.51356%
Unsecured loans from banks due on August 26, 2027	1,500,000	0.29000%	1,500,000	0.29000%
Unsecured loans from a bank due on November 26, 2027	2,000,000	0.89209%	2,000,000	0.89209%
Unsecured loans from banks due on November 26, 2027	5,000,000	0.79571%	5,000,000	0.79571%

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from a bank due on November 26, 2027	1,800,000	0.75050%	1,800,000	0.75050%
Unsecured loans from banks due on November 26, 2027	1,700,000	0.70750%	1,700,000	0.70750%
Unsecured loans from banks due on November 26, 2027	2,500,000	0.52234%	2,500,000	0.52234%
Unsecured loans from a bank due on February 28, 2028	1,000,000	0.82130%	1,000,000	0.82130%
Unsecured loans from a bank due on February 28, 2028	2,355,000	0.76241%	2,355,000	0.76241%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.78296%	1,500,000	0.78296%
Unsecured loans from a bank due on February 28, 2028	1,800,000	0.79642%	1,800,000	0.79642%
Unsecured loans from a bank due on February 28, 2028	2,650,000	0.54205%	2,650,000	0.54205%
Unsecured loans from banks due on February 28, 2028	1,500,000	0.57365%	1,500,000	0.57365%
Unsecured loans from banks due on May 26, 2028	5,000,000	0.79880%	5,000,000	0.79880%
Unsecured loans from a bank due on May 26, 2028	2,000,000	0.75922%	2,000,000	0.75922%
Unsecured loans from a bank due on May 26, 2028	1,550,000	0.55038%	1,550,000	0.55038%
Unsecured loans from a bank due on May 26, 2028	500,000	0.54010%	500,000	0.54010%
Unsecured loans from banks due on May 26, 2028	2,000,000	0.54750%	2,000,000	0.54750%
Unsecured loans from a bank due on May 26, 2028	-	-	1,400,000	0.40500%
Unsecured loans from banks due on August 28, 2028	3,600,000	0.84750%	3,600,000	0.84750%
Unsecured loans from a bank due on August 28, 2028	500,000	0.61005%	500,000	0.61005%
Unsecured loans from banks due on August 28, 2028	1,000,000	0.62163%	1,000,000	0.62163%
Unsecured loans from a bank due on August 28, 2028	500,000	0.62025%	500,000	0.62025%
Unsecured loans from a bank due on August 28, 2028	500,000	0.37500%	500,000	0.37500%
Unsecured loans from banks due on November 27, 2028	2,000,000	0.81130%	2,000,000	0.81130%
Unsecured loans from banks due on November 27, 2028	3,000,000	0.59375%	3,000,000	0.59375%
Unsecured loans from a bank due on November 27, 2028	-	-	1,800,000	0.50880%
Unsecured loans from banks due on February 26, 2029	2,500,000	0.65880%	2,500,000	0.65880%
Unsecured loans from banks due on February 26, 2029	1,400,000	0.67098%	1,400,000	0.67098%
Unsecured loans from a bank due on February 26, 2029	2,300,000	0.63692%	2,300,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	500,000	0.63692%	500,000	0.63692%
Unsecured loans from a bank due on February 26, 2029	3,500,000	0.41815%	3,500,000	0.41815%
Unsecured loans from banks due on May 28, 2029	5,000,000	0.64000%	5,000,000	0.64000%
Unsecured loans from a bank due on May 28, 2029	-	-	800,000	0.55190%
Unsecured loans from banks due on August 27, 2029	2,000,000	0.46130%	2,000,000	0.46130%
Unsecured loans from banks due on August 27, 2029	3,900,000	0.46130%	3,900,000	0.46130%
Unsecured loans from banks due on August 27, 2029	-	-	2,800,000	0.55845%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	2,000,000	1.12506%	2,000,000	1.12506%
Unsecured loans from a bank due on November 26, 2029	-	-	1,200,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	-	-	1,000,000	0.59500%
Unsecured loans from a bank due on November 26, 2029	-	-	750,000	0.48000%
Unsecured loans from a bank due on November 26, 2029	-	-	500,000	0.59500%
Unsecured loans from banks due on February 26, 2030	-	-	4,250,000	0.52000%
Unsecured loans from a bank due on February 26, 2030	-	-	1,500,000	0.48000%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.92250%	1,100,000	1.92250%
Unsecured loans from a bank due on October 28, 2030	1,100,000	1.91700%	1,100,000	1.91700%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	689,700	2.17000%	668,300	2.17000%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	689,700	2.21812%	668,300	2.21812%
Total	422,384,400		419,841,600	

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, hedged by interest-rate swaps for the purpose of avoiding interest rate fluctuation risk, the swapped interest rates are used to calculate the weighted-average interest rate.

