

3rd Fiscal Period Semi-Annual Report

March 1, 2014 to August 31, 2014

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

Continuing to Deliver on Our Strategy

“Nomura Master Fund continues to build a robust portfolio and greater diversification of assets and tenants to enable our goal of reliably delivering stable income and dividends.”

“We believe balanced growth is essential to delivering stable returns and are committed to achieving this as exemplified by the acquisition of a logistics facility and a retail property this fiscal period.”



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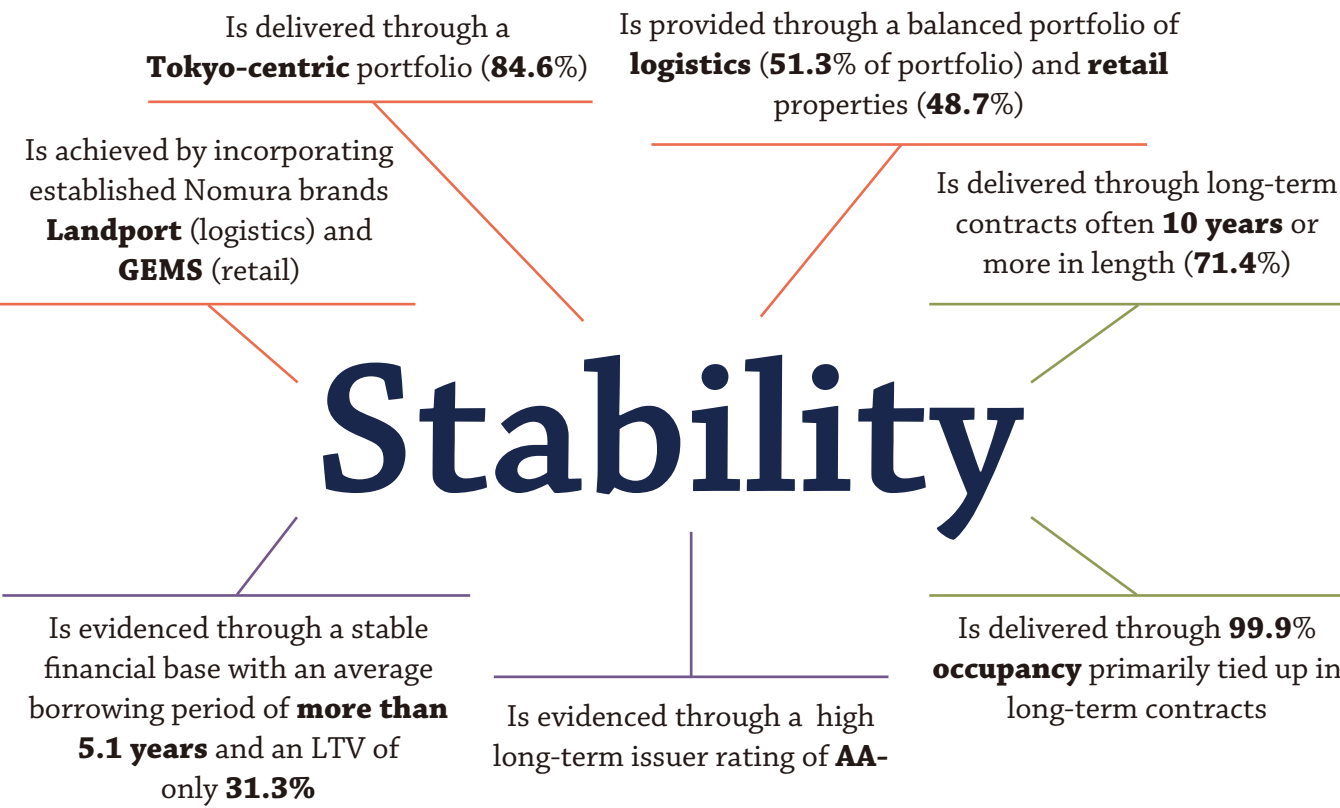
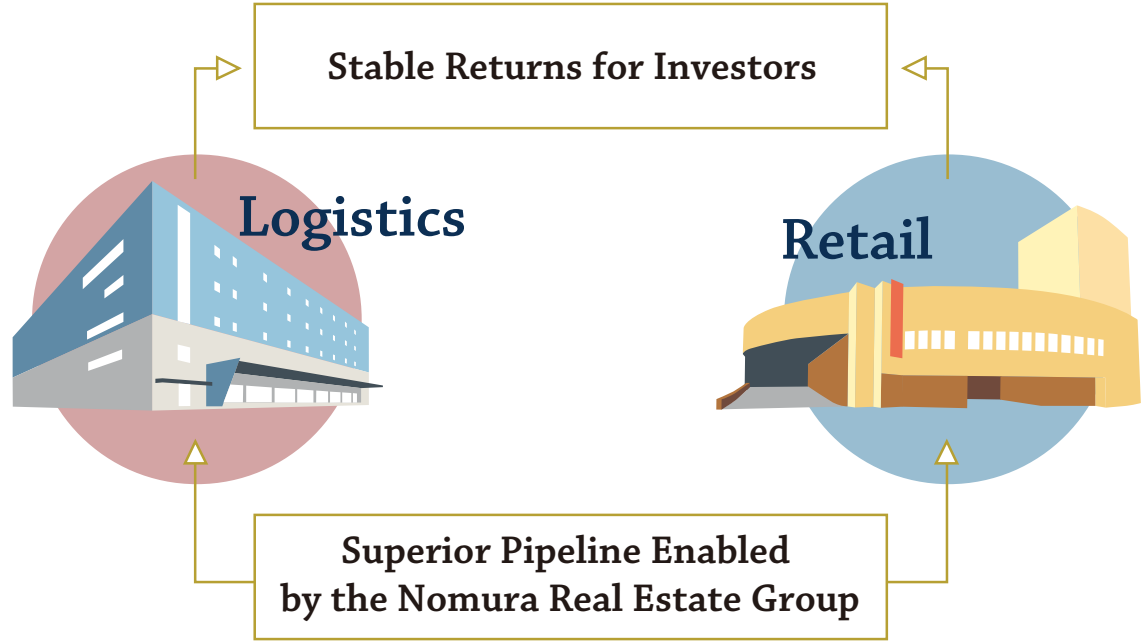
For management fees that NMF pays to Nomura Real Estate Asset Management Co., Ltd., please refer to the terms and conditions of NMF, asset management reports, etc.

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.

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Note: The above figures are based on data as of August 31, 2014.

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Motomi Uki Appointed Head of NMF Investment Management Division at NREAM

Nomura Real Estate Asset Management Co., Ltd. (NREAM), the asset manager of Nomura Real Estate Master Fund, Inc. (Nomura Master Fund), underwent an organizational restructuring that took effect on October 1, 2014. The desired impact for NMF and other REITs and funds managed by NREAM is a speeding up of decision making and increased transparency.

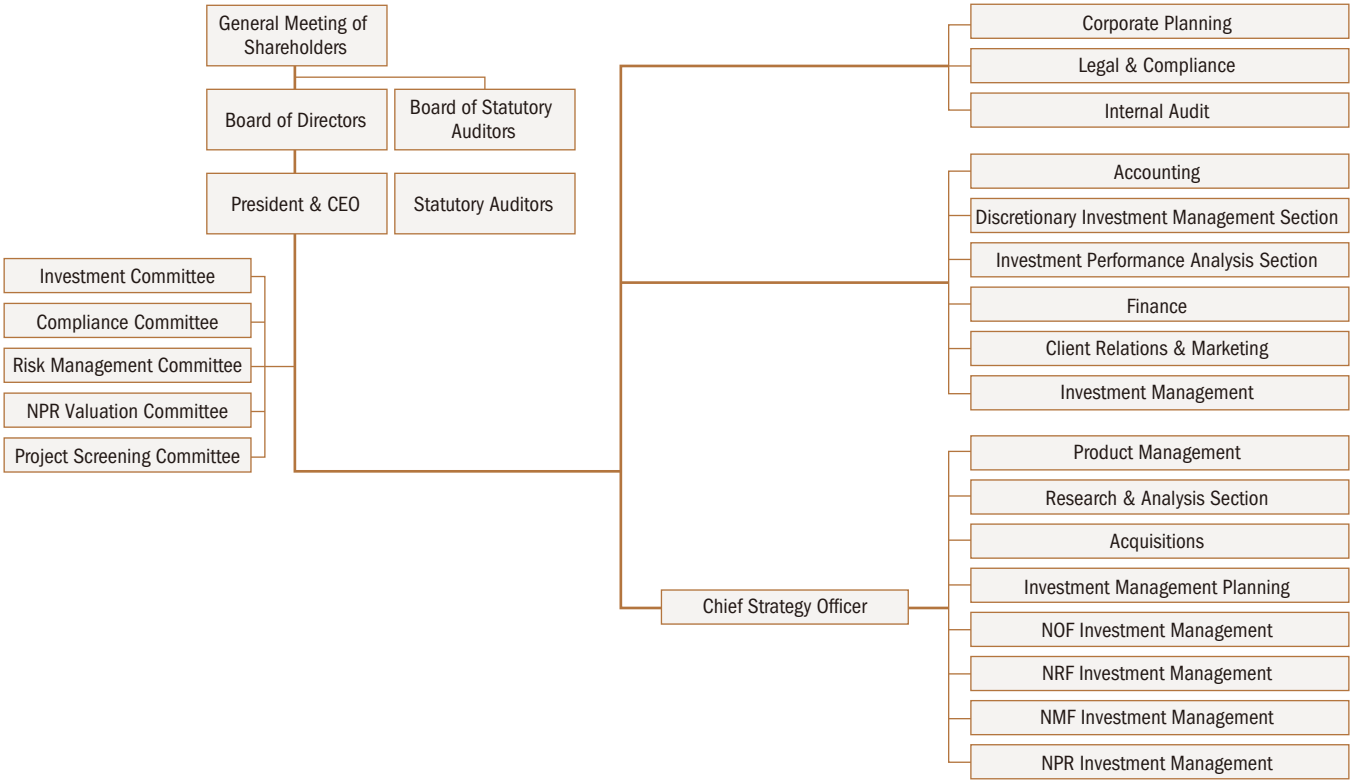
As a result of the restructuring, Motomi Uki was appointed Director and Executive Officer of NREAM and Head of the NMF Investment Management Division. Uki firmly stated that he will continue a solid adherence to strategy like his predecessors. Uki said, “I will work to balance assets under management and tenants even further to achieve greater stability in our return on income and an even steadier portfolio as we march to our medium term target of 400 billion yen in AUM.”

