

2nd Fiscal Period Semi-Annual Report

September 1, 2013 to February 28, 2014

NOMURA REAL ESTATE MASTER FUND, INC.
8-5-1, Nishi-Shinjuku, Shinjuku Ward, Tokyo

Delivering on Our Strategy

“Nomura Master Fund is committed to delivering stable income and dividends. Stability is delivered through implementation of our strategy of a consumption-based portfolio of logistics and retail facilities.”

“The continuous execution of growth and finance strategies is the key to realizing the objective of stable returns through a robust portfolio.”



Noriaki Ido
Executive Officer
Head of Acquisitions Division
Nomura Real Estate Asset Management Co., Ltd.

Masato Yamauchi
Executive Officer
Head of Finance Division
Nomura Real Estate Asset Management Co., Ltd.

Takashi Kataoka
Executive Director
Nomura Real Estate Master Fund, Inc.
Chief Investment Officer, NMF
Nomura Real Estate Asset Management Co., Ltd.

Motomi Uki
Senior Managing Director
Asset Management
Nomura Real Estate Asset Management Co., Ltd.

Disclaimer

This document has been prepared for the purpose of provision of information only, and should not be construed as an offer, solicitation or commercial conduct of any nature associated with any specific products. Investors wishing to purchase the investment units of Nomura Real Estate Master Fund, Inc. (NMF) should contact their own securities brokers or dealers. A fee may be charged by your financial instruments business operator in relation to the sale or purchase of investment units.

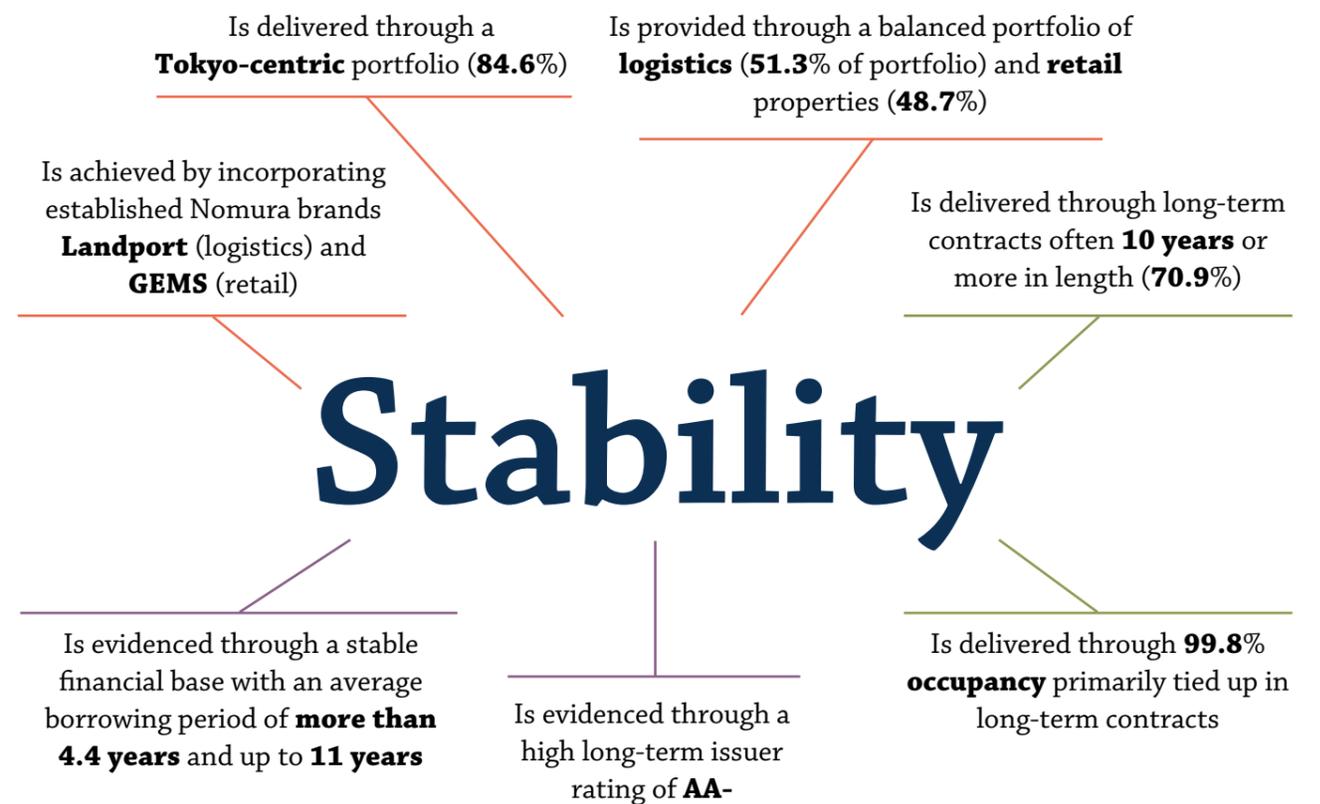
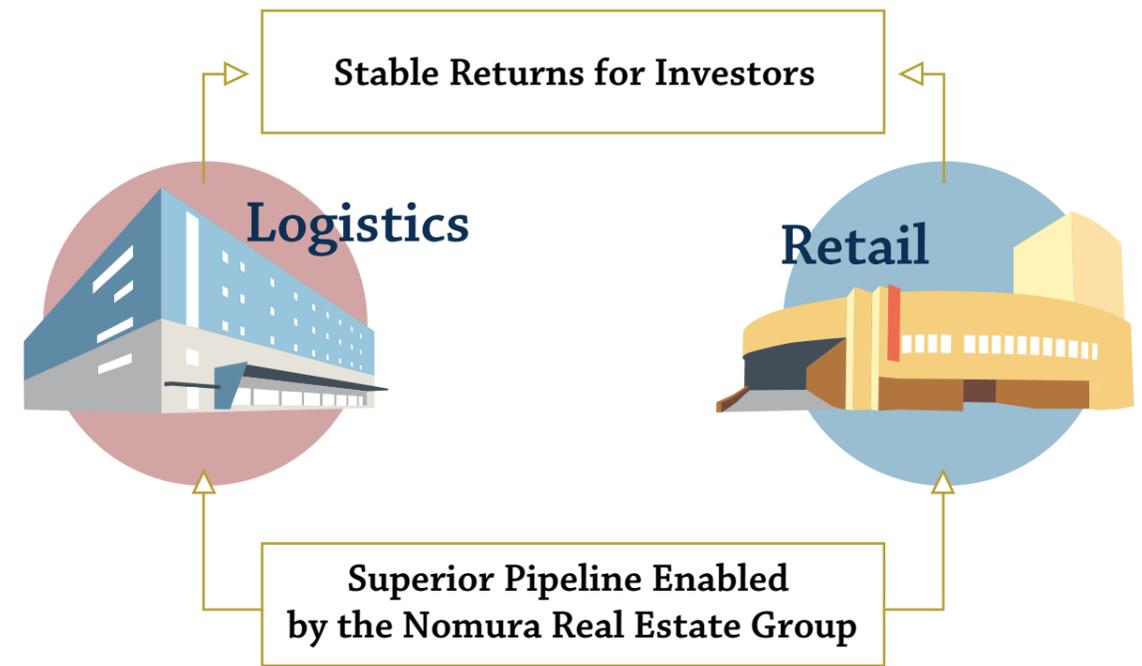
For management fees that NMF pays to Nomura Real Estate Asset Management Co., Ltd., please refer to the terms and conditions of NMF, asset management reports, etc.

The forward-looking statements with respect to the future financial results contained in this document are based on the current facts about the investment policy of NMF, applicable laws and regulations, the market environment, business practice, etc., as of the preparation date of this document and do not reflect or consider any changes in the circumstances after the preparation date. These forward-looking statements inherently reflect uncertainty about known risks as well as unknown risks and other factors and may deviate from the actual operating and management results, financial conditions, etc., of NMF.

Investment in real estate investment securities may result in a loss due to a decline in the transaction price caused by, for example, changes in the price or the revenue-generating capability of the underlying properties or deterioration of the financial conditions of the issuer.

Although the information contained in this document is intended to be complete and thorough, there is no assurance of its accuracy and reliability. Please note that the contents of this document are subject to change or deletion without prior notice.

The duplication, reproduction, distribution or use of any information, in whole or in part, contained in this document without the express prior written consent of NMF is strictly prohibited.



Note: The above figures are based on data as of February 28, 2014.

Contents

Japan Report	2-3	Portfolio Gallery	14-17
Top Message: Delivering on Our Strategy	4-5	Corporate Governance	18
Portfolio Management: External Growth	6-9	Financial Section	19-33
Portfolio Management: Internal Growth	10-11	Independent Auditor's Report	34
Finance Strategy	12-13	Investor Information	35



JAPAN Report

Economic Prospects Deliver Greater Impact than Worries

Prime Minister Shinzo Abe faces his biggest challenge yet as he attempts to steer the economy into safer waters after implementing a 3% rise in the sales tax April 1. Worries abound that consumption will slow as the population refuses to spend more on durable goods and other big ticket items.

Abenomics, as the prime minister's set of policies to pull Japan out of deflation and resuscitate the economy have come to be known, had wage rises as a centerpiece. Yet on April 1, few workers were dancing in the streets because of their newfound wealth. At smaller companies, 83.4% chose not to hike wages, according to a Shinkin Central Bank survey. At large businesses, many raised wages, but not as much as unions would have hoped.

Still, all appears well in Japan – around 65% of the 250 companies capitalized at more than 1 billion yen (about \$9.5 million) in mid-April said they had been able to keep sales steady or increase them after the hike in a Reuters survey. And a Ministry of Finance survey released April 23 said that economic conditions across Japan were continuing to improve despite the tax hike.

Waiting game

What does this mean for real estate and logistics? “No major impact yet,” says Pelham Higgins of Goodman Group. His company aims to raise \$1.5 billion for investment in Japan for Japanese logistics. Last year, it bought Goodman Sakai, a four story facility in Osaka with 160,000 sq. meters of space for lease that opened April 9. Space in the facility was fully leased upon opening.

Higgins says that Abenomics has spurred sentiment, and created better conditions for logistics companies in Japan. Confidence has certainly increased in this sector with more tenants now willing to commit for longer leases.

That sentiment has spurred the entire market. Last year, Real Estate Investment Trusts invested 780 billion yen (about \$7.4 billion) on logistics facilities. A number of factors are behind the growth in the market. Abenomics has renewed interest in Japan, and sparked hopes for a sustained economic rebound. The growth of smartphone and Internet use, and the online commerce that comes with it, has also increased the need for facilities for storing goods before transport.

Indeed, there is the possibility that the tax hike could have helped the logistics market. Shopping websites, easy to access and often offering goods for cheaper than bricks-and-mortar stores, are likely to attract more interest from consumers in the coming months. But they are also likely to see higher costs.