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

NOTES TO FINANCIAL STATEMENTS

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, 2019	61,135,600	51,090,600	61,435,600	38,035,600
As of February 29, 2020	58,760,600	58,615,600	45,535,600	44,435,600

9. INVESTMENT CORPORATION BONDS

Details of investment corporation bonds outstanding are summarized as follows.

	As of August 31, 2019		As of February 29, 2020	
	Amount (Thousands of Yen)	Interest rate (Note 1)	Amount (Thousands of Yen)	Interest rate (Note 1)
NOF's 2nd series of unsecured investment corporation bonds due on March 16, 2020	5,000,000	2.47%	5,000,000	2.47%
NOF's 7th series of unsecured investment corporation bonds due on March 17, 2028	4,500,000	2.90%	4,500,000	2.90%
Former NMF's 1st series of unsecured investment corporation bonds due on October 30, 2024	3,000,000	0.87%	3,000,000	0.87%
NOF's 10th series of unsecured investment corporation bonds due on November 25, 2024	6,000,000	1.02%	6,000,000	1.02%
NMF's 2nd series of unsecured investment corporation bonds due on November 16, 2027	2,000,000	0.59%	2,000,000	0.59%
NMF's 3rd series of unsecured investment corporation bonds due on May 21, 2038	1,500,000	1.03%	1,500,000	1.03%
NMF's 4th series of unsecured investment corporation bonds due on September 20, 2029 (green bonds)	-	-	3,000,000	0.53%
NMF's 5th series of unsecured investment corporation bonds due on September 20, 2039	-	-	5,000,000	0.90%
Total	22,000,000		30,000,000	

Note 1: The interest rate is rounded to the nearest second decimal place.

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

	Thousands of Yen				
	Within a year	1-2 years	2-3 years	3-4 years	4-5 years
As of August 31, 2019	5,000,000	-	-	-	-
As of February 29, 2020	5,000,000	-	-	-	9,000,000

10. UNITHOLDERS' EQUITY

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

11. ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

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

For the period from March 1, 2019 to August 31, 2019

1. Reason, related assets and amounts

Thousands of Yen							
Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	12,111,369	6,760,875	1,347,369	-	8,108,244	-
Land, buildings, etc.	Merger expenses	4,029,135	1,346,802	(12,910)	-	1,333,892	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	771,769	225,710	-	997,480	-
Increase - subtotal		-	8,879,447	1,560,169	-	10,439,617	-
Total		-	8,879,447	1,560,169	-	10,439,617	-

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Deferred gains or losses on hedges

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

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

1. Reason, related assets and amounts

Thousands of Yen							
Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Goodwill	Amortization of goodwill	14,733,612	8,108,244	1,560,840	-	9,669,084	-
Land, buildings, etc.	Merger expenses	4,029,135	1,333,892	(5,663)	-	1,328,228	-
Deferred gains or losses on hedges	Loss on interest-rate swaps recognized at the end of the fiscal period	2,867,594	997,480	-	(91,667)	905,812	Changes in fair value of derivative transactions
Increase - subtotal		-	10,439,617	1,555,176	(91,667)	11,903,126	-
Total		-	10,439,617	1,555,176	(91,667)	11,903,126	-

2. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Deferred gains or losses on hedges

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

12. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of August 31, 2019 and February 29, 2020 were as follows:

	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Net assets per unit	132,146	133,158
Net income per unit	2,571	2,642

Note 1: The net income per unit is calculated by dividing net income by the weighted-average number of units outstanding.
Note 2: The basis for calculating net income per unit is as follows.

	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Net income (Thousands of Yen)	11,690,708	12,188,719
Amount not available to ordinary unitholders (Thousands of Yen)	–	–
Net income available to ordinary unitholders (Thousands of Yen)	11,690,708	12,188,719
Average number of units during the period (Units)	4,545,840	4,612,315

13. RELATED PARTY TRANSACTIONS

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

Parent Company and major corporate unitholders

Not applicable

Subsidiaries and affiliates

Not applicable

Fellow subsidiary companies

Not applicable

Directors and major individual unitholders

Not applicable

14. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 31.51% for the fiscal period ended February 29, 2020. However, the Company may deduct dividend distributions paid to its unitholders from its taxable income amounts, provided such distributions meet the requirements under the Act on Special Measures Concerning Taxation of Japan. Under this act, an investment corporation must meet a number of tax requirements, including a

requirement to distribute in excess of 90% of its distributable income for the fiscal period, in order to deduct such amounts. If the investment corporation does not satisfy all of the requirements, the entire taxable income of the investment corporation will be subject to regular corporate income taxes.