We appreciate your continued support of Motomi Uki going forward.



NREAM Simplifies Organization to Quicken Decision-Making

As of October 1, 2014, NREAM, the asset manager for Nomura Master Fund, eliminated various redundancies in its organization that slowed investment and other decisions significantly. The new streamlined organization aims to enable NREAM to more quickly identify opportunities and make decisions regarding investment in those opportunities. In line with this reorganization, Motomi Uki was appointed as Executive Officer and Head of the NMF Investment Management Division of NREAM. The new organization is shown below.



Fourth Fiscal Period Nomura Master Fund Acquires Universal CityWalk Osaka™.



Overview of Property

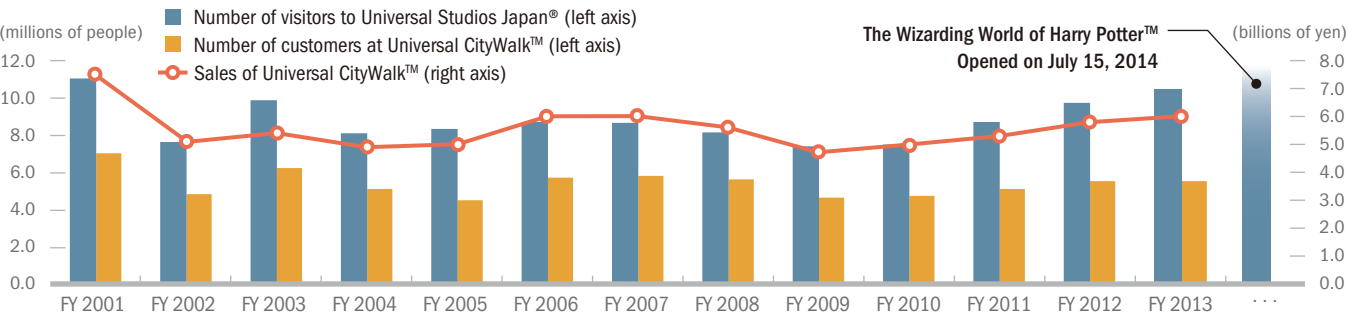
Completion	June 2001
Location	Konohana Ward, Osaka City, Osaka Prefecture
Nearest station	1-minute walk from Universal City Station on JR Yumesaki Line
Acquisition date	September 30, 2014
Acquisition price	15.5 billion yen
NOI yield	5.9% (appraisal base)
Ownership	54.11% co-ownership of land and leasehold land Compartmentalized ownership of building representing retail and cooling facility (compartmentalized ownership equaling 25.22% of voting rights)
Property manager	Geo-Akamatsu Co., Ltd.

Nomura Master Fund contracted to acquire Universal CityWalk Osaka™ on August 8, 2014 and acquired the property on September 30, 2014 for 15.5 billion yen, 1 billion yen below the appraisal value. The property is located in Konohana Ward, Osaka City situated a 1-minute walk from Universal City Station. It is the sole licensed retail center of Universal Studios Japan® and located next to the theme park.

Universal CityWalk Osaka™ is a part of the large resort destination along with Universal Studios Japan® and four official hotels. The center enjoys more than 5 million visitors a year. Nomura Master Fund acquired the retail and cooling facility portion of the property for a cap rate of 5.9% and has strong expectations for its ability to draw customers and to improve on this ability even more. The property has an occupancy rate of 95.9% as of August 31, 2014. Tenants include Hard Rock Café and Bubba Gump Shrimp. Universal Studios Japan® attracts many guests domestically and from abroad thanks to The Wizarding World of Harry Potter™, which opened in July 2014.

Nomura Master Fund plans to promote tenant replacements in line with “affinity with Universal Studios Japan®,” “thematic character” and “entertainment quality” as it plans to “further enhance collaboration with Universal Studios Japan®” and “increase sales through co-promotion and implementation of events, etc.” through the property management of Geo-Akamatsu, a valuable member of the Nomura Real Estate Group.

Park Visitors and Sales



Note: Figures for “Number of visitors to Universal Studios Japan®” from FY 2001 to FY 2008 are based on disclosure materials of USJ Co., Ltd. The figures from FY 2009 and after are prepared by Nomura Real Estate Asset Management Co., Ltd. based on press materials, etc.

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Delivering Results Through Our Strategy

On behalf of Nomura Master Fund and as Executive Director of Nomura Master Fund, I would like to extend our gratitude to you, our unitholders, for your steady and robust support.

I would like to take the following lines to report the results of the Third Fiscal Period. It is with great pleasure that I report operating profits of 4,638 million yen, net income of 4,079 million yen and dividend per unit of 2,450 yen. This dividend exceeds our initial forecast by 50 yen per unit.

This was possible because of diligent asset management that reduced the downtime when replacing Morisia Tsudanuma tenants, and reduced interest and loan arrangement fees, etc. With the Fourth Fiscal Period acquisition of Universal CityWalk Osaka™, our asset size has grown to 56 properties and 253.5 billion yen (based on acquisition price). Our steady performance and growth has led to global recognition and in addition to the five indexes in which Nomura Master Fund was previously included, we have been added to the GPR 250 Index on September 22, 2014.

These steps forward are proof positive that execution of our strategy of investing in retail and logistics assets – the backbone of Japan's industry and economy – is delivering results. Utilization of the Nomura Value Chain continues to be a strong source of information on assets and has helped us meet our stated goals of a portfolio with more than 80% of its assets in the Tokyo Area and with long lease periods.

We will continue to adhere to the conservative financing strategy of growing with an operational LTV level between 30% and 40% so that we can consistently deliver a stable dividend to you our unitholders. The following pages outline our achievements.

Thank you again for your support.

Satoshi Yanagita

Executive Director
Nomura Real Estate Master Fund, Inc.

Yanagita was born on October 20, 1957 and joined Nomura Real Estate Development Co., Ltd. in April 1981. Between April 2001 and March 2011, he served as general manager consecutively for the Planning Section of the Residential Company, General Affairs Department and concurrently for the General Affairs Department and General Affairs Trial Department. He became Executive Officer of Nomura Living Support Co., Ltd. in April 2011 and also served as Director from April 2012. He currently serves as an Audit & Supervisory Board Member of Nomura Real Estate Partners Co., Ltd. and assumes the post of Executive Director of Nomura Real Estate Master Fund, Inc. as of December 1, 2014.

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. NREAM, 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