“Online costs may be hit by increased delivery charges (rising fuel and labor charges) so not all items are cheaper if you include delivery charges and not all items have free delivery”

says Matthew Zann of Bear Logi, a Tokyo-based logistics real estate consultant and real estate management company.

Higgins at Goodman says

“Demand from e-commerce players has always been growing”

which makes it difficult to make judgements on how the tax hike will impact the economy and logistics operations.

Worries

International Monetary Fund analysts are concerned that Abenomics is beginning to show signs of failure. “A successful transition to self-sustained, deflation-free growth remains uncertain,” the fund wrote in a

recent report. “Without additional reforms Japan risks falling back into lower growth and deflation, a further deterioration in the fiscal situation, and an overreliance on monetary stimulus.”

Those reforms are beginning to take shape. The Abe government in late March announced six special economic zones that it will use as test sites for nationwide regulatory reform. The greater Tokyo area will look to attract international business through tax breaks, deregulation and advisory centers that will assist businesses looking for ways to dismiss employees protected by Japan's famed “jobs for life” legal framework. In the Kansai area that encompasses Kyoto, Osaka and Nara, the focus will be on pharmaceutical business. Okinawa will aim to promote tourism, Fukuoka startups, and two zones – Yabu and Niigata – aim to help agricultural businesses by encouraging innovation and consolidating farmland.

Will these first steps work? Perhaps. But Zann is concerned that too much, too soon could have a detrimental effect.

“There is more than enough liquidity in the market”

he says. “It could be argued that ‘doing more’ may over stimulate the construction cycle which could potentially result in demand-supply imbalances.” In other words, Abe has done enough for now to attract the interest for sustainable investment, and must take care not to bring in too much cash, without knowing there will be people able to appreciate the projects undertaken. That may take time.

Big words from the prime minister when he came into office promised a Japan resurrection, fueled by economic growth and a new national pride. Underpinning all of this was to be wages. Mr. Watanabe, Japanese everyman, was going to see his pay rise, which would mean he and his wife were able to sleep safely, knowing they had a bit more for leisure spending, and every so often buy those big ticket items that may require a few months of scrimping. Here is Abe in January:

“The wage surprise stands out, because only when the long-missing link between corporate profitability and wages is restored will investment in houses, cars, and other durables, and household consumption in general, finally rid Japan of its deflation and put its economy on a sustained growth path.”

Anecdotal evidence is not the facts. According to a Keidanren survey, wages have on average grown 2.39% at large Japanese enterprises, led by more traditional sectors such as steel, autos and electronics.

In these companies, which tend to pay employees more, disposable income is set to rise. Will it trickle down? Abe thinks so; many do not. The service sector sentiment index in Japan, on which anything under 50 is considered bearish, stood at 34.7 for March, the most recent reading available. The index had declined for four consecutive months, pointing to short-term worries among services professionals.

But the logistics market is not heading for disaster.

“Short term price fluctuations are smoothed out over time,” says Zann. “One way a logistics company can offset temporary price increases is via fuel surcharges over the top of normal freight rates.”

Prospects

So what happens next? For real estate, the signs are good. Property prices in Japan's major metropolitan areas continue to rise. A fund connected with the Singapore government, for example, plans to buy Meguro Gajoen, a commercial facility with office space, for around \$1.2 billion. Another recent headline-grabbing deal in Tokyo was Mitsubishi Corp.'s \$345 million purchase of the Ralph Lauren Building in Omotesando.

REITs are also doing well. The total capitalization of the trusts in Japan was 7.585 trillion yen (about \$72.2 billion) in April, up from 7.094 trillion yen (about \$67.5 billion) in May last year. A legal change, implemented April 1, also improves conditions for the trusts in Japan. As well as monitoring them more closely to prevent insider trading, the changes will make it easier for the trusts to invest overseas and offer preferential treatment to current investors when new shares are issued.

Outside of Japan's metropolitan areas, things are also improving. As property prices in the major cities continue to rise, some developers have begun to invest in areas outside of major cities, seeing opportunities to bolster infrastructure.

Sony, meanwhile, is getting into real estate. The electronics maker, which has struggled in the face of increasing competition, will launch a real estate business in August. Sony Real Estate will offer consulting services, invest in property and include a brokerage. It will attempt to leverage the data gathered through its devices to develop new ways of doing business.

The reasoning, it appears, is Sony believes in the future of real estate in Japan. Many others seem to feel the same way.

Richard Smart

Note: The dollar amounts in brackets have been calculated using \$1 = 105 yen.
Reference: Project Syndicate, Japan's Coming “Wage Surprise,” January 6, 2014.

On behalf of the Nomura Real Estate Management Fund, Inc. (Nomura Master Fund), let me begin by voicing our thanks to you, our unitholders, for your steady support.

I am excited to report a distribution of 2,919 yen, which exceeds our forecast by more than 100 yen. Since our IPO on June 12, 2013, which was the largest ever for a Japanese REIT, we have expanded our portfolio to 55 properties and assets under management of 238 billion yen. Our size and management continue to be highly appraised and we are now included in five key indices such as our new addition to the S&P Global Property Index and continuing presence in the FTSE EPRA/NAREIT Global Real Estate Index Series.

All of the above are signs that we are delivering on our investment strategy of investing in Japan's economic and industrial infrastructure by acquiring logistics and retail assets. Of our assets, 84.6% are now located in Tokyo, the economic and political hub of Japan, and in-place leases have an average length of 12.4 years.

We will continue to maximize our portfolio's value through proactively- and prudently-executed investment, management and financing strategies. We are confident that we will deliver on our 400 billion yen medium-term portfolio goal while maintaining our LTV between 30% and 40%. We will maximize value by diversifying our portfolio of logistics and retail properties, diversifying our tenants and maximizing the income potential inherent in such properties.

The following pages deliver proof of our execution.

Thank you again for your support.



Takashi Kataoka

Executive Director
Nomura Real Estate Master Fund, Inc.

Chief Investment Officer, NMF
Nomura Real Estate Asset Management Co., Ltd.

Joined Nomura Real Estate Development in 1991. Involved in the asset management business from 2003. Appointed to current position in 2013 after working in fund procurement for listed REITs and fund procurement and fund management for private funds.

“ Nomura Value Chain Drives Stability and Growth ”

Nomura Value Chain

First Look Support of the Robust Pipeline

Nomura Real Estate Development, one of the leading developers in Japan and Nomura Master Fund's sponsor, develops a wide variety of real estate from residential and office to logistics, retail and others. Nomura Real Estate Asset Management Co., Ltd., the asset manager of Nomura Master Fund, enjoys the robust support of its sponsor through an information provision agreement that, in essence, provides the asset manager with first looks when Nomura Real Estate Development is selling any property that generally meets the asset manager's property selection criteria. Property acquisitions that form the nucleus of this pipeline will be the core assets of Nomura Master Fund's future growth, enabling it to execute its strategy and deliver steady asset growth and stable income over the medium- to long-term.



Diversified Management Support from the Nomura Real Estate Group

As a member of the Nomura Real Estate Group, a diversified real estate group, Nomura Master Fund possesses the inherent advantage of being able to utilize the Group's extensive capabilities in leasing, administration and property management. By applying this expertise, Nomura Master Fund ensures it will be able to continuously improve tenant satisfaction by maintaining and increasing the value of the assets it manages, and in turn deliver this stability and quality to its investors.

Nomura Real Estate Development has assumed responsibility for executing the planning, development and leasing of logistics and retail facilities in Nomura Master Fund's portfolio.



Path Toward Growth

Increase investment unit price

Realize Stable Growth

Aim to realize stable distribution based on clear concepts

Maximize real estate value

Secure stable income

Investment strategy

- Set medium-term asset size target
- Build a stable portfolio
- Expand external acquisition pipeline

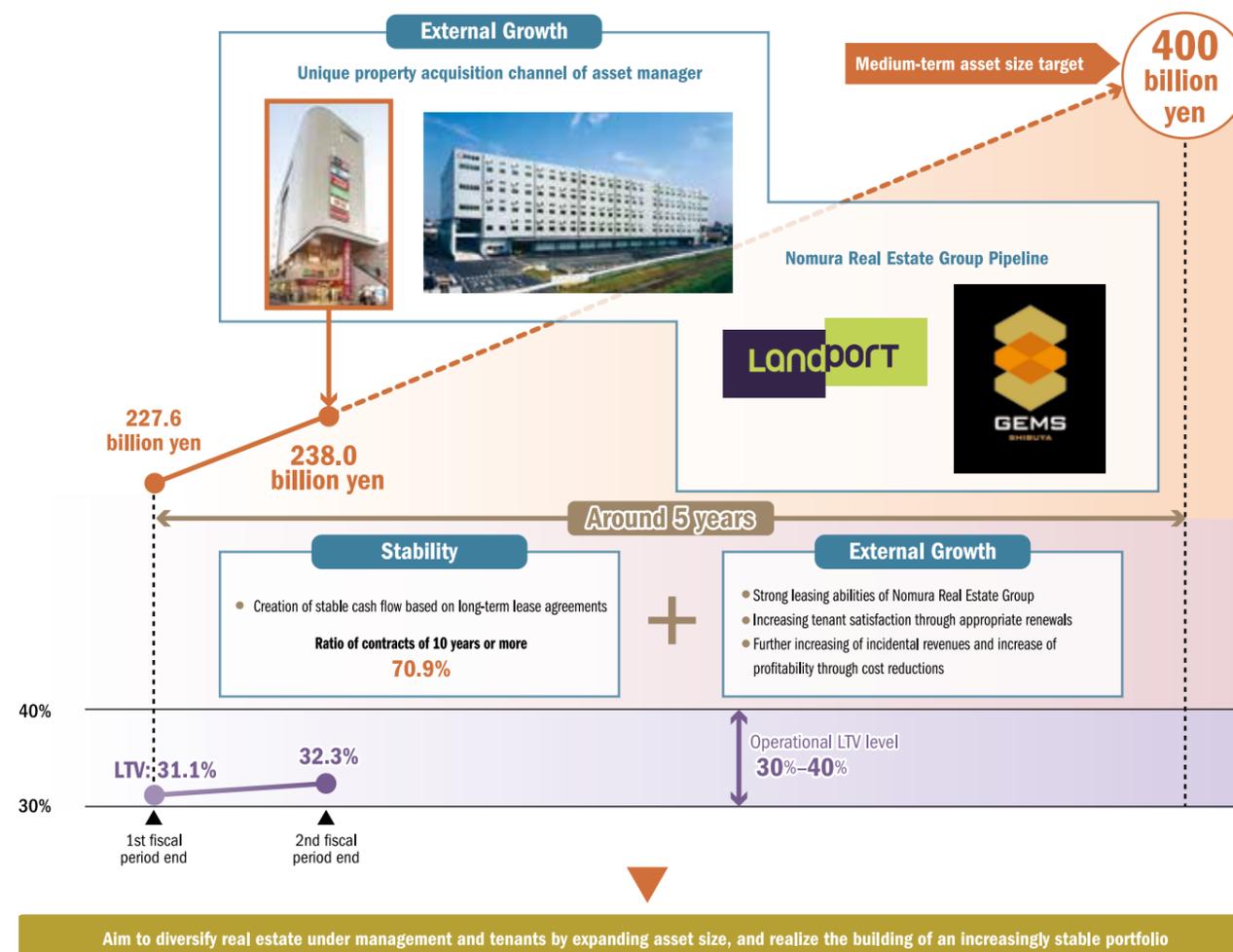
Operating strategy

- Against backdrop of long-term lease agreements
- Maintain a high occupancy rate
 - Maintain and enhance rent levels

Financial strategy

- Build a stable financial base
- Finance in response to the market

Image of Growth Strategy



Q1 Are you satisfied with the growth to date?