Since the Company distributed in excess of 90% of its distributable income in the form of cash distributions totaling ¥15,461,140 thousand for the fiscal period ended February 29, 2020, such distributions were treated as deductible distributions for purposes of corporate income taxes.

The following summarizes breakdown of deferred tax assets and liabilities:

	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Deferred tax asset:		
Valuation difference on other assets acquired by merger	20,452,773	20,204,388
Deferred gains or losses on hedges	284,970	246,437
Unearned revenue	108,620	82,144
Write-offs for long-term prepaid expenses	12,332	9,300
Depreciation costs of trust leasehold rights	1,338	1,459
Non-deductible accrued enterprise tax	86	170
Subtotal	20,860,121	20,543,900
Valuation allowance	(20,860,121)	(20,543,900)
Total non-current deferred tax assets	–	–
Total deferred tax assets	–	–
Net deferred tax assets	–	–

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

	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Statutory tax rate	31.51%	31.51%
Deductible cash distributions	(35.69%)	(35.99%)
Valuation of allowance	(2.87%)	(2.28%)
Amortization of goodwill	7.07%	6.78%
Other	0.01%	0.00%
Effective tax rate	0.02%	0.02%

15. FINANCIAL INSTRUMENTS

Overview

(1) Policy for Financial Instruments

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

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

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

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

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

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

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

Fair Value of Financial Instruments

For the period from March 1, 2019 to August 31, 2019

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2019.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	73,420,753	73,420,753	–
(ii) Short-term debt	(8,000,000)	(8,000,000)	–
(iii) Current portion of investment corporation bonds	(5,000,000)	(5,061,335)	61,335
(iv) Current portion of long-term debt	(58,385,600)	(58,577,585)	191,985
(v) Investment corporation bonds	(17,000,000)	(18,376,555)	1,376,555
(vi) Long-term debt	(422,384,400)	(432,947,922)	10,563,522
(vii) Derivative transactions	(909,813)	(909,813)	–

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

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

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

Note 1: The numbers in parenthesis indicate liabilities.

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

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

Note 3: Redemption schedule for cash and bank deposits as of August 31, 2019

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	73,420,753	–	–	–	–	–
Total	73,420,753	–	–	–	–	–

Redemption schedule for cash and bank deposits as of February 29, 2020

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Cash and bank deposits	87,599,067	–	–	–	–	–
Total	87,599,067	–	–	–	–	–

Note 4: Redemption schedule for debt as of August 31, 2019

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Short-term debt	8,000,000	–	–	–	–	–
Investment corporation bonds	5,000,000	–	–	–	–	17,000,000
Long-term debt	58,385,600	61,135,600	51,090,600	61,435,600	38,035,600	210,687,000
Total	71,385,600	61,135,600	51,090,600	61,435,600	38,035,600	227,687,000

Redemption schedule for debt as of February 29, 2020

	Thousands of Yen					
	Due within one year	After one year, within two years	After two years, within three years	After three years, within four years	After four years, within five years	After five years
Investment corporation bonds	5,000,000	–	–	–	9,000,000	16,000,000
Long-term debt	60,885,600	58,760,600	58,615,600	45,535,600	44,435,600	212,494,200
Total	65,885,600	58,760,600	58,615,600	45,535,600	53,435,600	228,494,200

16. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Carrying value		
Balance at beginning of the period	949,867,203	999,049,393
Amount of increase (decrease) during the period	49,182,189	17,969,957
Balance at end of the period	999,049,393	1,017,019,350
Fair value at end of the period	1,123,089,000	1,158,232,000

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 Higashi (¥11,055,064 thousand), PMO Hatchobori Shinkawa (¥3,863,665 thousand), PMO Kyobashi Higashi (¥2,926,836 thousand), PMO Ochanomizu (¥3,941,809 thousand), GEMS Shinbashi (¥2,856,526 thousand), GEMS Kayabacho (¥2,628,660 thousand), Summit Store Honamanuma (¥2,183,962 thousand), GEMS Shin-Yokohama (¥1,844,634 thousand), GEMS Namba (¥3,851,753 thousand), Landport Ome I (¥13,874,977 thousand) and Red Planet Naha Okinawa (¥2,692,522 thousand). The decrease period is mainly attributable to the partial sale of PROUD FLAT Shinjuku Kawadacho (¥14,403 thousand) as well as depreciation expenses (¥5,130,411 thousand).The increase during the current period is mainly attributable to the acquisition of PMO Akihabara Kita (¥8,547,300 thousand), PMO Higashi-Shinbashi (¥4,801,865 thousand), PROUD FLAT Shibuya Tomigaya (¥4,080,033 thousand), PROUD FLAT Miyazakidai (¥1,461,354 thousand) and PROUD FLAT Asakusabashi III (¥1,282,437 thousand). The decrease during the current period is mainly attributable to depreciation expenses (¥5,146,129 thousand).