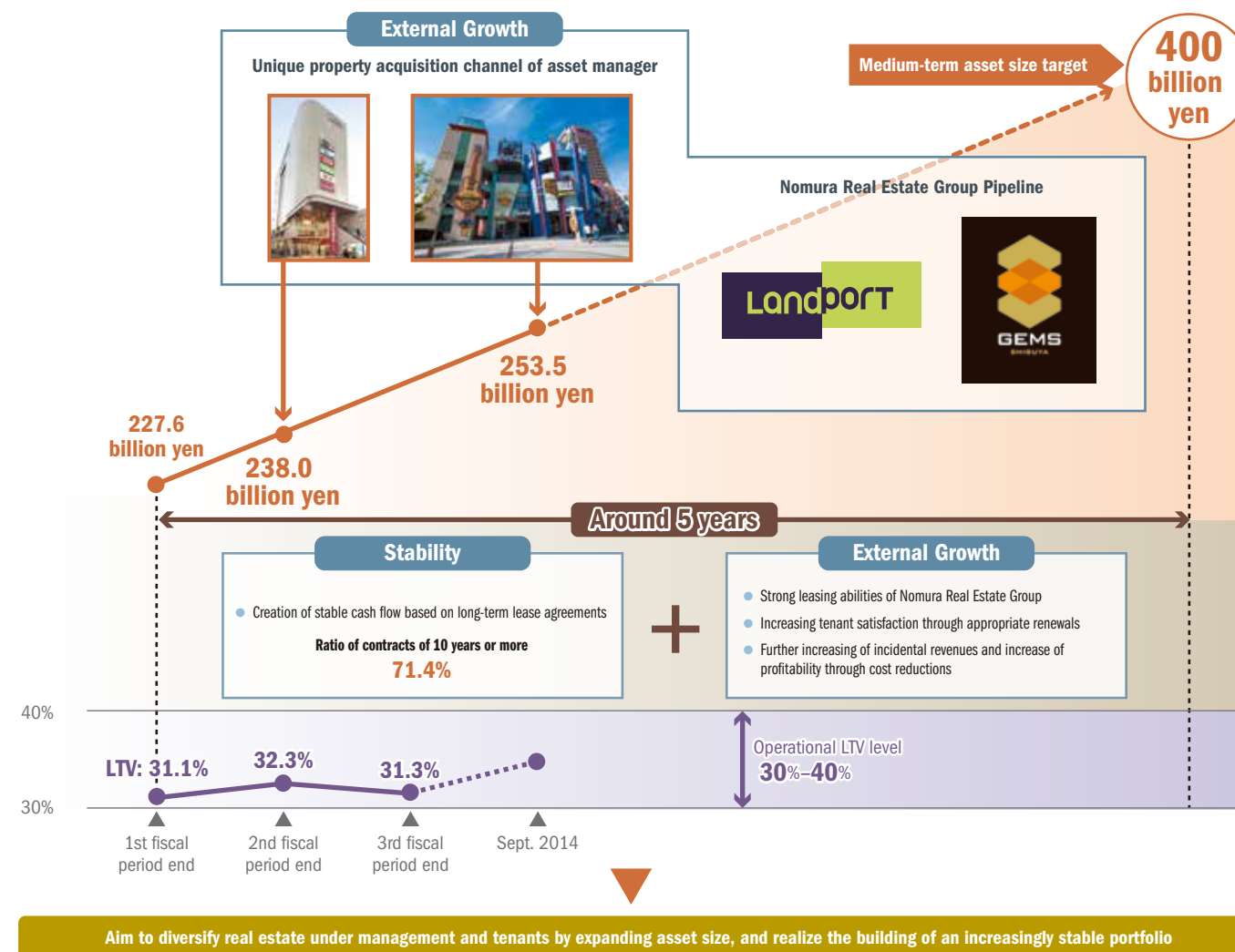
Operating strategy

- 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



Nomura Master Fund continues to adhere to its external growth strategy of “Growth without sacrificing stability.” The Japanese real estate market has markedly heated up since the Nomura Master Fund was listed on the J-REIT market as the largest listing ever. There is generally conspicuously more capital in the market than there are deals. This means two things. It is a time to continue to adhere to our conservative acquisition strategy and it is a time when an entity like ours that can leverage the diversity of Nomura Real Estate Group can truly distinguish itself among the competition via its sourcing prowess.

We have proven this by our acquisition of Recipe SHIMOKITA in the Second Fiscal Period at below appraisal value, our acquisition of equity interest in a silent partnership with preferential negotiation rights this fiscal period and with the stunning acquisition of Universal CityWalk Osaka™ next to Universal Studios Japan® early in the Fourth Fiscal Period. These acquisitions bring our total portfolio size, based on acquisition price, to 253.5 billion yen and give us 56 properties. We are well on our way to our medium-term goal of 400 billion yen.

Surprisingly, despite competition and the hot market we have increased our unrealized gain to 18.9 billion yen as of the end of the Third Fiscal Period or, put differently, our running appraisal value is 273.6 billion yen as of the acquisition of Universal CityWalk Osaka™ while the actual acquisition price was 253.5 billion yen, meaning the difference between appraisal and acquisition price has climbed past 20 billion yen.

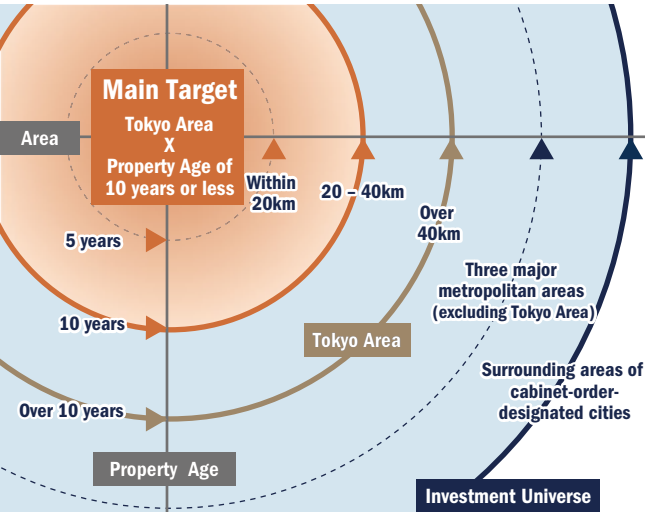
Additionally, in this environment our pipeline only increases in size as indicated on the next page. Nomura Master Fund is committed to applying the competitive advantages of the Nomura Real Estate Group to creating an optimal balanced portfolio of retail and logistics properties.

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



The Robust Nomura Real Estate Pipeline

Nomura Real Estate is a diversified property developer that develops logistics, retail, residential, office and other properties. This proven track record, combined with the Nomura Real Estate Group’s extensive sourcing network, mean that Nomura Master Fund has a robust pipeline for sourcing properties. This distinct advantage is evidenced in the acquisition of Universal CityWalk Osaka™ and demonstrates Nomura Master Fund’s steady commitment to realizing a portfolio of 400 billion yen within around five years of the end of its First Fiscal Period.

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 Iwatsuki (Tentative Name)
(to be completed in September 2016)

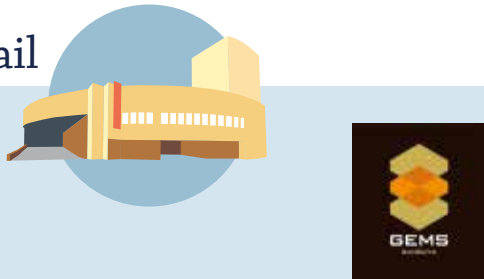


Landport Hachioji II (Tentative Name)
(to be completed in September 2016)



Landport Kashiwa Shonan (Tentative Name)
(to be completed in March 2016)

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 Shibadaimon (Tentative Name)
(to be completed in February 2016)



GEMS Ichigaya
(completed October 2014)



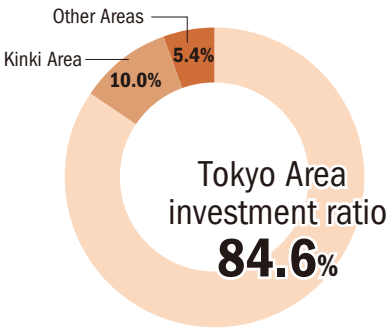
Nomura Fudosan Kichijoji Building
(completed July 2014)

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

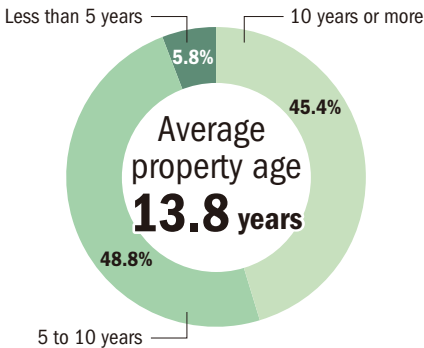
Portfolio Distribution

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.

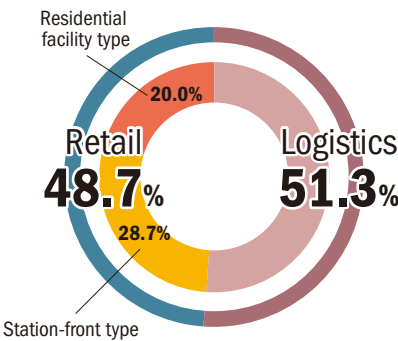
Geographical Diversification



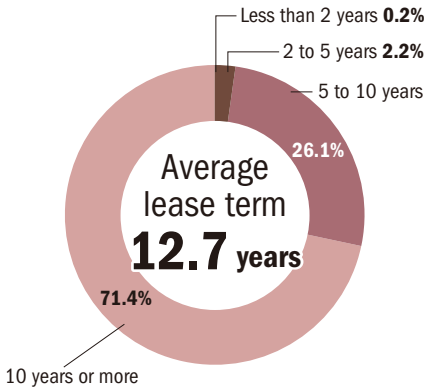
Distribution of Portfolio Age



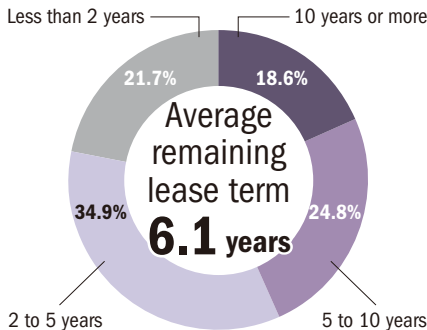
Portfolio Composition by Property Type



Lease Term (by leased area)



Remaining Lease Term (by leased area)



Note: The above figures are based on data as of August 31, 2014.