Yes. We successfully listed as the largest J-REIT listing ever. Since then we have been able to acquire both a retail asset and a logistics asset. We have made a good start.

Q2 Is your growth strategy entirely dependent on the Nomura Real Estate Group?

Our strong ties with the Nomura Real Estate Group mean we have a robust foundation for medium-term growth. But we are not entirely dependent on the Nomura Real Estate Group. Our two recent acquisitions were sourced through our own network. Recipe SHIMOKITA was acquired for less than its appraisal value this fiscal period. We have also acquired equity interest in a silent partnership managed by Ryoke Capital G.K. in the third fiscal period. This interest comes with preferential negotiation rights for beneficiary trust interests primarily owning the Nippon Express North Tokyo Distribution Center.

Q3 What is your medium-term portfolio target?

Our goal is a portfolio of 400 billion yen, built around station-front retail, residential-oriented retail and logistics properties. We intend to accomplish this goal while keeping our LTV between 30% and 40%.



Noriaki Ido

Executive Officer
Head of Acquisitions Division
Nomura Real Estate Asset Management Co., Ltd.

Joined Nomura Real Estate Development in 1992. Worked in development and operational management of office buildings for 8 years. After working in the acquisition, retail facility, office and investment discretion businesses within the asset management section, he was appointed to his current position in 2013.

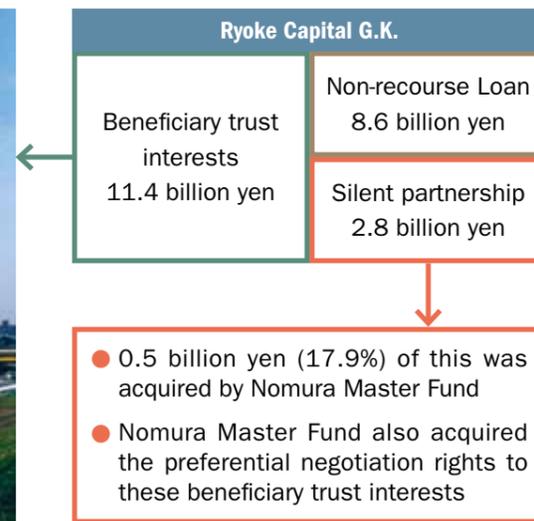
Q4 How do you intend to grow while maintaining stability?

We deliver stability to our investors by using the Nomura pipeline and our proprietary networks to source and acquire properties with long leases that deliver continuous, steady cash flows. The combination of the Nomura Group's value chain and our own unique network will provide unique opportunities for stable growth going forward.

“Growth Without Sacrificing Stability”

Third Fiscal Period Acquisition

Overview of Silent Partnership



Nomura Master Fund acquired equity interest in a silent partnership primarily holding beneficiary trust interests in the Nippon Express North Tokyo Distribution Center. The silent partnership is managed by Ryoke Capital, G.K. The Distribution Center was built in October 2003 at Kawaguchi City, Saitama Prefecture, with excellent access to highways and train stations. The Center itself is appraised at 11 billion yen and is fully occupied as of February 28, 2014.

The Robust Nomura Real Estate Pipeline

Nomura Real Estate is a diversified property development company that sources land and develops a wide variety of properties, including logistics and retail. This proven track record of development, combined with the Nomura Real Estate Group's extensive sourcing network, mean that Nomura Master Fund has a robust pipeline for sourcing properties. This is a distinct advantage as Nomura Master Fund works to realize a portfolio of 400 billion yen in five years.

Logistics



- Investment focused on large, high-performance logistics facilities
- Ability to apply Nomura expertise
- Ability to take advantage of large, high performance facilities emerging as industry structure changes



Landport Hachioji II
(Tentative Name)



Landport Kashiwa Shonan
(Tentative Name)

Retail



- Investment in retail facilities with stable demand achieved by providing daily necessities, food/beverages, etc.
- Station-front retail: Investment in facilities in close proximity to stations with dense traffic
- Residential-oriented retail: Investment in facilities in residential areas with high populations



GEMS Ichigaya

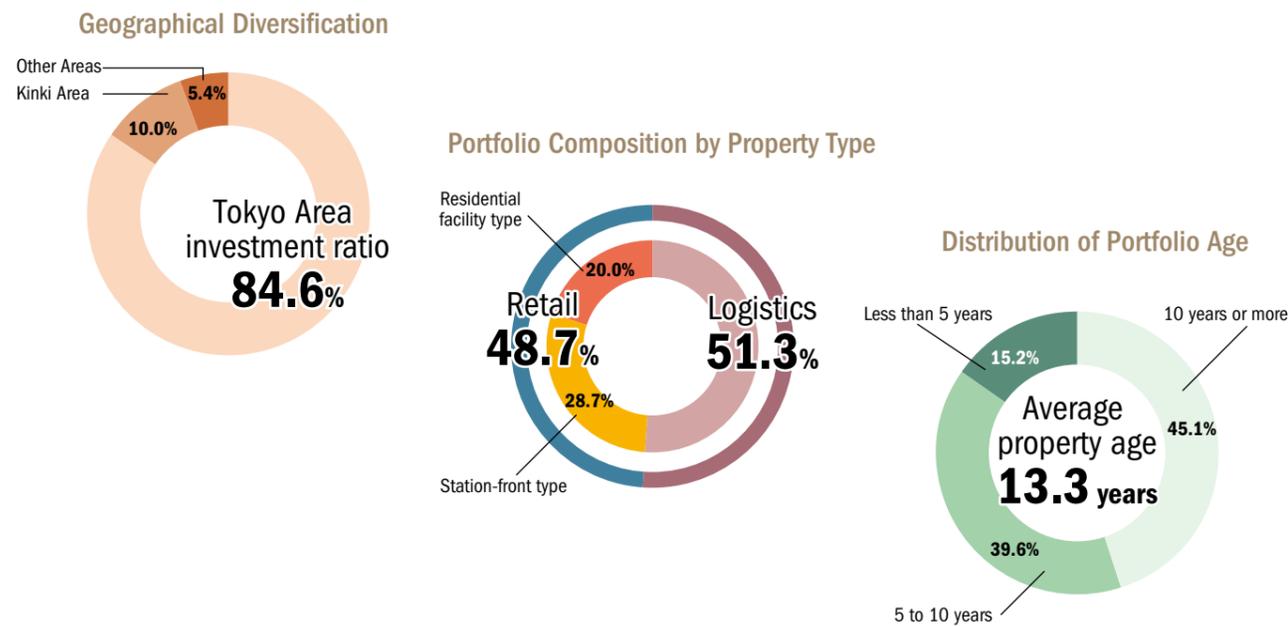


Kichijoji Project
(Tentative Name)

Note: Nomura Master Fund has no plans to acquire the above properties as of the printing of this publication.

Portfolio Distribution

The geographical diversification, portfolio composition and portfolio age distribution are clear evidence that Nomura Master Fund is executing its strategy through its asset manager's expertise.



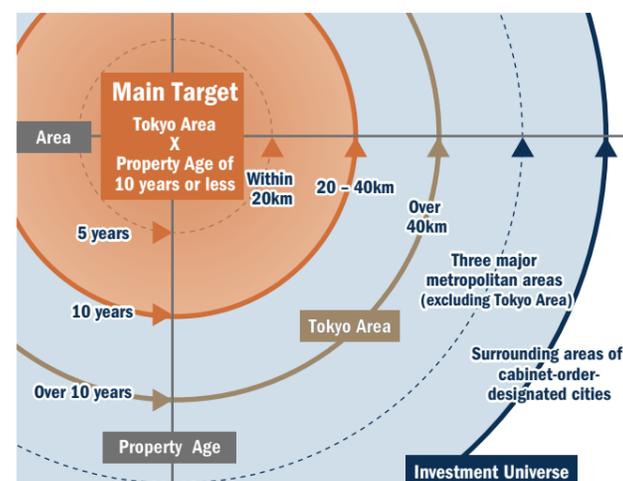
Note: The above figures are based on data as of February 28, 2014.

External Growth Strategy

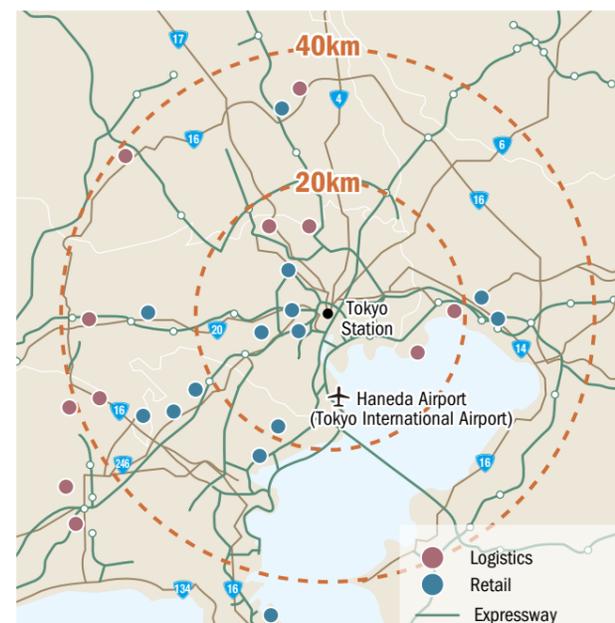
Nomura Master Fund primarily invests in relatively new logistics and retail properties less than 10 years old that are located in the Tokyo Area.

Investment Perspective

- Investment is focused on the Tokyo Area (80% or more of portfolio in principle), where there will be continued strong demand.
- Focus on acquisitions of relatively new properties built less than 10 years ago for a competitive advantage in the marketplace.