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

The real estate rental revenues and expenses for the fiscal period ended February 29, 2020 are presented in “18. Breakdown of Real Estate Rental Revenues and Expenses.”

17. SEGMENT INFORMATION

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

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

For the period from March 1, 2019 to August 31, 2019

Customer name	Revenues (Thousands of Yen)	Related segment name
Nomura Real Estate Partners Co., Ltd.	5,169,816	Rental real estate business

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

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

18. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended August 31, 2019 and February 29, 2020 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Real estate rental revenues	36,610,991	36,927,357
Rental revenues	33,388,571	33,877,972
Rental revenues	30,916,343	31,441,906
Common area charges	2,472,228	2,436,066
Other rental revenues	3,222,419	3,049,384
Parking revenues	598,968	609,203
Incidental income	2,368,743	2,267,052
Other miscellaneous revenues	254,707	173,128
Real estate rental expenses	15,887,320	15,720,670
Property management costs	1,716,309	1,760,058
Property management fees	1,005,772	950,345
Property and other taxes	2,982,222	2,976,127
Utility expenses	1,883,595	1,829,299
Casualty insurance	42,787	42,831
Repairs and maintenance	1,727,718	1,658,591
Land rents	211,417	204,347
Depreciation	5,135,610	5,151,274
Other rental expenses	1,181,885	1,147,795
Real estate rental profits	20,723,671	21,206,687

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

	Thousands of Yen	
	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
Gain on sale of real estate		
Proceeds from sale of real estate	23,000	–
Cost of real estate	14,403	–
Other related sales expense	2,383	–
Gain on sale of real estate	6,213	–
Loss on sale of real estate		
Proceeds from sale of real estate	–	–
Cost of real estate	–	–
Other related sales expense	–	–
Loss on sale of real estate	–	–

20. BREAKDOWN OF EXTRAORDINARY INCOME

For the period from March 1, 2019 to August 31, 2019

Not applicable

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

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

21. BREAKDOWN OF EXTRAORDINARY LOSS

For the period from March 1, 2019 to August 31, 2019

Not applicable.

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

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

22. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of August 31, 2019 and February 29, 2020 are summarized as follows:

	Thousands of Yen	
	As of August 31, 2019	As of February 29, 2020
Due within one year	34,037,212	34,932,268
Due after one year	79,314,693	76,918,092
Total	113,351,905	111,850,360

23. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of August 31, 2019

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

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

Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value ^(Note 2)
			(Note 1)	Due after one year	
Principal treatment method	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	101,180,000	78,130,000	(909,813) ^(Note 3)
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	74,732,500	51,639,700	(1,019,257) ^(Note 4)
Total			175,912,500	129,769,700	(1,929,071)

Note 1: Contract amount is based on notional amount.

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

Note 3: Out of the fair value, (¥4,001 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥1,019,257 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

Derivative transactions as of February 29, 2020

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

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

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

Note 1: Contract amount is based on notional amount.

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

Note 3: Out of the fair value, (¥2,198 thousand) is booked as "accrued expenses" on the Balance Sheet.

Note 4: Out of the fair value, (¥959,582 thousand) is not marked to market on the Balance Sheet, since adopting special treatment for interest-rate swaps.

24. CASH DISTRIBUTIONS

	For the period from March 1, 2019 to August 31, 2019	For the period from September 1, 2019 to February 29, 2020
1. Retained earnings at end of period	12,688,967,476	13,094,910,659
2. Distributions in excess of retained earnings	2,901,177,400	3,272,348,800
Of which, allowance for temporary difference adjustment	1,555,176,600	1,735,193,600
Of which, other distributions in excess of net income	1,346,000,800	1,537,155,200
3. Incorporation into unitholders' capital	91,667,763	122,481,948
Of which, reversal of allowance for temporary difference adjustments	91,667,763	122,481,948
4. Distributions	14,592,285,700	15,461,140,800
[Distributions (per unit)]	(3,209)	(3,279)
Of which, distributions of earnings	11,691,108,300	12,188,792,000
[Of which, distributions of earnings (per unit)]	(2,571)	(2,585)
Of which, allowance for temporary difference adjustments	1,555,176,600	1,735,193,600
[Of which, allowance for temporary difference adjustments (per unit)]	(342)	(368)
Of which, other distributions in excess of net income	1,346,000,800	1,537,155,200
[Of which, other distributions in excess of net income (per unit)]	(296)	(326)
5. Retained earnings carried forward	906,191,413	783,636,711

Calculation method of distribution amount

NMF calculates distributions in accordance with the cash distribution policies as specified in Article 36, Paragraphs 1 and 2 of NMF's Articles of Incorporation.