Portfolio Table (as of the end of the 3rd 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	19,100	70,045.85	4.16
		2	Landport Itabashi	Itabashi Ward, Tokyo	15,710	6.6	17,300	52,794.55	6.42
		3	Landport Kawagoe	Kawagoe City, Saitama	13,700	5.8	14,600	71,569.89	3.73
		4	Landport Atsugi	Atsugi City, Kanagawa	11,410	4.8	12,500	47,995.23	6.15
		5	Sagamihara Tana Logistics Center	Sagamihara City, Kanagawa	10,600	4.5	11,300	50,450.00	4.32
		6	Sagamihara Onodai Logistics Center	Sagamihara City, Kanagawa	8,700	3.7	9,530	57,448.03	7.30
		7	Landport Hachioji	Hachioji City, Tokyo	8,250	3.5	8,720	34,896.32	5.79
		8	Landport Kasukabe	Kasukabe City, Saitama	7,340	3.1	8,050	29,630.48	5.90
		9	Funabashi Logistics Center	Funabashi City, Chiba	4,660	2.0	5,060	30,641.98	3.40
		10	Atsugi Minami Logistics Center B Tower	Atsugi City, Kanagawa	4,590	1.9	4,960	24,909.96	6.15
		11	Hanyu Logistics Center	Hanyu City, Saitama	3,810	1.6	4,250	24,850.80	2.72
		12	Kawaguchi Logistics Center B Tower	Kawaguchi City, Saitama	3,750	1.6	4,150	13,648.70	2.92
		13	Kawaguchi Logistics Center A Tower	Kawaguchi City, Saitama	2,830	1.2	3,150	12,003.57	2.92
		14	Atsugi Minami Logistics Center A Tower	Atsugi City, Kanagawa	2,690	1.1	3,030	9,825.52	5.36
		15	Ota Nitta Logistics Center	Ota City, Gunma	3,430	1.4	3,690	42,328.00	1.40
		16	Ota Higashishinmachi Logistics Center	Ota City, Gunma	2,170	0.9	2,390	23,584.72	1.35
		17	Ota Kiyohara Logistics Center	Ota City, Gunma	650	0.3	704	9,397.38	1.03
		18	Chiyodamachi Logistics Center	Oura-Gun, Gunma	330	0.1	356	4,592.00	3.76
Retail Properties	Tokyo	1	Morisia Tsudanuma	Narashino City, Chiba	16,600	7.0	17,300	39,624.63	4.70
		2	Yokosuka More's City	Yokosuka City, Kanagawa	13,640	5.7	14,700	29,383.65	6.89
		3	Recipe SHIMOKITA	Setagaya Ward, Tokyo	10,407	4.4	10,600	6,295.22	4.38
		4	EQUINIA Shinjuku	Shinjuku Ward, Tokyo	4,260	1.8	4,340	3,611.59	5.81
		5	Kawasaki More's	Kawasaki City, Kanagawa	4,000	1.7	4,300	14,446.48	7.39
		6	EQUINIA Ikebukuro	Toshima Ward, Tokyo	3,990	1.7	4,200	2,693.93	8.36
		7	covima machida	Machida City, Tokyo	3,440	1.4	4,090	2,891.32	10.85
		8	Nitori Makuhari	Chiba City, Chiba	3,080	1.3	3,320	14,367.98	3.90
		9	Konami Sports Club Fuchu	Fuchu City, Tokyo	2,730	1.1	3,110	12,385.18	2.76
		10	FESTA SQUARE	Saitama City, Saitama	2,600	1.1	2,810	7,480.63	5.40
		11	GEMS Shibuya	Shibuya Ward, Tokyo	2,490	1.0	2,520	1,791.34	4.18
		12	Sundai Azamino	Yokohama City, Kanagawa	1,700	0.7	1,820	2,286.47	4.89
		13	EQUINIA Aobadai	Yokohama City, Kanagawa	1,560	0.7	1,720	2,457.36	9.33
		14	Megalos Kanagawa	Yokohama City, Kanagawa	1,000	0.4	1,230	6,217.85	9.06
		15	Izumiya Senrioka	Suita City, Osaka	8,930	3.8	10,100	24,399.12	5.43
	Kinki	16	Merad Owada	Osaka City, Osaka	6,640	2.8	7,060	(Retail) (Logistics) 14,941.54 5,856.50	3.33
		17	Izumiya Yao	Yao City, Osaka	4,406	1.9	4,830	34,198.01	3.97
		18	Izumiya Obayashi	Takarazuka City, Hyogo	3,020	1.3	3,510	11,714.36	3.89
		19	Ichibancho stear	Sendai City, Miyagi	4,700	2.0	5,040	4,582.81	2.42
		20	EQUINIA Aobadori	Sendai City, Miyagi	1,640	0.7	1,790	4,030.37	1.57
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	1,020	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	816	1,930.05	–
		8	Mitsubishi Motors Higashikurume	Higashikurume City, Tokyo	800	0.3	823	4,105.00	–
		9	Mitsubishi Motors Setagaya	Setagaya Ward, Tokyo	770	0.3	784	1,305.78	–
		10	Mitsubishi Motors Suginami	Suginami Ward, Tokyo	740	0.3	804	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	490	2,783.79	–
		13	Mitsubishi Motors Motosumiyoshi	Kawasaki City, Kanagawa	370	0.2	376	1,646.97	–
		14	Mitsubishi Motors Kawagoe	Kawagoe City, Saitama	350	0.1	361	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	167	1,793.00	–
	Other	17	Mitsubishi Motors Ibaraki Maintenance Center	Ibaraki City, Osaka	820	0.3	870	5,704.24	–
Total					238,023	100.0	257,123	897,406.28	2.68

Investment Securities								
Tokyo	1	Ryoke Capital Godo Kaisha Silent Partnership Equity Interest	Kawaguchi City, Saitama	500	–	–	–	–
	Total			500	–	–	–	–

Photovoltaic Power Generation:
Partnering to Deliver Greater
Dividends

Nomura Master Fund believes that supplying the power grid with solar energy can be an effective source of income that can help raise dividends. The logistics facilities in the portfolio generally have flat roofs and a broad floor space that enables significant generation of photovoltaic power. Following the contracting for services with Yokohama Business Park Heating and Cooling Supply, photovoltaic power generation facilities were installed on five of our Landport facilities and the renting of the roofs officially started on October 1, 2014. Nomura Master Fund projects annual rental income of 18,240,000 yen. We lease the roofs of the five Landport facilities to Yokohama Business Park Heating and Cooling Supply who then pays the Nomura Master Fund rent while selling electricity to Tokyo Electric Power Company (TEPCO).



Landport Urayasu converting empty space into mass power generation

Dedication to Proactive Management Positively Impacting Dividends

In the last semi-annual report, Nomura Master Fund outlined the scheduled renovations of Morisia Tsudanuma that were planned as positive reinforcement of our portfolio and a demonstration of the prowess of the Nomura Real Estate Group. Our efforts included renovating the west side passage on the first floor and building a more attractive outside deck on the west side of the second floor. Nomura Master Fund’s asset manager also took proactive steps to promote the improvements through events and an editorial tie-up with the Tsudanuma Walker magazine.

The careful planning is evident in the results being achieved that are at or better than those initially projected. On an annual basis, the number of customers increasing by 80,000 people, the average sales per customer increasing 36 yen compared to before renovations, sales spiking by nearly 500 million yen and rents increasing by 51 million yen. The Morisia Tsudanuma experience proves that prudently planned renovations can deliver desired results.



Tsudanuma Walker magazine

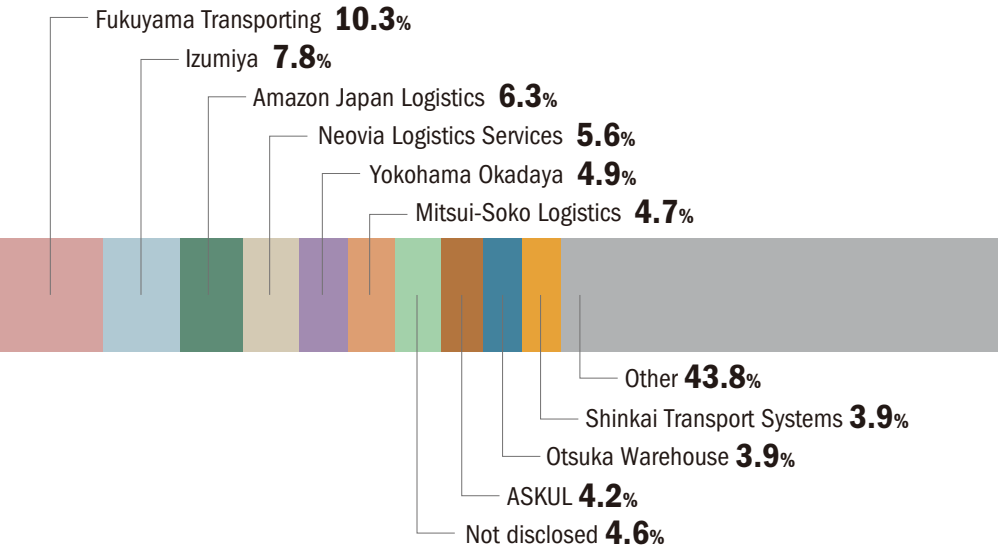


From left:
West side passage on first floor
New and improved outside deck
on west side of second floor
Sales promotion event