Location of Portfolio



Portfolio Table (as of the end of the 2nd fiscal period)

A Balanced Portfolio Delivering Stability and Potential for Growth

Use	Area	No.	Name	Location	Acquisition Price (millions of yen)	Investment Ratio (%)	Appraisal Value (millions of yen)	Leasable Floor Space (m ²)	PML (%)	
Logistics	Tokyo	1	Landport Urayasu	Urayasu City, Chiba	17,400	7.3	18,600	70,045.85	4.61	
		2	Landport Itabashi	Itabashi Ward, Tokyo	15,710	6.6	16,900	52,794.55	6.17	
		3	Landport Kawagoe	Kawagoe City, Saitama	13,700	5.8	14,000	71,569.89	4.85	
		4	Landport Atsugi	Atsugi City, Kanagawa	11,410	4.8	12,100	47,995.23	10.06	
		5	Sagamihara Tana Logistics Center	Sagamihara City, Kanagawa	10,600	4.5	11,300	50,450.00	4.92	
		6	Sagamihara Onodai Logistics Center	Sagamihara City, Kanagawa	8,700	3.7	9,360	57,448.03	12.96	
		7	Landport Hachioji	Hachioji City, Tokyo	8,250	3.5	8,710	34,896.32	11.29	
		8	Landport Kasukabe	Kasukabe City, Saitama	7,340	3.1	7,710	29,630.48	7.33	
		9	Funabashi Logistics Center	Funabashi City, Chiba	4,660	2.0	4,930	30,641.98	5.24	
		10	Atsugi Minami Logistics Center B Tower	Atsugi City, Kanagawa	4,590	1.9	4,850	24,909.96	12.38	
		11	Hanyu Logistics Center	Hanyu City, Saitama	3,810	1.6	4,180	24,850.80	5.15	
		12	Kawaguchi Logistics Center B Tower	Kawaguchi City, Saitama	3,750	1.6	4,080	13,648.70	5.05	
		13	Kawaguchi Logistics Center A Tower	Kawaguchi City, Saitama	2,830	1.2	3,090	12,003.57	6.32	
		14	Atsugi Minami Logistics Center A Tower	Atsugi City, Kanagawa	2,690	1.1	2,970	9,825.52	12.35	
		Other	15	Ota Nitta Logistics Center	Ota City, Gunma	3,430	1.4	3,690	42,328.00	2.01
			16	Ota Higashishinmachi Logistics Center	Ota City, Gunma	2,170	0.9	2,380	23,584.72	1.39
			17	Ota Kiyohara Logistics Center	Ota City, Gunma	650	0.3	702	9,397.38	1.39
			18	Chiyodamachi Logistics Center	Oura-Gun, Gunma	330	0.1	355	4,592.00	7.23
Retail Properties	Tokyo	1	Morisia Tsudanuma	Narashino City, Chiba	16,600	7.0	17,300	39,300.16	5.93	
		2	Yokosuka More's City	Yokosuka City, Kanagawa	13,640	5.7	14,400	29,383.65	12.79	
		3	Recipe SHIMOKITA	Setagaya Ward, Tokyo	10,407	4.4	10,600	6,295.22	2.71	
		4	EQUINIA Shinjuku	Shinjuku Ward, Tokyo	4,260	1.8	4,330	3,611.59	7.5	
		5	Kawasaki More's	Kawasaki City, Kanagawa	4,000	1.7	4,200	14,446.48	11.24	
		6	EQUINIA Ikebukuro	Toshima Ward, Tokyo	3,990	1.7	4,140	2,701.66	10.82	
		7	covima machida	Machida City, Tokyo	3,440	1.4	3,840	2,891.32	14.8	
		8	Nitori Makuhari	Chiba City, Chiba	3,080	1.3	3,310	14,367.98	5.93	
		9	Konami Sports Club Fuchu	Fuchu City, Tokyo	2,730	1.1	3,050	12,385.18	2.4	
		10	FESTA SQUARE	Saitama City, Saitama	2,600	1.1	2,810	7,480.63	6.36	
		11	GEMS Shibuya	Shibuya Ward, Tokyo	2,490	1.0	2,500	1,791.34	1.81	
		12	Sundai Azamino	Yokohama City, Kanagawa	1,700	0.7	1,790	2,286.47	6.93	
		13	EQUINIA Aobadai	Yokohama City, Kanagawa	1,560	0.7	1,700	2,457.36	9.91	
		14	Megalos Kanagawa	Yokohama City, Kanagawa	1,000	0.4	1,210	6,217.85	11.24	
		15	Izumiyama Senrioka	Suita City, Osaka	8,930	3.8	10,000	24,399.12	14.44	
	Kinki	16	Merad Owada	Osaka City, Osaka	6,640	2.8	6,960	(Retail) 14,941.54 (Logistics) 5,856.50	10.16	
		17	Izumiyama Yao	Yao City, Osaka	4,406	1.9	4,710	34,198.01	14.37	
		18	Izumiyama Obayashi	Takarazuka City, Hyogo	3,020	1.3	3,270	11,714.36	12.95	
		19	Ichibancho stear	Sendai City, Miyagi	4,700	2.0	5,170	4,582.81	2.76	
		20	EQUINIA Aobadori	Sendai City, Miyagi	1,640	0.7	1,760	4,030.37	0.34	
Retail (land only)	Tokyo	1	Mitsubishi Motors Meguro	Meguro Ward, Tokyo	2,740	1.2	2,810	3,381.19	-	
		2	Mitsubishi Motors Chofu	Chofu City, Tokyo	1,760	0.7	1,840	4,183.63	-	
		3	Mitsubishi Motors Shibuya	Shibuya Ward, Tokyo	1,570	0.7	1,740	1,421.31	-	
		4	Mitsubishi Motors Nerima	Nerima Ward, Tokyo	1,240	0.5	1,270	1,725.61	-	
		5	Mitsubishi Motors Kawasaki	Kawasaki City, Kanagawa	950	0.4	1,010	3,057.02	-	
		6	Mitsubishi Motors Takaido	Suginami Ward, Tokyo	850	0.4	898	1,923.64	-	
		7	Mitsubishi Motors Katsushika	Katsushika Ward, Tokyo	800	0.3	815	1,930.05	-	
		8	Mitsubishi Motors Higashikurume	Higashikurume City, Tokyo	800	0.3	815	4,105.00	-	
		9	Mitsubishi Motors Setagaya	Setagaya Ward, Tokyo	770	0.3	783	1,305.78	-	
		10	Mitsubishi Motors Suginami	Suginami Ward, Tokyo	740	0.3	793	1,831.00	-	
		11	Mitsubishi Motors Sekimachi	Nerima Ward, Tokyo	600	0.3	614	989.77	-	
		12	Mitsubishi Motors Higashiyamato	Higashiyamato City, Tokyo	450	0.2	488	2,783.79	-	
		13	Mitsubishi Motors Motomiyoshi	Kawasaki City, Kanagawa	370	0.2	375	1,646.97	-	
		14	Mitsubishi Motors Kawagoe	Kawagoe City, Saitama	350	0.1	356	2,462.40	-	
		15	Mitsubishi Motors Edogawa	Edogawa Ward, Tokyo	200	0.1	210	892.56	-	
		16	Mitsubishi Motors Sayama	Sayama City, Saitama	160	0.1	166	1,793.00	-	
		Other	17	Mitsubishi Motors Ibaraki Maintenance Center	Ibaraki City, Osaka	820	0.3	878	5,704.24	-
Total					238,023	100.0	252,818	897,089.54	5.24	

Asset Acquired after the End of the 2nd Fiscal Period

Investment Securities									
Area	No.	Name	Location	Acquisition Price (millions of yen)	Investment Ratio (%)	Appraisal Value (millions of yen)	Leasable Floor Space (m ²)	PML (%)	
Tokyo	1	Ryoke Capital Godo Kaisha Silent Partnership Equity Interest	Kawaguchi City, Saitama	500	-	-	-	-	
Total				500	-	-	-	-	

Q1 How are you delivering on Nomura Master Fund's strategy of securing stable earnings by maintaining and improving rent levels?

We are raising the value of existing properties to make the most of opportunities presented to us. For example, in Narashino City, the growing population of the "Kanade no Mori" city development provides an excellent opportunity for the Morisia Tsudanuma shopping center. Consequently, Nomura Master Fund is optimizing foot traffic routes and enhancing features for shoppers to raise the amount that existing and new customers spend.

Q2 What is your strategy for maintaining high occupancy rates?

We have two distinct strategies. First is the long length of leases, a strength of our two property classes. For example, our average leases are 12.4 years and our properties have an average remaining lease of 6.2 years. Second is diversifying our tenants. We have a total of 251 tenants and the largest tenant leases slightly more than 10% of the portfolio.

“Proactive Management Backed by the Nomura Value Chain”



Motomi Uki

Senior Managing Director
Asset Management
Nomura Real Estate Asset Management Co., Ltd.

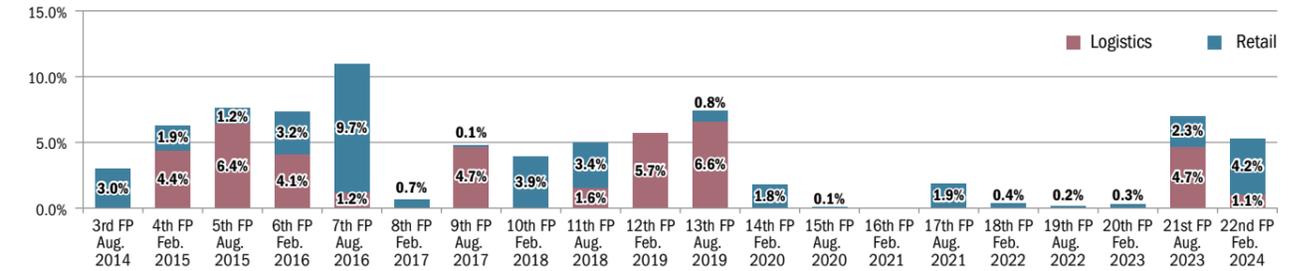
Joined Nomura Real Estate Development in 1991. Involved in the asset management business from 1998. After working in real estate investment, project planning, fund management, client relations and marketing, he was appointed to his current position on April 1, 2014.

Q3 Is there one key element to realizing your strategies?

That would be the Nomura Value Chain. Geo Akamatsu and other Nomura Real Estate Group members provide us with a vast wealth of experience in retail and logistics implementation. We apply this experience to our strategies.