For the fiscal period under review, NMF decided to implement a total of ¥15,461,140,800 in distributions (¥3,279 per investment unit). This figure was arrived at by excluding the portion for which per-unit distribution comprising the types of dividends laid out below would be less than ¥1 from ¥15,465,559,688, the amount calculated based on ¥12,188,719,246 in net income after taxes plus ¥2,622,242,820 in amortization of goodwill, and adding ¥654,597,622 in consideration of temporary decrease in operating revenues due to the move out of a large tenant and effect to per-unit distribution due to increase in investment units by issuance of new investment units.

Total distributions comprise distribution of earnings and distribution in excess of net income. Distribution of earnings as stipulated in Article 136, Paragraph 1 of the Investment Trust Act came to ¥12,188,792,000 (¥2,585 per investment unit). Distribution in excess of net income comprises a distribution of ¥1,735,193,600 (¥368 per investment unit) as allowance for temporary difference adjustment and ¥1,537,155,200 (¥326 per investment unit) in other distribution in excess of net income.

25. INFORMATION ON ALLOWANCE FOR TEMPORARY DIFFERENCE ADJUSTMENTS

For the period from March 1, 2019 to August 31, 2019

1. Reason for provision, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for provision	Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	2,622,242
Long-term deposits	Shortfall of reserve for repairs	4,753
Increase-subtotal		2,626,996
Buildings, facilities, etc.	Depreciation deficiency equivalent	(953,085)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(102,629)
Land	Cost of sales of land	(781)
Others	-	(15,323)
Decrease-subtotal		(1,071,819)
Total		1,555,176

2. Reason for reversal, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	— (Note 1)
Deferred gains or losses on hedges	Changes in fair value of derivatives	(91,667)
Total		(91,667)

Note 1: The amount of reversal during the current fiscal period (¥5,663 thousand) is included in “Depreciation deficiency equivalent” on “1. Reasons for provision, related assets and amounts.”

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

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

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

1. Reason for provision, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for provision	Provision of allowance for temporary difference adjustments
Goodwill	Amortization of goodwill	2,622,242
Long-term deposits	Shortfall of reserve for repairs	10,097
Increase-subtotal		2,632,339
Buildings, facilities, etc.	Depreciation deficiency equivalent	(797,086)
Unearned revenue	Write-down of loss on interest rate swap due to merger	(84,157)
Others	-	(15,902)
Decrease-subtotal		(897,146)
Total		1,735,193

2. Reason for reversal, related assets and amounts

Thousands of Yen		
Related assets, etc.	Reason for reversal	Provision of allowance for temporary difference adjustments
Land, Buildings, etc.	Sale and depreciation of properties for which merger expenses were recorded	— (Note 1)
Deferred gains or losses on hedges	Changes in fair value of derivatives	(122,481)
Total		(122,481)

Note 1: The amount of reversal during the current fiscal period (¥5,534 thousand) is included in “Depreciation deficiency equivalent” on “1. Reasons for provision, related assets and amounts.”

3. Method of reversal

(1) Amortization of goodwill

In principle, amortization of goodwill is not reversed.

(2) Merger expenses

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

(3) Long-term deposits

In principle, long-term deposits are not reserved.

(4) Deferred gains or losses on hedges

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

26. SIGNIFICANT SUBSEQUENT EVENTS

In response to the Japanese government's declaration of a state of emergency and the local government's request for suspension and self-restraint of business operation due to the spread of COVID-19 infection, NMF has decided to take measures such as requesting some tenants of NMF's properties to restrain themselves from operating their business. Accordingly, some tenants of NMF's properties are taking their actions such as voluntary curtail of their business operations, etc. Therefore, this may have an impact on NMF's future results of operations. It is difficult to reasonably estimate the impact at present.

INDEPENDENT AUDITOR’S REPORT



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Independent Auditor’s Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at February 29, 2020, and the statements of income and retained earnings, changes in net assets, and cash flows from September 1, 2019 to February 29, 2020 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 29, 2020, and its financial performance and cash flows from September 1, 2019 to February 29, 2020 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shinnihon LLC

May 26, 2020
Tokyo, Japan

A member firm of Ernst & Young Global Limited