Tenant
Diversification

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

Total rent area
896,217.18m²
Total number of tenants
243

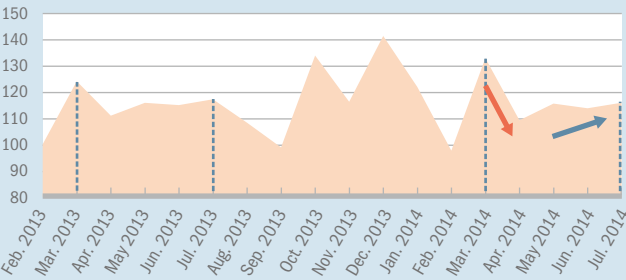


The Impact of the Consumption Tax Hike

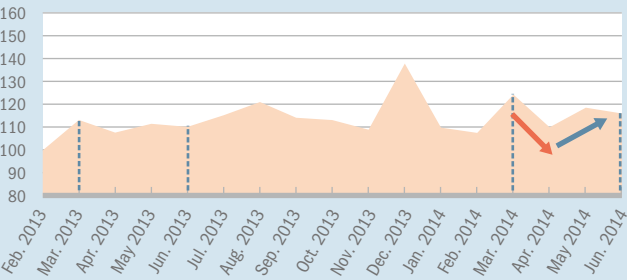
One of the largest new governmental revenue enhancing measures of the year was the raising of the consumption tax beginning April 1, 2014 from 5% to 8%. Naturally, with the rush of consumption that occurred as the implementation date approached, there were fears that retail consumption would take a major hit. Nomura Master Fund confirmed the trends for the industry and for our properties following the consumption increase in March. It was found that there was almost no impact on food products and other daily necessities. In the case of luxury goods, following last-minute demand in March, there was a reactionary fall in April, but generally sales have recovered since May. We have mapped out two of our properties below. In the case of Yokosuka More’s City there was no large impact regarding fresh food and other perishable products that cannot be stored for long periods, such as fish. Furthermore, sales promotions were actively carried out to suppress any reactionary fall. In the case of FESTA SQUARE (Yaoko), customer traffic was maintained through new sales promotions and the sale of private brand goods have been doing well. Overall, thus we found the impact on sales of the consumption tax hike to be limited.

Status of Properties Owned

Monthly Sales of Yokosuka More’s City
(February 2013 = 100)

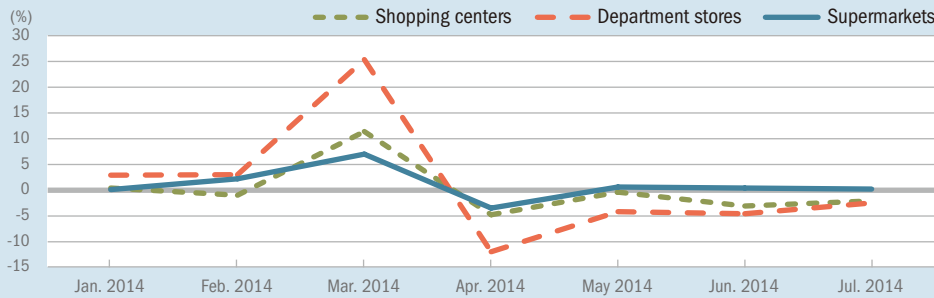


Monthly Sales of FESTA SQUARE (Yaoko)
(February 2013 = 100)

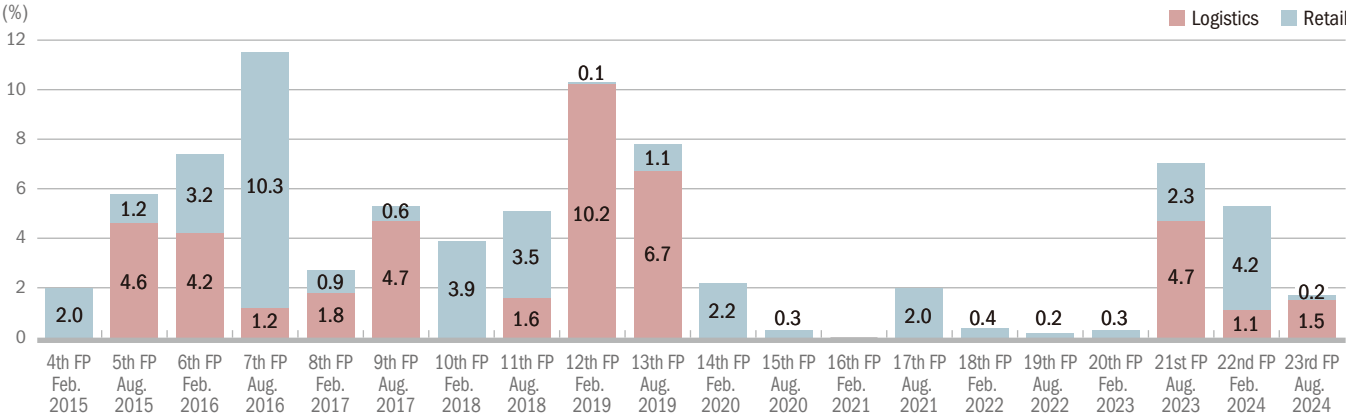


Status of Overall Retail Market

Comparison of Sales at Existing Stores (Year-on-Year)



Diversification of Lease Maturities



Note: The above figures are based on data as of August 31, 2014.

Conservative Financial Strategy Delivering Stability

Nomura Master Fund is committed to growth while maintaining a conservative LTV and a high degree of financial stability. The Third Fiscal Period generated clear results that revealed market acceptance of our strategy. This Fiscal Period we were able to lower our interest-bearing debt while also increasing our ratio of long-term debt and bringing our ratio of fixed interest rate debt to nearly 100%. This was done through various refinancing of maturing debt, the use of interest-rate swaps for floating rate debt and proactive repayment of debt ahead of repayment dates. Clearly, our achievements mean greater stability over a longer period of time.

Furthermore, Nomura Master Fund acquired Universal CityWalk Osaka™, one of Osaka’s retail leaders, early in the Fourth Fiscal Period, and did so while keeping our LTV in the mid-thirty percentile range.

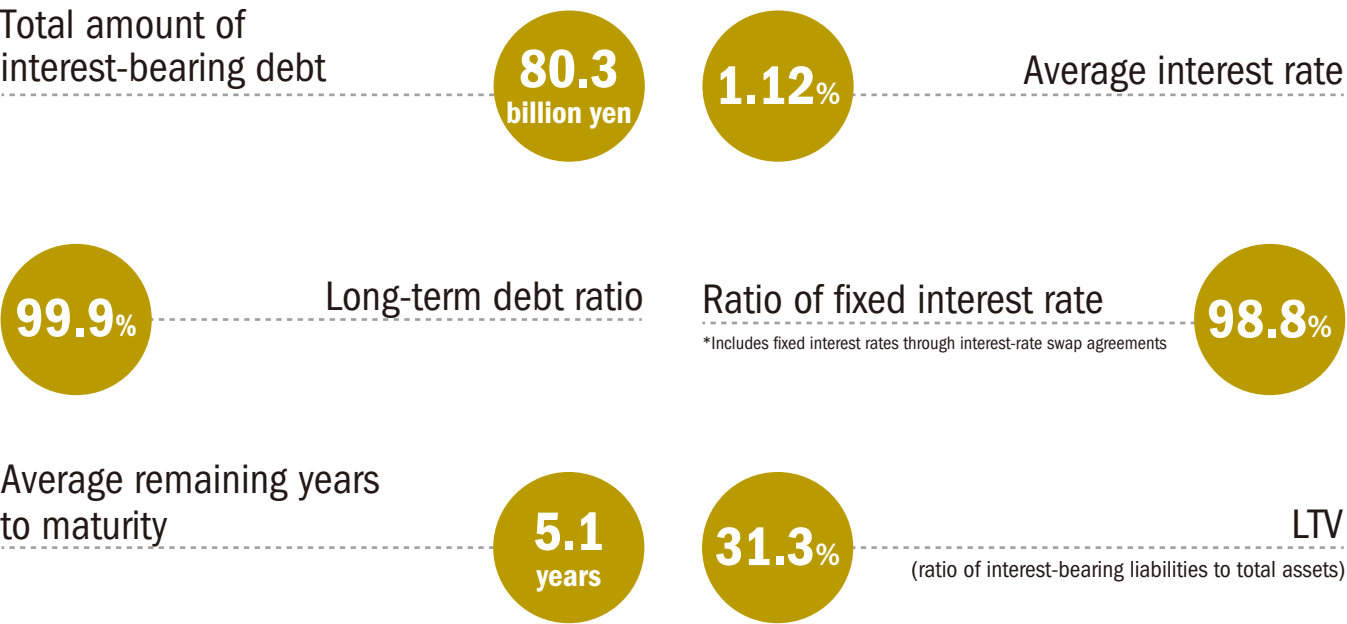
Nomura Mater Fund also broadened its banking formation this fiscal period adding Japan’s leading life insurer, Nippon Life Insurance; one of the megabanks of Japan, Resona Bank; and one of the leading regional banks of Japan, Bank of Fukuoka, to the formation.

Additionally, we will continue to work to diversify our repayment dates so that we are never presented with a situation in which we have excessive amounts of repayment dates in a short period of time that place great financial pressure on our operations.

Nomura Master Fund is committed to following the present course that has proven growth is possible despite adherence to a prudent and conservative financial policy.