Diversification of Lease Maturities

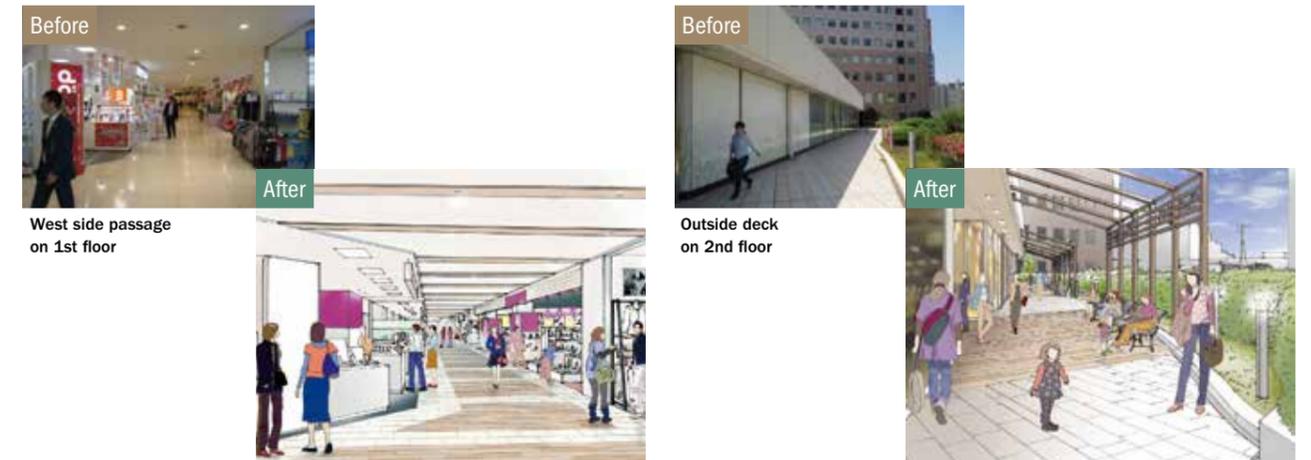
The long-term leases that form the foundation of our revenues also have diversified maturities. This ensures that there will be no large loss of tenants or significant shift in the occupancy rate during any given fiscal period.



Note: The above figures are based on data as of February 28, 2014.

Morisia Tsudanuma Renovation

Nomura Master Fund planned the renovation of Morisia Tsudanuma in line with the expected expansion in the trade area and its population with the "Kanade no Mori" city development plan. Nomura Master Fund will complete the renovations in June 2014 and plans to use the publicity to improve the facility's name recognition and customer volume. Streamlined foot traffic routes are expected to raise spending per customer and thus the satisfaction of our tenants.



Tenant Diversification

Our diverse tenant base and lease terms insulate us from individual market upheavals and strengthen our portfolio.

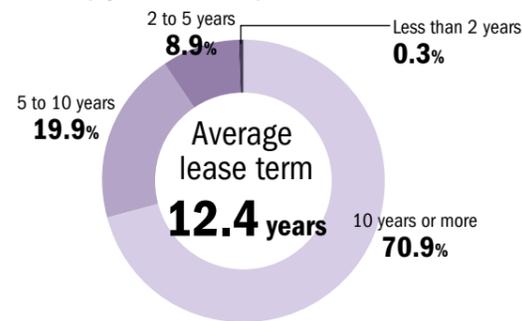
Area Ratio

Total rent area **895,510.83m²**

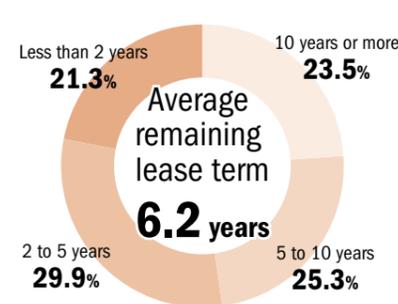
Total number of tenants **251**

Fukuyama Transporting	10.3%
Izumiya	7.9%
Amazon Japan Logistics	6.3%
Neovia Logistics Services	5.6%
Yokohama Okadaya	4.9%
Mitsui-Soko Logistics	4.7%
Not disclosed	4.6%
ASKUL	4.2%
Otsuka Warehouse	3.9%
Shinkai Transport Systems	3.9%
Other	43.7%

Lease Term (by leased area)



Remaining Lease Term (by leased area)



Kanade no Mori Land Use Plan

Expected population: About 7,000 people (20% increase in population within 1km)

869 units: Residents start moving in in September 2015

721 units: Residents already moved in

Kanade no Mori Forte

750 units: Date to move in not set

What is Kanade no Mori?

A development located a 3-minute walk from the south of Tsudanuma Station. The 35 hectare project is a new "town creation" project filled with diverse amenities for residents.

- Land for low-rise residences
- Land for mid-to-low-rise residences
- Land for mid-to-high-rise residences
- Land for roadside retail/services
- Land for various services

Source: Prepared by Nomura Real Estate Asset Management Co., Ltd. based on materials of the Narashino-City JR Tsudanuma Station South Exit Land Readjustment Association.

Q1 How have you been implementing the financial strategy?

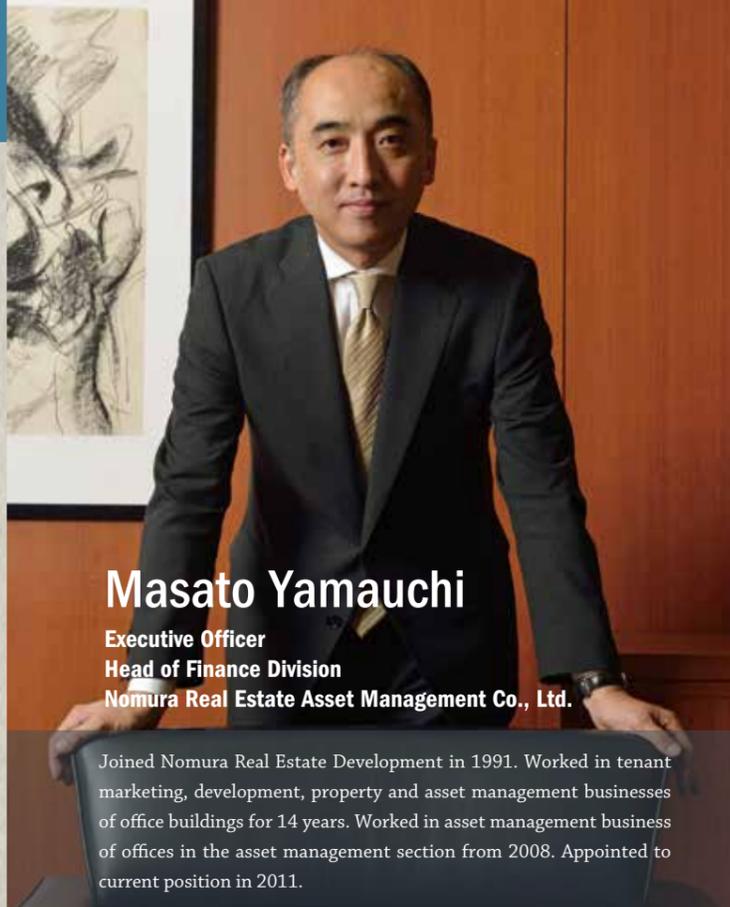
This fiscal period and beyond we have been making strides in realizing our prudent financial strategy primarily through issuing new long-term financing and repaying existing short-term loans.

Q2 How do you measure your success?

First, our LTV ratio has kept steady between 30% and 40%, as is our long-term goal. The LTV ratio was 31.1% at the end of the first fiscal period and was kept at 32.3% as of the end of the second fiscal period.

Second, the increase in our percentage of long-term loans is solidifying our long-term stability. At the end of the first fiscal period 78.9% of all borrowings were long-term. This increased to 80.4% as of the end of the second fiscal period and is projected to increase to 99.9% by the end of the third fiscal period.

Third, we have increased the ratio of fixed interest rate debt to guard against market shifts. Our ratio of fixed interest rate has grown from 79.0% as of the end of the first fiscal period to 80.5% as of the end of the second fiscal period. We expect it to reach 98.8% by the end of our third fiscal period.



Masato Yamauchi

Executive Officer
Head of Finance Division
Nomura Real Estate Asset Management Co., Ltd.

Joined Nomura Real Estate Development in 1991. Worked in tenant marketing, development, property and asset management businesses of office buildings for 14 years. Worked in asset management business of offices in the asset management section from 2008. Appointed to current position in 2011.

“ Delivering on a Highly-Regarded, Conservative, Prudent Strategy ”

Key Debt Markers

These key markers are resounding evidence of a conservative, well-executed strategy.

Total amount of interest-bearing debt

84.4 billion yen

0.98%

Average interest rate

80.4%

Long-term debt ratio

Ratio of fixed interest rate

80.5%

*Includes fixed interest rates through interest-rate swap agreements

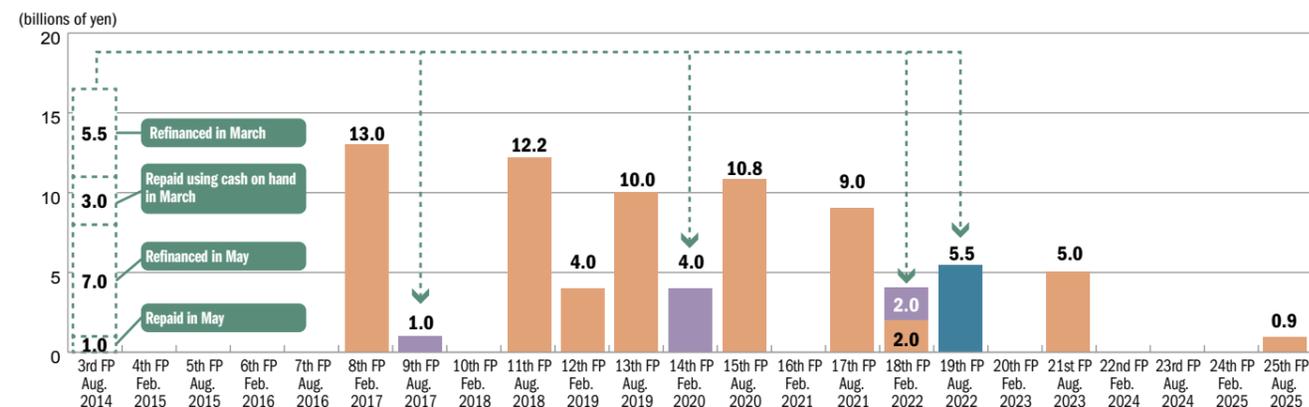
Average remaining years to maturity

4.4 years

32.3%

LTV (ratio of interest-bearing liabilities to total assets)

Diversification of Loan Maturities



Note: Nomura Master Fund has clearly spread out loan maturities enabling the REIT to consistently refinance even in potentially severe economic climates.

Bank Formation

Nomura Master Fund's bank formation boasts loans from leading Japanese financial institutions and the average interest rate of 0.98% needs no explanation as to the high evaluation of Nomura Master Fund's management by financial institutions.