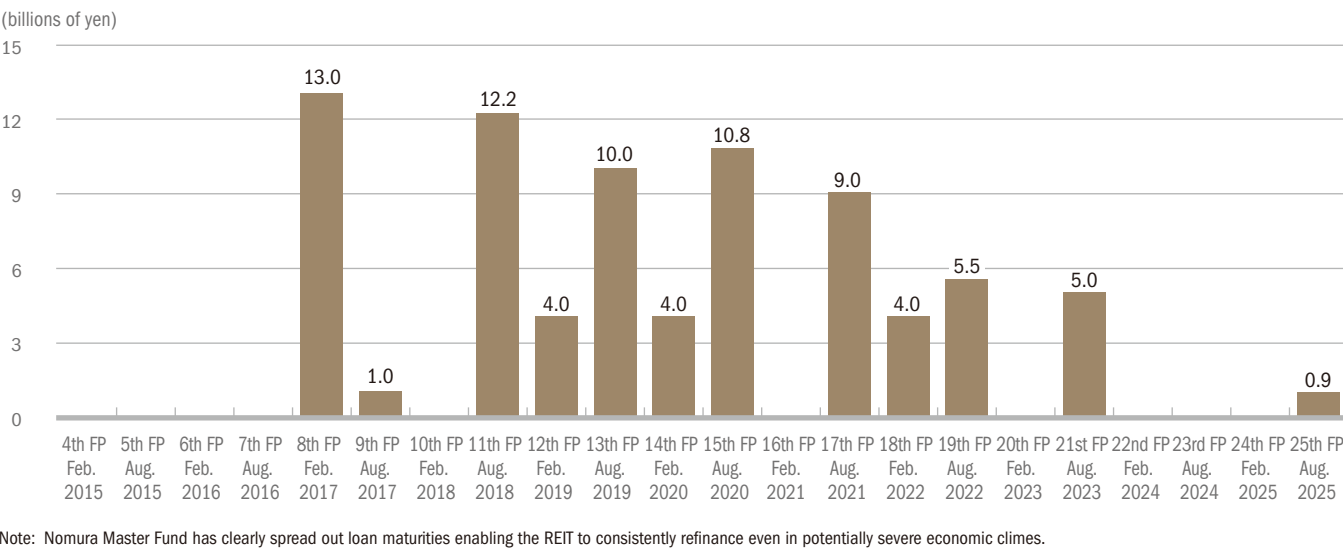
Key Debt Markers

These key markers show even greater evidence of a conservative, well-executed strategy through easily identifiable progress.



Note: The figures are based on data as of August 31, 2014.

Diversification of Loan Maturities



Bank Formation

Nomura Master Fund’s bank formation boasts loans from leading Japanese financial institutions and the average interest rate of 1.12% needs no explanation as to the high evaluation of Nomura Master Fund’s management by financial institutions.

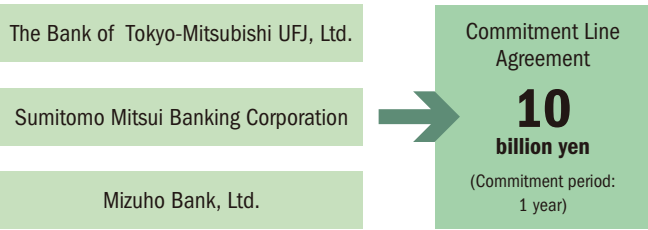
Financial Institution	(billions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16.5
Sumitomo Mitsui Banking Corporation	16.5
Mizuho Bank, Ltd.	11.3
Mitsubishi UFJ Trust and Banking Corporation	6.8
Sumitomo Mitsui Trust Bank, Ltd.	6.8
The Norinchukin Bank	6.8
Development Bank of Japan Inc.	6.8
Mizuho Trust & Banking Co., Ltd.	5.8
Resona Bank, Ltd.	1.0
Nippon Life Insurance Company	1.0
The Bank of Fukuoka	1.0
Total	80.3

Note 1: The figures are based on data as of August 31, 2014.
Note 2: Total may differ from the sum of the figures due to rounding.

Credit Ratings

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

Commitment Line



Portfolio Gallery

The fruits of NMF’s commitment to balanced growth of logistics and retail facilities.



Logistics/Tokyo Area



Landport Kawagoe



Landport Urayasu



Landport Atsugi



Landport Itabashi



Landport Kasukabe



Landport Hachioji



Sagamihara Onodai Logistics Center



Atsugi Minami Logistics Center A Tower



Funabashi Logistics Center



Sagamihara Tana Logistics Center



Kawaguchi Logistics Center A Tower



Kawaguchi Logistics Center B Tower



Hanyu Logistics Center



Atsugi Minami Logistics Center B Tower



Logistics/Other



Ota Kiyohara Logistics Center



Chiyodamachi Logistics Center



Ota Higashishinmachi Logistics Center



Ota Nitta Logistics Center

Portfolio Gallery



Retail/Tokyo

- Station-front type
- Residential facility type



Morisia Tsudanuma



Konami Sports Club Fuchu



Sundai Azamino



Recipe SHIMOKITA



GEMS Shibuya



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

Corporate Governance

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 Division, the Compliance Officer, who is the head of the Compliance Division, and the Compliance Committee.

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

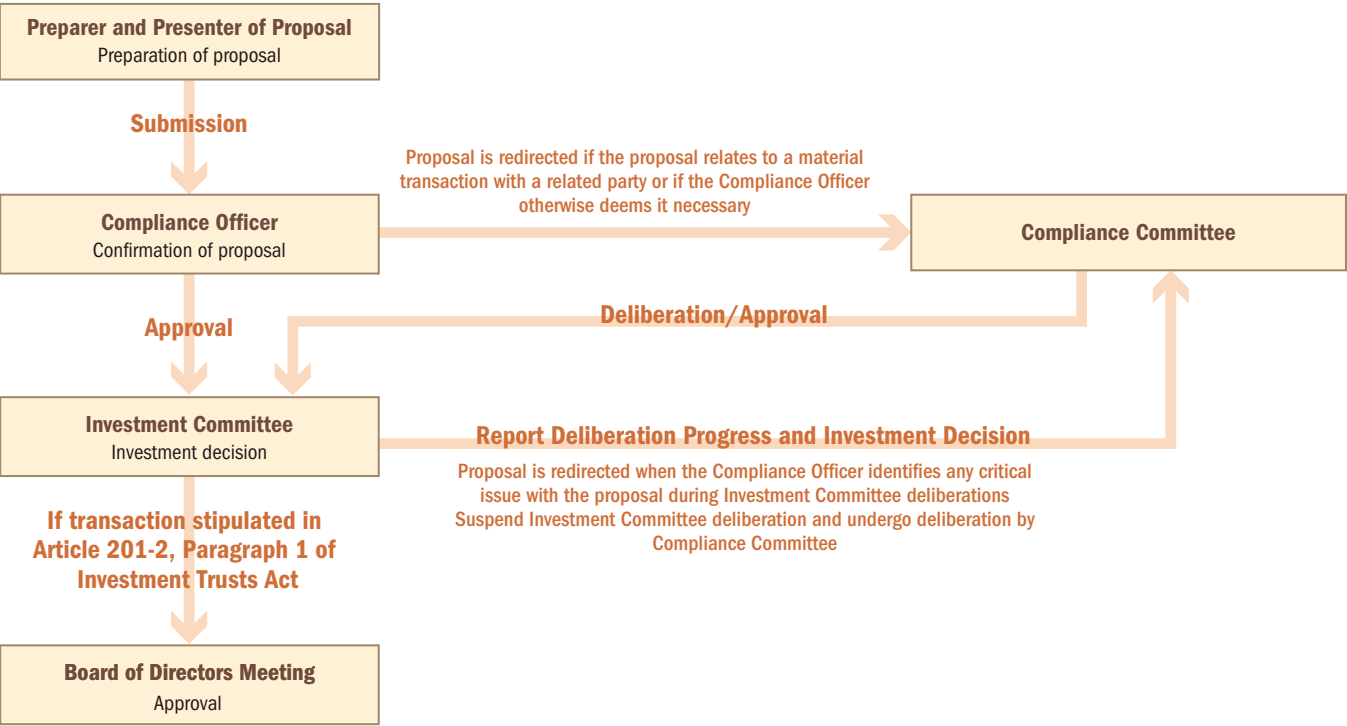
The Compliance Committee revises compliance regulations, and establishes and revises the Compliance Manual and Compliance Program. It also handles countermeasures when required and instructed to do so by the Compliance Officer in the event of compliance violations by NREAM. The Compliance Committee also 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



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Balance Sheet

	Thousands of Yen	
	As of August 31, 2014	As of February 28, 2014
ASSETS		
Current Assets:		
Cash and bank deposits	¥16,627,667	¥20,988,819
Rental receivables	219,443	107,911
Income taxes receivable	654	164
Other current assets	310,976	260,473
Total current assets	17,158,740	21,357,367
Property and Equipment, at Cost:		
Land	139,623,188	139,617,049
Buildings and structures	98,472,843	97,760,234
Tools, furniture and fixtures	14,789	11,618
Construction in progress	3,306	23,226
Subtotal	238,114,126	237,412,127
Less accumulated depreciation	(3,731,614)	(2,196,325)
Net property and equipment	234,382,512	235,215,802
Investments and Other Assets:		
Leasehold rights	3,828,713	3,829,100
Intangible assets	12,694	11,389
Investment securities	487,473	—
Long-term prepaid expenses	614,602	613,882
Long-term deposits	39,206	39,206
Security deposits	516,126	516,126
Total investments and other assets	5,498,814	5,009,703
Total Assets	¥257,040,066	¥261,582,872

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

	Thousands of Yen	
	As of August 31, 2014	As of February 28, 2014
LIABILITIES		
Current Liabilities:		
Trade accounts payable	¥408,450	¥330,137
Short-term debt	—	16,500,000
Current portion of long-term debt	85,600	85,600
Other accounts payable	267,880	207,946
Accrued expenses	24,489	10,054
Accrued income taxes	716	652
Accrued consumption taxes	275,529	179,119
Rent received in advance	1,482,281	1,459,898
Other current liabilities	1,464	940
Total current liabilities	2,546,409	18,774,346
Long-term Liabilities:		
Long-term debt	80,307,400	67,850,200
Security deposits from tenants	8,985,005	8,976,172
Total long-term liabilities	89,292,405	76,826,372
Total Liabilities	91,838,814	95,600,718
NET ASSETS		
Unitholders' Equity:		
Unitholders' capital	161,120,405	161,120,405
Surplus		
Retained earnings	4,080,847	4,861,749
Total surplus	4,080,847	4,861,749
Total unitholders' equity	165,201,252	165,982,154
Total Net Assets	165,201,252	165,982,154
Total Liabilities and Net Assets	¥257,040,066	¥261,582,872

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, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Operating Revenues and Expenses		
Operating Revenues:		
Real estate rental revenues	¥9,464,316	¥9,176,391
Gain on investments in silent partnership	4,151	–
	9,468,467	9,176,391
Operating Expenses:		
Real estate rental expenses	3,872,940	2,918,849
Asset management fees	791,955	750,576
Asset custody fees	14,756	14,248
Administrative service fees	63,232	64,037
Other operating expenses	87,380	80,271
	4,830,263	3,827,981
Operating Profit	4,638,204	5,348,410
Non-Operating Revenues and Expenses		
Non-Operating Revenues:		
Interest income	1,709	1,874
Interest on refund of consumption taxes	–	22,211
Other non-operating revenues	14	11
	1,723	24,096
Non-Operating Expenses:		
Interest expense	443,426	398,386
Loan arrangement fees	114,228	108,657
Other non-operating expenses	1,042	3,750
	558,696	510,793
Ordinary Income	4,081,231	4,861,713
Income before Income Taxes	4,081,231	4,861,713
Income Taxes:		
Current	1,257	868
Deferred	(17)	36
Net Income	4,079,991	4,860,809
Retained earnings brought forward	856	940
Retained Earnings at End of Period	¥ 4,080,847	¥ 4,861,749

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, 2014 to August 31, 2014

	Thousands of Yen					
	Unitholders' Equity					
	Units	Unitholders' Capital	Surplus		Total Unitholders' Equity	Total Net Assets
			Retained Earnings	Total Surplus		
Balance as of March 1, 2014	1,665,260	¥161,120,405	¥4,861,749	¥4,861,749	¥165,982,154	¥165,982,154
Cash distribution paid	–		(4,860,893)	(4,860,893)	(4,860,893)	(4,860,893)
Net income	–	–	4,079,991	4,079,991	4,079,991	4,079,991
Balance as of August 31, 2014	1,665,260	¥161,120,405	¥4,080,847	¥4,080,847	¥165,201,252	¥165,201,252

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

	Thousands of Yen					
	Unitholders' Equity					
	Units	Unitholders' Capital	Surplus		Total Unitholders' Equity	Total Net Assets
			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

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, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Cash Flows		
Cash Flows from Operating Activities		
Income before income taxes	¥4,081,231	¥4,861,713
Depreciation	1,537,049	1,499,067
Interest income	(1,709)	(1,874)
Interest expense	443,426	398,386
Decrease (Increase) in rental receivables	(111,532)	30,301
Decrease (Increase) in consumption taxes receivable	–	4,713,348
Decrease (Increase) in long-term prepaid expenses	(720)	34,720
Decrease (Increase) in long-term deposits	–	(105)
Increase (Decrease) in trade accounts payable	78,313	67,550
Increase (Decrease) in other accounts payable	7,575	(327,789)
Increase (Decrease) in accrued consumption taxes	96,409	179,119
Increase (Decrease) in rent received in advance	22,384	124,472
Other	(64,648)	(57,257)
Subtotal	6,087,778	11,521,651
Interest received	1,709	1,874
Interest paid	(428,990)	(398,991)
Income taxes paid	(1,682)	(1,903)
Net cash provided by (used in) operating activities	5,658,815	11,122,631
Cash Flows from Investing Activities		
Payments for purchases of property and equipment	(674,392)	(11,617,397)
Payments for purchases of leasehold rights and intangible assets	(3,102)	(14,506)
Purchases of investment securities	(511,356)	–
Proceeds from withdrawal of investment securities	23,883	–
Reimbursement of security deposits to tenants	(79,169)	(114,767)
Proceeds from security deposits from tenants	102,688	418,416
Payments for security deposits	–	(200)
Net cash provided by (used in) investing activities	(1,141,448)	(11,328,454)
Cash Flows from Financing Activities		
Proceeds from short-term debt	–	5,000,000
Repayment of short-term debt	(16,500,000)	(5,000,000)
Proceeds from long-term debt	12,500,000	6,000,000
Repayment of long-term debt	(42,800)	(42,800)
Distributions to unitholders	(4,835,719)	(1,222,646)
Net cash provided by (used in) financing activities	(8,878,519)	4,734,554
Net Increase (Decrease) in Cash and Cash Equivalents	(4,361,152)	4,528,731
Cash and Cash Equivalents at Beginning of Period	20,988,819	16,460,088
Cash and Cash Equivalents at End of Period	¥16,627,667	¥20,988,819

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. (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 August 31, 2014, the Company owned a portfolio of 55 logistics facilities and retail facilities containing an aggregate of approximately 897,406.28 square meters of leasable area and leased space to 243 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 and the Financial Instruments and Exchange Act of Japan and related regulations, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Property and equipment

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

Buildings	3 - 70 years
Structures	2 - 20 years
Tools, furniture and fixtures	2 - 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.

Investment securities

Non-marketable securities are stated at cost determined by the moving average method. For the silent partnership equity interest, the method of allocating the partnership’s profit/loss is based on the Company’s proportional interest.

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 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 ¥1,493 thousand for the fiscal period ended February 28, 2014 and no capitalized property related taxes were incurred in the fiscal period ended August 31, 2014.

Income taxes

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

Consumption taxes

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

Derivative financial instruments

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

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

4. CASH AND CASH EQUIVALENTS

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

	Thousands of Yen	
	As of August 31, 2014	As of February 28, 2014
Cash and bank deposits	¥16,627,667	¥20,988,819
Cash and cash equivalents	¥16,627,667	¥20,988,819

5. SCHEDULE OF PROPERTY AND EQUIPMENT

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

	Thousands of Yen			
	As of August 31, 2014		As of February 28, 2014	
	Acquisition costs	Book value	Acquisition costs	Book value
Land	¥10,923,206	¥10,923,206	¥10,917,067	¥10,917,067
Buildings and structures	3,522,797		3,505,710	
Accumulated depreciation	(106,680)	3,416,117	(45,342)	3,460,368
Land in trust	128,699,982	128,699,982	128,699,982	128,699,982
Buildings and structures in trust	94,950,046		94,254,524	
Accumulated depreciation	(3,623,387)	91,326,659	(2,150,735)	92,103,789
Tools, furniture and fixtures in trust	14,789		11,618	
Accumulated depreciation	(1,547)	13,242	(248)	11,370
Construction in progress	3,306	3,306	23,226	23,226
Total	¥234,382,512	¥234,382,512	¥235,215,802	¥235,215,802

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

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

	As of August 31, 2014		As of February 28, 2014	
	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%
Unsecured loans from banks due on May 26, 2014	–	–	8,500,000	0.34636%
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	¥85,600		¥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 months 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 August 31, 2014. The total unused amounts of such credit facilities were ¥10,000 million as of August 31, 2014.

Notes to Financial Statements

7. LONG-TERM DEBT

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

	As of August 31, 2014		As of February 28, 2014	
	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 March 26, 2017	1,000,000	0.32636%	–	–
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%	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 November 26, 2019	4,000,000	0.72650%	–	–
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%	2,000,000	1.30289%
Unsecured loans from a bank due on November 26, 2021	2,000,000	1.11662%	–	–
Unsecured loans from a bank due on May 26, 2022	5,500,000	1.25900%	–	–
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)	903,700	2.21812%	925,100	2.21812%
Unsecured loans from a bank due on May 26, 2025 (Note 2)	903,700	2.17000%	925,100	2.17000%
Total	¥80,307,400		¥67,850,200	

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

Note 2: Installments of ¥10.7 million will be made on the 26th day of every three months 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	14,085,600	12,285,600	14,085,600

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

Net assets per unit and net income per unit as of August 31, 2014 and February 28, 2014 were as follows:

	For the period from March 1, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Net assets per unit	¥99,204	¥99,673
Net income per unit	¥2,450	¥2,919

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 March 1, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Net income (Thousands of Yen)	¥4,079,991	¥4,860,809
Amount not available to ordinary unitholders (Thousands of Yen)	–	–
Net income available to ordinary unitholders (Thousands of Yen)	¥4,079,991	¥4,860,809
Average number of units during the period	1,665,260	1,665,260

10. RELATED PARTY TRANSACTIONS

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

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 periods ended August 31, 2014 and February 28, 2014. 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 ¥4,079,887 thousand and ¥4,860,893 thousand for the fiscal periods ended August 31, 2014 and February 28, 2014, 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 March 1, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Statutory tax rate	36.59%	36.59%
Deductible cash distributions	(36.57)	(36.58)
Other	0.01	0.01
Effective tax rate	0.03%	0.02%

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 March 1, 2014 to August 31, 2014

The following table summarizes the carrying value and the estimated fair values of financial instruments as of August 31, 2014.