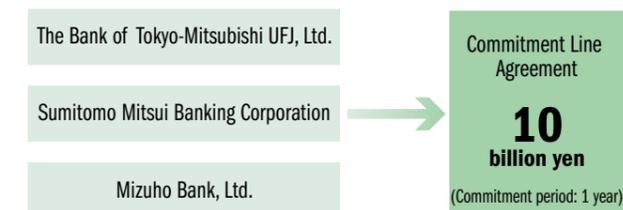
Financial Institution	(billions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19.9
Sumitomo Mitsui Banking Corporation	19.9
Mizuho Bank, Ltd.	13.5
Mitsubishi UFJ Trust and Banking Corporation	6.8
Sumitomo Mitsui Trust Bank, Limited	6.8
The Norinchukin Bank	6.8
Development Bank of Japan Inc.	5.8
Mizuho Trust & Banking Co., Ltd.	4.8
Total	84.4

Note: The figures are based on data as of February 28, 2014.

Credit Ratings

Credit Rating Agency	Japan Credit Rating Agency, Ltd. (JCR)
Long-Term Issuer Rating	AA-
Outlook	Stable

Commitment Line



Further Progress in Finance Strategy

	As of end of 2nd Period	As of end of 3rd Period (assumed)
Average remaining years	4.4 years	5.1 years
Rate of long-term loans	80.4%	99.9%
Rate of fixed interest loans	80.5%	98.8%

Effectively Applying the Nomura Value Chain to Deliver a Robust Portfolio to Investors



Logistics/Tokyo Area



Landport Kawagoe



Landport Itabashi



Landport Kasukabe



Landport Urayasu



Landport Atsugi



Kawaguchi Logistics Center A Tower



Kawaguchi Logistics Center B Tower



Hanyu Logistics Center



Atsugi Minami Logistics Center A Tower



Atsugi Minami Logistics Center B Tower



Funabashi Logistics Center



Logistics/Other



Ota Higashishinmachi Logistics Center



Ota Nitta Logistics Center



Sagamihara Tana Logistics Center



Landport Hachioji



Sagamihara Onodai Logistics Center



Ota Kiyohara Logistics Center



Chiyodamachi Logistics Center



Retail/Tokyo

- Station-front type
- Residential facility type



Recipe SHIMOKITA



Morisia Tsudanuma



GEMS Shibuya



Konami Sports Club Fuchu



Sundai Azamino



Kawasaki More's



EQUINIA Ikebukuro



EQUINIA Shinjuku



Nitori Makuhari



EQUINIA Aobadai



covirna machida



Megalos Kanagawa



FESTA SQUARE



Yokosuka More's City



Retail/Kinki

- Station-front type
- Residential facility type



Izumiya Senrioka



Merad Owada



Izumiya Obayashi



Izumiya Yao



Retail/Other

- Station-front type
- Residential facility type



Ichibancho stear



EQUINIA Aobadori

Retail (land only)/Tokyo

- Mitsubishi Motors Meguro
- Mitsubishi Motors Chofu
- Mitsubishi Motors Shibuya
- Mitsubishi Motors Nerima
- Mitsubishi Motors Kawasaki
- Mitsubishi Motors Takaido

- Mitsubishi Motors Katsushika
- Mitsubishi Motors Higashikurume
- Mitsubishi Motors Setagaya
- Mitsubishi Motors Suginami
- Mitsubishi Motors Sekimachi
- Mitsubishi Motors Higashiyamato

- Mitsubishi Motors Motosumiyoshi
- Mitsubishi Motors Kawagoe
- Mitsubishi Motors Edogawa
- Mitsubishi Motors Sayama

Retail (land only)/Kinki

- Mitsubishi Motors Ibaraki Maintenance Center

Compliance that Ensures Investment Integrity and Investor Confidence

Nomura Real Estate Asset Management (NREAM) created its compliance rules and structure at the dawn of the Japanese real estate investment management business in the 1990s to meet the strict standards of foreign investors. Over the years, NREAM has established a highly-refined compliance structure for the many facets of investment management, including private funds, J-REITs and discretionary investment services.

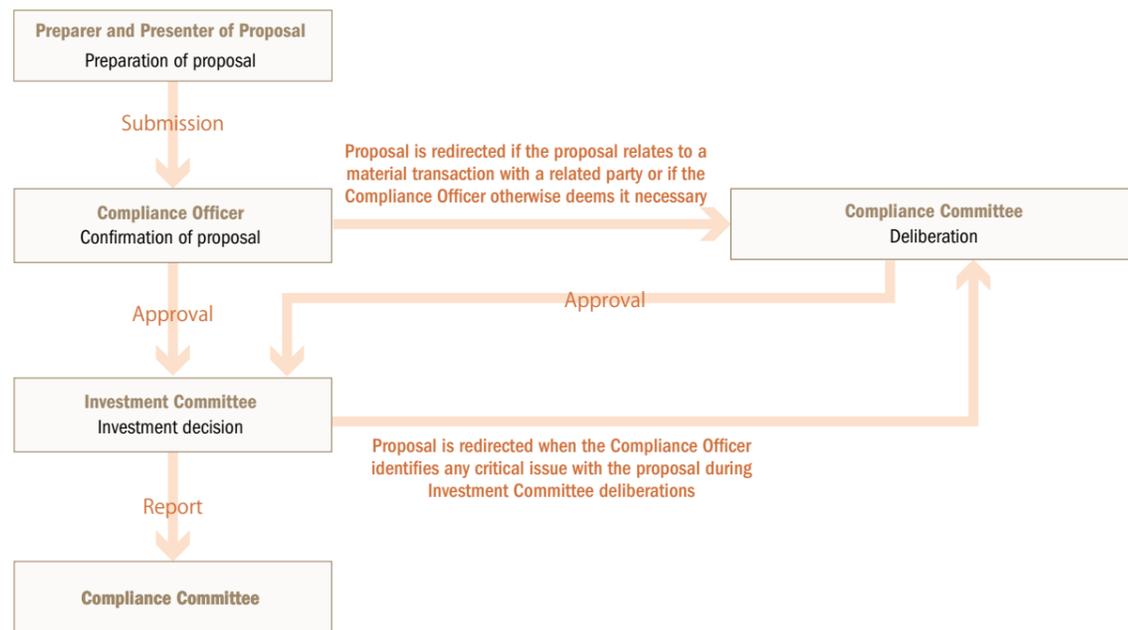
The key elements of NREAM's compliance structure are the Compliance Department, the Compliance Officer, who is the head of the Compliance Department, and the Compliance Committee.

The Compliance Department handles risk management and Risk Management Committee matters along with those related to compliance and the Compliance Committee. Thus, the Compliance Department is the corporate body that ensures day-to-day compliance in decision-making and actions.

The Compliance Committee revises compliance regulations, and establishes and revises the Compliance Manual and Compliance Program. It also handles countermeasures when required and instructed to do so by the Compliance Officer in the event of compliance violations by NREAM. The Compliance Committee also analyzes deals with interested parties at the behest of the Compliance Officer and considers improvements needed to maintain compliance with laws and regulations. The Compliance Committee additionally administers and verifies achievement of the company wide Compliance Program.

The Compliance Officer constantly monitors and inspects legal compliance of NREAM's investment and advisory activities. The Compliance Officer verifies the compliance of all matters under discussion by the Investment Committee and voices his or her opinion. The Compliance Officer also verifies daily compliance and reports to the President when compliance issues are discovered and seeks implementation of proper countermeasures.

The flow of compliance matters regarding investment is shown in the table below.



Financial Section

Contents

Balance Sheet	20
Statement of Income and Retained Earnings	22
Statement of Changes in Net Assets	23
Statement of Cash Flows	24
Notes to Financial Statements	25
Independent Auditor's Report	34

Balance Sheet

	Thousands of Yen	
	As of February 28, 2014	As of August 31, 2013
ASSETS		
Current Assets:		
Cash and bank deposits	¥20,988,819	¥16,460,088
Rental receivables	107,911	138,212
Income taxes receivable	164	-
Consumption taxes receivable	-	4,713,348
Other current assets	260,473	249,363
Total current assets	21,357,367	21,561,011
Property and Equipment, at Cost:		
Land	139,617,049	131,144,877
Buildings and structures	97,760,234	95,221,008
Tools, furniture and fixtures	11,618	574
Construction in progress	23,226	-
Subtotal	237,412,127	226,366,459
Less accumulated depreciation	(2,196,325)	(698,513)
Net property and equipment	235,215,802	225,667,946
Investments and Other Assets:		
Leasehold rights	3,829,100	3,821,371
Intangible assets	11,389	11,445
Long-term prepaid expenses	613,882	648,602
Long-term deposits	39,206	39,101
Security deposits	516,126	515,926
Total investments and other assets	5,009,703	5,036,445
Total Assets	¥261,582,872	¥252,265,402

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

	Thousands of Yen	
	As of February 28, 2014	As of August 31, 2013
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥330,137	¥262,587
Short-term debt	16,500,000	16,500,000
Current portion of long-term debt	85,600	85,600
Other accounts payable	207,946	1,085,077
Accrued expenses	10,054	10,658
Accrued income taxes	652	1,523
Accrued consumption taxes	179,119	-
Rent received in advance	1,459,898	1,335,426
Other current liabilities	940	47,051
Total current liabilities	18,774,346	19,327,922
Long-term Liabilities:		
Long-term debt	67,850,200	61,893,000
Security deposits from tenants	8,976,172	8,672,524
Total long-term liabilities	76,826,372	70,565,524
Total Liabilities	95,600,718	89,893,446
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	161,120,405	161,120,405
Surplus		
Retained earnings	4,861,749	1,251,551
Total surplus	4,861,749	1,251,551
Total unitholders' equity	165,982,154	162,371,956
Total Net Assets	165,982,154	162,371,956
Total Liabilities and Net Assets	¥261,582,872	¥252,265,402

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

Statement of Income and Retained Earnings

	Thousands of Yen	
	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Operating Revenues and Expenses		
Operating Revenues:		
Real estate rental revenues	¥9,176,391	¥3,683,130
	9,176,391	3,683,130
Operating Expenses:		
Real estate rental expenses	2,918,849	1,258,501
Asset management fees	750,576	277,764
Asset custody fees	14,248	3,993
Administrative service fees	64,037	23,540
Other operating expenses	80,271	29,702
	3,827,981	1,593,500
Operating Profit	5,348,410	2,089,630
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	1,874	889
Interest on refund of consumption taxes	22,211	-
Other non-operating revenues	11	4
	24,096	893
Non-Operating Expenses:		
Interest expense	398,386	144,739
Loan arrangement fees	108,657	147,198
Investment units issuance costs	-	293,249
Other offering costs associated with the issuance of investment units	-	149,006
Organization expenses	-	100,000
Other non-operating expenses	3,750	3,125
	510,793	837,317
Ordinary Income	4,861,713	1,253,206
Income before Income Taxes	4,861,713	1,253,206
Income Taxes:		
Current	868	1,704
Deferred	36	(49)
Net Income	4,860,809	1,251,551
Retained earnings brought forward	940	-
Retained Earnings at End of Period	¥4,861,749	¥1,251,551

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

Statement of Changes in Net Assets

For the period from September 1, 2013 to February 28, 2014

	Thousands of Yen					
	Unitholders' Equity					Total Net Assets
	Units	Unitholders' Capital	Surplus		Total Unitholders' Equity	
			Retained Earnings	Total Surplus		
Balance as of September 1, 2013	1,665,260	¥161,120,405	¥1,251,551	¥1,251,551	¥162,371,956	¥162,371,956
Cash distribution paid	-		(1,250,611)	(1,250,611)	(1,250,611)	(1,250,611)
Net income	-	-	4,860,809	4,860,809	4,860,809	4,860,809
Balance as of February 28, 2014	1,665,260	¥161,120,405	¥4,861,749	¥4,861,749	¥165,982,154	¥165,982,154

For the period from January 31, 2013 to August 31, 2013

	Thousands of Yen					
	Unitholders' Equity					Total Net Assets
	Units	Unitholders' Capital	Surplus		Total Unitholders' Equity	
			Retained Earnings	Total Surplus		
Balance as of January 31, 2013	-	-	-	-	-	-
Issuance of new investment units	1,665,260	¥161,120,405	-	-	¥161,120,405	¥161,120,405
Net income	-	-	¥1,251,551	¥1,251,551	1,251,551	1,251,551
Balance as of August 31, 2013	1,665,260	¥161,120,405	¥1,251,551	¥1,251,551	¥162,371,956	¥162,371,956

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

Cash Flows	Thousands of Yen	
	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Cash Flows from Operating Activities		
Income before income taxes	¥4,861,713	¥1,253,206
Depreciation	1,499,067	699,118
Investment units issuance costs	–	293,249
Interest income	(1,874)	(889)
Interest expense	398,386	144,739
Decrease (Increase) in rental receivables	30,301	(138,212)
Decrease (Increase) in consumption taxes receivable	4,713,348	(4,713,348)
Decrease (Increase) in long-term prepaid expenses	34,720	(648,602)
Decrease (Increase) in long-term deposits	(105)	(39,101)
Increase (Decrease) in trade accounts payable	67,550	262,587
Increase (Decrease) in other accounts payable	(327,789)	376,561
Increase (Decrease) in accrued consumption taxes	179,119	–
Increase (Decrease) in rent received in advance	124,472	1,335,426
Other	(57,257)	(202,263)
Subtotal	11,521,651	(1,377,529)
Interest received	1,874	889
Interest paid	(398,991)	(134,081)
Income taxes paid	(1,903)	(181)
Net cash provided by (used in) operating activities	11,122,631	(1,510,902)
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(11,617,397)	(225,663,944)
Payments for purchases of leasehold rights and intangible assets	(14,506)	(3,827,420)
Reimbursement of security deposits to tenants	(114,767)	(23,066)
Proceeds from security deposits from tenants	418,416	8,695,590
Payments for security deposits	(200)	(515,926)
Net cash provided by (used in) investing activities	(11,328,454)	(221,334,766)
Cash Flows from Financing Activities		
Proceeds from short-term debt	5,000,000	16,500,000
Repayment of short-term debt	(5,000,000)	–
Proceeds from long-term debt	6,000,000	62,000,000
Repayment of long-term debt	(42,800)	(21,400)
Proceeds from issuance of investment units	–	161,120,405
Payments for investment units issuance costs	–	(293,249)
Distributions to unitholders	(1,222,646)	–
Net cash provided by (used in) financing activities	4,734,554	239,305,756
Net Increase (Decrease) in Cash and Cash Equivalents	4,528,731	16,460,088
Cash and Cash Equivalents at Beginning of Period	16,460,088	–
Cash and Cash Equivalents at End of Period	¥20,988,819	¥16,460,088

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

1. ORGANIZATION

Nomura Real Estate Master Fund, Inc. (the “Company”) is a real estate investment corporation formed to own and invest primarily in logistics facilities and retail facilities. The Company is externally managed by a licensed asset management company, Nomura Real Estate Asset Management Co., Ltd. (“NREAM”). NREAM is a wholly-owned subsidiary of Nomura Real Estate Holdings, Inc.

On January 31, 2013, the Company was incorporated under the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”) of Japan. On June 12, 2013, the Company was listed on the Tokyo Stock Exchange and started operations on the following day. As of February 28, 2014, the Company owned a portfolio of 55 logistics facilities and retail facilities containing an aggregate of approximately 897,089.54 square meters of leasable area and leased space to 251 tenants.

2. BASIS OF PRESENTATION

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

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

Buildings	3 - 70 years
Structures	2 - 15 years
Tools, furniture and fixtures	4 - 10 years

Intangible assets

Intangible assets are amortized by the straight-line method.

Long-term prepaid expenses

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

Impairment of fixed assets

The Company reviews fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of its fixed assets may not be recoverable. An impairment loss is recognized if the carrying value of an asset exceeds the aggregate estimated future cash flows. If a fixed asset is determined to be impaired, it is written down to its recoverable amount and the write-down is recorded as an impairment loss during the period in which it occurs. No impairment losses have been recognized to date.

Accounting treatment of beneficial interests in real estate

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

Revenue recognition

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

Property related taxes

Property in Japan is subject to property taxes, urban planning taxes and depreciable property taxes on a calendar year basis. The taxes related to property are generally imposed based on the value of the relevant property and incurred for fiscal period.

The seller of a property is liable for property related taxes for the period from the purchase date through the end of that calendar year because taxes are imposed on the owner registered in the record as of January 1 for the entire year based on the assessment made by the local government. The amount applicable to the buyer of a property is usually settled between each party and capitalized as part of the acquisition cost of the property. The capitalized property related taxes amounted to ¥1,493 thousand and ¥768,771 thousand for the fiscal period ended February 28, 2014 and August 31, 2013, respectively.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of February 28, 2014 and August 31, 2013 consist of the following:

	Thousands of Yen	
	As of February 28, 2014	As of August 31, 2013
Cash and bank deposits	¥20,988,819	¥16,460,088
Cash and cash equivalents	¥20,988,819	¥16,460,088

5. SCHEDULE OF PROPERTY AND EQUIPMENT

Property and equipment as of February 28, 2014 and August 31, 2013 consist of the following:

	As of February 28, 2014		As of August 31, 2013	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥10,917,067	¥10,917,067	¥2,440,333	¥2,440,333
Buildings and structures	3,505,710		1,109,122	
Accumulated depreciation	(45,342)	3,460,368	(6,473)	1,102,649
Land in trust	128,699,982	128,699,982	128,704,544	128,704,544
Buildings and structures in trust	94,254,524		94,111,886	
Accumulated depreciation	(2,150,735)	92,103,789	(692,032)	93,419,854
Tools, furniture and fixtures in trust	11,618		574	
Accumulated depreciation	(248)	11,370	(8)	566
Construction in progress	23,226	23,226	-	-
Total	¥235,215,802	¥235,215,802	¥225,667,946	¥225,667,946

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

Short-term debt and current portion of long-term debt as of February 28, 2014 and August 31, 2013 consist of the following:

	As of February 28, 2014		As of August 31, 2013	
	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 May 26, 2014	¥8,000,000	0.34636%	¥8,000,000	0.35000%
Unsecured loans from banks due on May 26, 2014	8,500,000	0.34636%	8,500,000	0.35000%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	42,800	2.21812%	42,800	2.21812%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	42,800	2.17000%	42,800	2.17000%
Total	¥16,585,600		¥16,585,600	

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 three month starting on August 26, 2013, with the remaining payment of ¥497.1 million to be repaid on May 26, 2025.

The Company entered into ¥10,000 million credit facilities in the form of commitment lines with three financial institutions for the fiscal period ended February 28, 2014. The total unused amounts of such credit facilities were ¥10,000 million as of February 28, 2014.

7. LONG-TERM DEBT

Long-term debt as of February 28, 2014 and August 31, 2013 consist of the following:

	As of February 28, 2014		As of August 31, 2013	
	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)	Amount (Thousands of Yen)	Weighted-average interest rate ^(Note 1)
Unsecured loans from banks due on November 26, 2016	¥13,000,000	0.64250%	¥13,000,000	0.64250%
Unsecured loans from banks due on May 26, 2018	12,200,000	0.86250%	12,200,000	0.86250%
Unsecured loans from banks due on November 26, 2018	4,000,000	0.72500%	–	–
Unsecured loans from banks due on May 26, 2019	9,000,000	1.11750%	9,000,000	1.11750%
Unsecured loans from a bank due on May 26, 2019	1,000,000	1.04875%	1,000,000	1.04875%
Unsecured loans from 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 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 November 26, 2021	2,000,000	1.30289%	–	–
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.89500%	2,000,000	1.89500%
Unsecured loans from a bank due on May 26, 2023	2,000,000	1.86500%	2,000,000	1.86500%
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, 2025 ^(Note 2)	925,100	2.21812%	946,500	2.21812%
Unsecured loans from a bank due on May 26, 2025 ^(Note 2)	925,100	2.17000%	946,500	2.17000%
Total	¥67,850,200		¥61,893,000	

Note 1: The weighted-average interest rate is weighted by the balance of each borrowing at the end of the period and rounded to the nearest fifth decimal place. As for the borrowings, 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 three month starting on August 26, 2013, with the remaining payment of ¥497.1 million to be repaid on May 26, 2025.

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

	Thousands of Yen			
	1-2 years	2-3 years	3-4 years	4-5 years
Long-term debt	85,600	13,085,600	85,600	16,285,600

8. UNITHOLDERS' EQUITY

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

9. PER UNIT INFORMATION

The net asset values per unit and the net income per unit as of February 28, 2014 and August 31, 2013 were as follows:

	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Net assets per unit	¥99,673	¥97,505
Net income per unit	¥2,919	¥1,948

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

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

	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Net income (Thousands of Yen)	¥4,860,809	¥1,251,551
Amount not available to ordinary unitholders (Thousands of Yen)	–	–
Net income available to ordinary unitholders (Thousands of Yen)	¥4,860,809	¥1,251,551
Average number of units during the period	1,665,260	642,316

10. RELATED PARTY TRANSACTIONS

For the periods from September 1, 2013 to February 28, 2014 and from January 31, 2013 to August 31, 2013

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

11. INCOME TAXES

The Company, as an investment corporation, is subject to corporate income taxes at a statutory tax rate of approximately 37% for the fiscal period ended February 28, 2014 and August 31, 2013. 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 ¥4,860,893 thousand and ¥1,250,610 thousand for the fiscal period ended February 28, 2014 and August 31, 2013 respectively, such distributions were treated as deductible distributions for purposes of corporate income taxes. The following summarizes the significant differences between the statutory tax rate and the effective tax rate:

	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(36.58)	(36.51)
Other	0.01	0.05
Effective tax rate	0.02%	0.13%

12. FINANCIAL INSTRUMENTS

Overview

(1) Policy for Financial Instruments

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

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

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

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

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

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

The fair value of financial instruments is based on the quoted market price, if applicable. When there is no quoted market price available, fair value is reasonably estimated. Certain assumptions are used for the estimation of fair value. Accordingly, the result of such estimation may change if different assumptions are used. Furthermore, the contractual amounts of derivative transactions stated in "17. Derivatives and Hedge Accounting" below do not represent the market risk involved in these derivative transactions.