Thousands of Yen			
	Carrying value ^(Note 1)	Fair value ^(Note 1)	Difference
(i) Cash and bank deposits	¥16,627,667	¥16,627,667	–
(ii) Short-term debt	–	–	–
(iii) Current portion of long-term debt	(85,600)	(86,597)	¥997
(iv) Long-term debt	(80,307,400)	(82,146,818)	1,839,418
(v) Derivative transactions	–	–	–

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	–	–	–

Note 1: The numbers in parentheses 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: Financial instruments for which fair value is difficult to determine

Thousands of Yen		
Type of asset	As of August 31, 2014	As of February 28, 2014
Investment securities	¥487,473	–

*The fair value of the investment securities is not disclosed because there are no quoted market prices available for these securities and it is extremely difficult to determine the fair value.

Note 4: Redemption schedule for cash and bank deposits as of August 31, 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	¥16,627,667	–	–	–	–	–
Total	¥16,627,667	–	–	–	–	–

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	–	–	–	–	–

Note 5: Redemption schedule for debt as of August 31, 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	–	–	–	–	–	–
Long-term debt	¥85,600	¥85,600	¥14,085,600	¥12,285,600	¥14,085,600	¥39,765,000
Total	¥85,600	¥85,600	¥14,085,600	¥12,285,600	¥14,085,600	¥39,765,000

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

13. INVESTMENT AND RENTAL PROPERTIES

The Company owns leasable logistics facilities and leasable retail facilities (including land) in the 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, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Carrying value		
Balance at beginning of the period	¥239,044,902	¥229,489,317
Amount of increase (decrease) during the period	(836,982)	9,555,585
Balance at end of the period	238,207,920	239,044,902
Fair value at end of the period	¥257,123,000	¥252,818,000

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

Notes to Financial Statements

Note 2: The major decrease in the carrying value during the period ended August 31, 2014 was mainly due to depreciation (total 1,535,675 thousand yen). 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).

Note 3: The fair value as of August 31, 2014 and February 28, 2014 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 August 31, 2014 and February 28, 2014 are presented in “15. Breakdown of Real Estate Rental Revenues and Expenses.”

14. SEGMENT INFORMATION

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

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 August 31, 2014 and February 28, 2014 consist of the following:

	Thousands of Yen	
	For the period from March 1, 2014 to August 31, 2014	For the period from September 1, 2013 to February 28, 2014
Real estate rental revenues	¥9,464,316	¥9,176,391
Rental revenues	8,663,943	8,478,426
Rental revenues	8,428,400	8,228,547
Common area charges	235,543	249,879
Other rental revenues	800,373	697,965
Parking revenues	73,750	78,087
Incidental income	631,826	578,563
Other miscellaneous revenues	94,797	41,315
Real estate rental expenses	3,872,940	2,918,849
Property management costs	355,167	337,141
Property management fees	213,770	152,886
Property and other taxes	731,211	–
Utility expenses	596,791	518,251
Casualty insurance	18,435	18,117
Repairs and maintenance	216,187	185,677
Land rents	71,963	71,657
Depreciation	1,535,761	1,497,862
Other rental expenses	133,655	137,258
Real estate rental profits	¥5,591,376	¥6,257,542

16. LEASES

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

	Thousands of Yen	
	As of August 31, 2014	As of February 28, 2014
Due within one year	¥12,763,044	¥13,530,103
Due after one year	41,764,249	44,418,969
Total	¥54,527,293	¥57,949,072

17. DERIVATIVES AND HEDGE ACCOUNTING

Derivative transactions as of August 31, 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		Method used for determining fair value
			Due after one year	Fair value	
Special treatment of interest-rate swaps	Interest-rate swaps: Received/floating and paid/fixed	Long-term debt	68,646,500	68,603,700	(*)

*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 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		Method used for determining fair value
			Due after one year	Fair value	
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”).

Independent Auditor's Report



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Independent Auditor's Report

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

We have audited the accompanying financial statements of Nomura Real Estate Master Fund, Inc., which comprise the balance sheet as at August 31, 2014, and the statements of income and retained earnings, changes in net assets, and cash flows from March 1, 2014 to August 31, 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 August 31, 2014, and its financial performance and cash flows from March 1, 2014 to August 31, 2014 in conformity with accounting principles generally accepted in Japan.

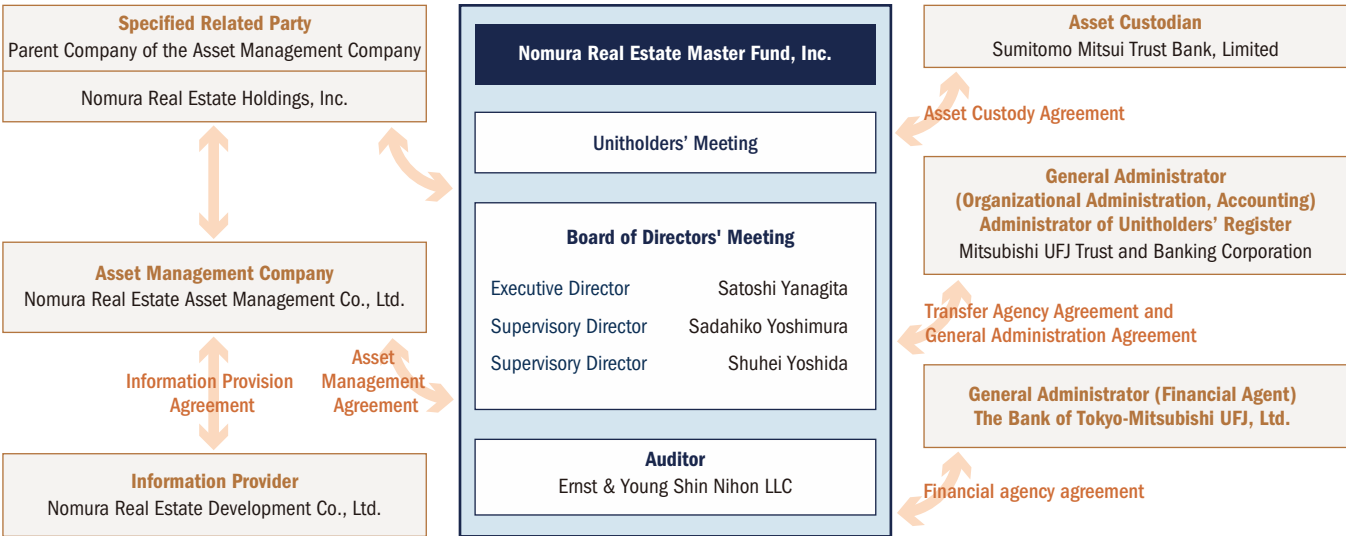
Ernst & Young Shin Nihon LLC

November 18, 2014
Tokyo, Japan

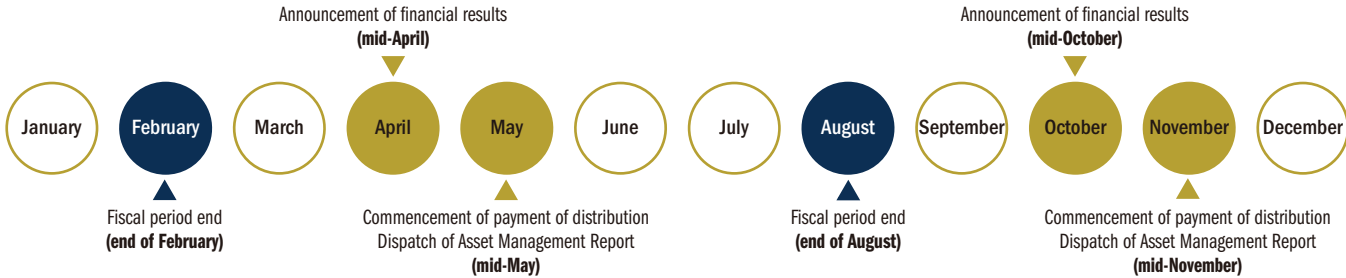
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Investor Information

Structure



IR Calendar



Breakdown of Unitholders

328,538 units 19.7%	Foreign corporations and individuals	361,466 units 21.7%
177,306 units 10.6%	Other domestic corporations	151,431 units 9.1%
712,813 units 42.8%	Financial institutions (including financial instruments business operators)	852,245 units 51.2%
446,603 units 26.8%	Individuals and others	300,118 units 18.0%
2nd Fiscal Period		3rd Fiscal Period

Top 10 Unitholders

Unitholder	Units held	Share
1 Japan Trustee Services Bank, Ltd.	307,931	18.49%
2 The Master Trust Bank of Japan, Ltd.	171,633	10.31%
3 Trust & Custody Services Bank, Ltd.	125,892	7.56%
4 Nomura Real Estate Development Co., Ltd.	87,820	5.27%
5 The Nomura Trust and Banking Co., Ltd.	72,928	4.38%
6 Nomura Bank Luxembourg SA	44,347	2.66%
7 Nomura PB Nominees Limited Omnibus-Margin (Cash PB)	23,474	1.41%
8 State Street Bank and Trust Company	19,545	1.17%
9 The Bank of New York, Non-Treaty JASDEC Account	18,082	1.09%
10 Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	17,294	1.04%
Total	888,946	53.38%

Note: The figures are based on data as of August 31, 2014.