Fair Value of Financial Instruments

For the period from September 1, 2013 to February 28, 2014

The following table summarizes the carrying value and the estimated fair values of financial instruments as of February 28, 2014.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	¥20,988,819	¥20,988,819	-
(ii) Short-term debt	(16,500,000)	(16,500,000)	-
(iii) Current portion of long-term debt	(85,600)	(86,550)	¥950
(iv) Long-term debt	(67,850,200)	(68,906,632)	1,056,432
(v) Derivative transactions	-	-	-

For the period from January 31, 2013 to August 31, 2013

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2013.

	Thousands of Yen		
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	¥16,460,088	¥16,460,088	-
(ii) Short-term debt	(16,500,000)	(16,500,000)	-
(iii) Current portion of long-term debt	(85,600)	(86,521)	¥921
(iv) Long-term debt	(61,893,000)	(62,528,386)	635,386
(v) Derivative transactions	-	-	-

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 long-term debt and (iv) Long-term debt

For floating-rate long-term debt, the carrying value is reported as it is considered to be approximately equal to the fair value because such debt reflects the market interest rates within a short-term period. (However, the fair value of certain floating-rate long-term debt that qualifies for the special treatment of interest-rate swaps (see "17. Derivatives and Hedge Accounting") is determined by discounting the sum of its principal and interest payments net of any cash flows from the interest-rate swap at a rate reasonably estimated to be applicable to similar fixed-rate debt.) The fair value of fixed-rate long-term debt is determined by discounting the sum of its principal and interest payments at a rate reasonably estimated to be applicable to similar fixed-rate debt.

(v) Derivative transactions

See "17. Derivatives and Hedge Accounting."

Note 3: Redemption schedule for cash and bank deposits as of February 28, 2014

	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	¥20,988,819	-	-	-	-	-
Total	¥20,988,819	-	-	-	-	-

Redemption schedule for cash and bank deposits as of August 31, 2013

	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	¥16,460,088	-	-	-	-	-
Total	¥16,460,088	-	-	-	-	-

Note 4: Redemption schedule for debt as of February 28, 2014

	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	¥16,500,000	-	-	-	-	-
Long-term debt	85,600	¥85,600	¥13,085,600	¥85,600	¥16,285,600	¥38,307,800
Total	¥16,585,600	¥85,600	¥13,085,600	¥85,600	¥16,285,600	¥38,307,800

Redemption schedule for debt as of August 31, 2013

	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	¥16,500,000	-	-	-	-	-
Long-term debt	85,600	¥85,600	¥85,600	¥13,085,600	¥12,285,600	¥36,350,600
Total	¥16,585,600	¥85,600	¥85,600	¥13,085,600	¥12,285,600	¥36,350,600

13. INVESTMENT AND RENTAL PROPERTIES

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

	Thousands of Yen	
	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Carrying value		
Balance at beginning of the period	¥229,489,317	-
Amount of increase (decrease) during the period	9,555,585	¥229,489,317
Balance at end of the period	239,044,902	229,489,317
Fair value at end of the period	¥252,818,000	¥239,326,000

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

Note 2: The major increase in the carrying value during the period ended February 28, 2014 was mainly due to the acquisition of Recipe SHIMOKITA (10,880,665 thousand yen) and decrease in the carrying value during the period ended February 28, 2014 was mainly due to depreciation (total 1,497,812 thousand yen). The major increase in the carrying value during the period ended August 31, 2013 was mainly due to the acquisition of 54 properties including Landport Urayasu (total 230,163,004 thousand yen) and decrease in the carrying value during the period ended August 31, 2013 was mainly due to depreciation (total 698,513 thousand yen).

Note 3: The fair value as of February 28, 2014 and August 31, 2013 represents the sum of the appraisal values estimated by external real estate appraisers.

The real estate rental revenues and expenses for the fiscal period ended February 28, 2014 and August 31, 2013 are presented in "15. Breakdown of Real Estate Rental Revenues and Expenses." Breakdown of Real Estate Rental Revenues and Expenses."

14. SEGMENT INFORMATION

For the periods from September 1, 2013 to February 28, 2014 and from January 31, 2013 to August 31, 2013

Segment Information

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

Related Information

1. Information about products and services

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

2. Information about geographical areas

(1) Revenues

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

(2) Property and equipment

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

3. Information about major clients

Since no single external client represents 10 percent or more of the Company's total operating revenues, information about major clients has been omitted.

15. BREAKDOWN OF REAL ESTATE RENTAL REVENUES AND EXPENSES

Real estate rental revenues and expenses for the fiscal period ended February 28, 2014 and August 31, 2013 consist of the following:

	Thousands of Yen	
	For the period from September 1, 2013 to February 28, 2014	For the period from January 31, 2013 to August 31, 2013
Real estate rental revenues	¥9,176,391	¥3,683,130
Rental revenues	8,478,426	3,392,016
Rental revenues	8,228,547	3,291,204
Common area charges	249,879	100,812
Other rental revenues	697,965	291,114
Parking revenues	78,087	34,578
Incidental income	578,563	253,525
Other miscellaneous revenues	41,315	3,011
Real estate rental expenses	2,918,849	1,258,501
Property management costs	337,141	131,204
Property management fees	152,886	60,336
Utility expenses	518,251	223,476
Casualty insurance	18,117	7,386
Repairs and maintenance	185,677	58,105
Land rents	71,657	30,673
Depreciation	1,497,862	698,513
Other rental expenses	137,258	48,808
Real estate rental profits	¥6,257,542	¥2,424,629

16. LEASES

The future minimum rental revenues from tenants under non-cancelable operating lease of properties as of February 28, 2014 and August 31, 2013 are summarized as follows:

	Thousands of Yen	
	As of February 28, 2014	As of August 31, 2013
Due within one year	¥13,530,103	¥13,165,343
Due after one year	44,418,969	36,701,720
Total	¥57,949,072	¥49,867,063

17. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of February 28, 2014

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

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

		Thousands of Yen				
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
				Due after one year		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	59,167,900	59,125,100	(*)	/

*Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for as one transaction together with their hedged item, long-term debt, the fair value of these derivatives is included in that of related long-term debt (see "12. Financial Instruments (Note 2) (iii) Current portion of long-term debt and (iv) Long-term debt").

Derivative transactions as of August 31, 2013

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

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

		Thousands of Yen				
Hedge accounting method	Type of derivative instruments	Main hedged item	Notional amount		Fair value	Method used for determining fair value
				Due after one year		
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	55,189,300	55,146,500	(*)	/

*Since the derivative financial instruments qualifying for the special treatment of interest-rate swaps are accounted for as one transaction together with their hedged item, long-term debt, the fair value of these derivatives is included in that of related long-term debt (see "12. Financial Instruments (Note 2) (iii) Current portion of long-term debt and (iv) Long-term debt").



Ernst & Young ShinNihon LLC
 Hibiya Kokusai Bldg.
 2-2-3 Uchisaiwai-cho, Chiyoda-ku
 Tokyo, Japan 100-0011
 Tel: +81 3 3503 1100
 Fax: +81 3 3503 1197
 www.shinnihon.or.jp

Independent Auditor's Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at February 28, 2014, and the statements of income and retained earnings, changes in net assets, and cash flows from September 1, 2013 to February 28, 2014 and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nomura Real Estate Master Fund, Inc. as at February 28, 2014, and its financial performance and cash flows from September 1, 2013 to February 28, 2014 in conformity with accounting principles generally accepted in Japan.

Ernst & Young Shin Nihon LLC

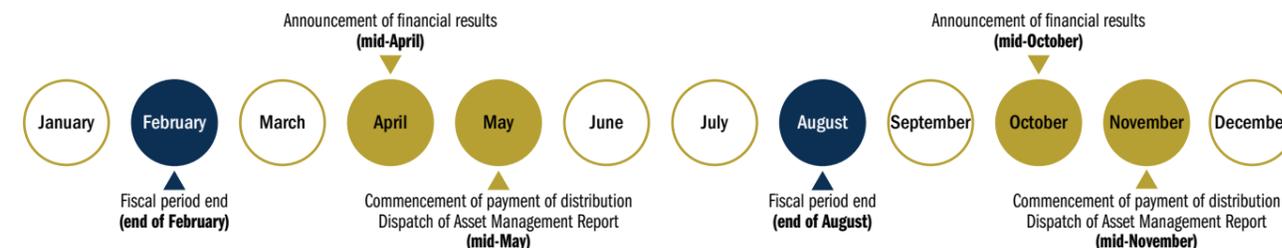
May 21, 2014
 Tokyo, Japan

A member firm of Ernst & Young Global Limited

Structure



IR Calendar



Breakdown of Unitholders

Category	Units held	Share
Foreign corporations and individuals	234,342 units 14.1%	328,538 units 19.7%
Other domestic corporations	225,459 units 13.5%	177,306 units 10.6%
Financial institutions (including financial instruments business operators)	548,633 units 32.9%	712,813 units 42.8%
Individuals and others	656,826 units 39.4%	446,603 units 26.8%

1st Fiscal Period | 2nd Fiscal Period

Top 10 Unitholders

Unitholder	Units held	Share
1 Japan Trustee Services Bank, Ltd.	282,629	16.97%
2 Trust & Custody Services Bank, Ltd.	90,669	5.44%
3 Nomura Real Estate Development Co., Ltd.	87,820	5.27%
4 The Master Trust Bank of Japan, Ltd.	86,967	5.22%
5 The Nomura Trust and Banking Co., Ltd.	85,617	5.14%
6 Nomura Bank Luxembourg SA	51,443	3.09%
7 The Bank of New York, Non-Treaty JASDEC Account	30,273	1.82%
8 Credit Suisse Securities (Europe) Limited PB Omnibus Client Account	20,775	1.25%
9 NORTHERN TRUST CO. (AVFC) RE 10PCT TREATY ACCOUNT	17,267	1.04%
10 State Street Bank and Trust Company	15,948	0.96%
Total	769,408	46.20%

Note: The figures are based on data as of February 28, 2014.