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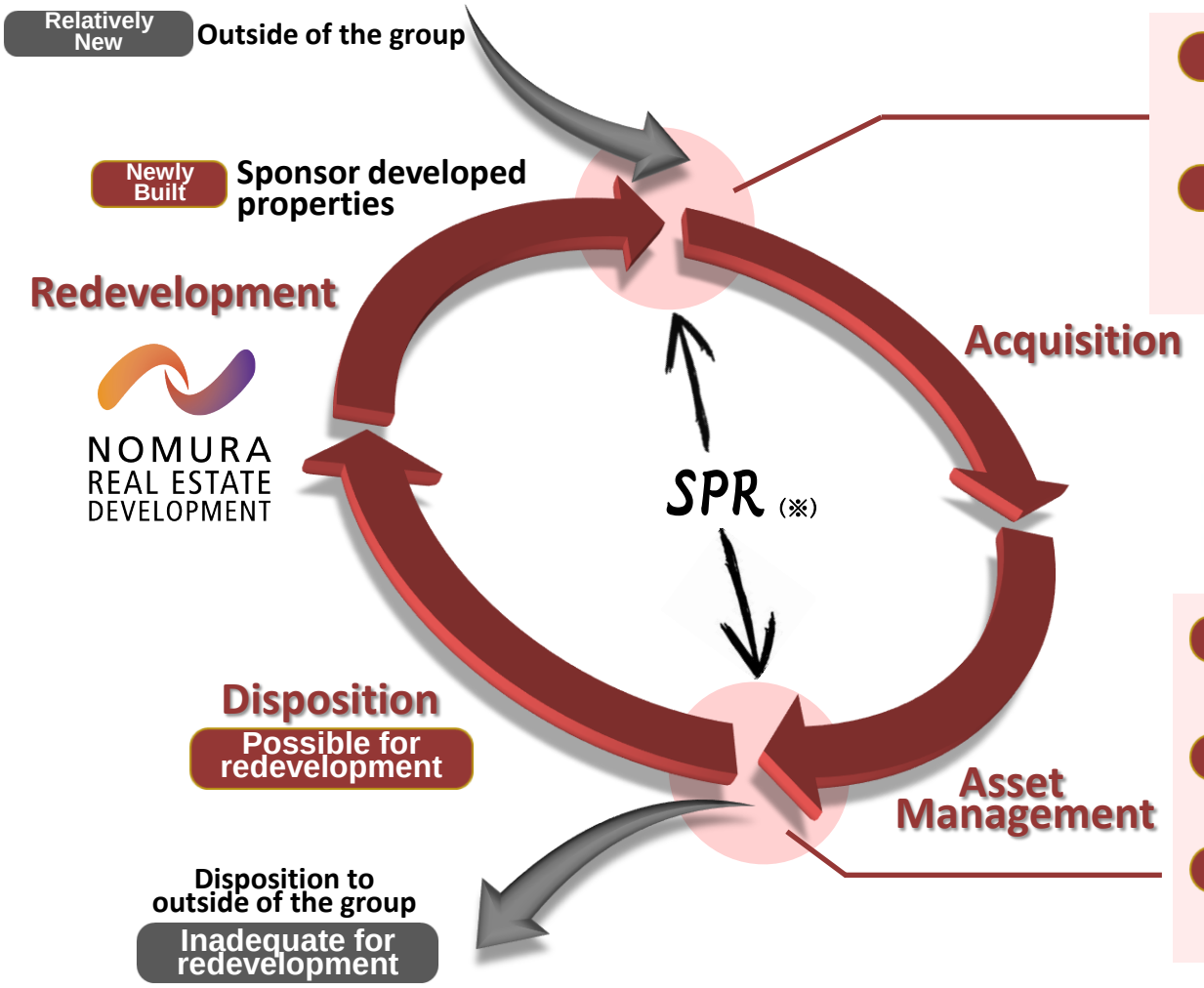
# Supplement Documentation for Press Release "Acquisition and Disposition of the Assets" dated today

**March 29, 2016**

# Construction of Sustainable Portfolio

## Portfolio NMF Aims

Aiming for construction of sustainable portfolio utilizing a strength to have a general developer in a sponsor and making quality and performance to be highly stable by asset replacement cycle




**Mid-to long term earning strength**

▶ Secure stable cashflow

**Highly competiveness**

▶ Specification and location promising strong tenant demand

**Building Age**

▶ Increase of repair costs

**Timing**

▶ Earning strength, real estate market

**Possibility of redevelopment**

▶ Potential, size of the land

※ Based on Mid-to Long-term Management Strategy disclosed by “Brief session regarding the Investment Principles presentation” held on November 9, 2015

# Overview of SPR (Strategic Property Replacement)

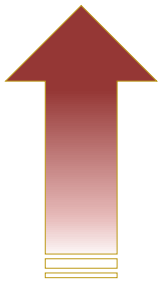


## About SPR

Denotes Strategic Property Replacement enhancing portfolio quality, main axis of NMF's mid-to long-term management strategy(※)

## Target

- ✔ **Improvement of portfolio quality**
- ✔ **Management of DPU (profit & loss from disposition and periodic profit)**



### ■Replacement Goal

| 3-5years | | 10years after |
|---|---|---|
| Quality phase | Growth phase | Master phase |
| Around ¥50 bln in total | Around ¥10 bln per year | Maintain high-quality of portfolio |

## Point

- ✔ **Crossover deals**
- ✔ **Optimization of sector timing**
- ✔ **Utilization of the sponsor pipeline**

※ Based on "Brief session regarding the Investment Principles presentation" held on November 9, 2015

Started SPR utilizing the merit of diversified REIT and enhanced stability from larger scale strategy

## Points of First Shot of SPR

**1.** Improvement of portfolio quality
- ▶ Disposed aging properties and acquired recently constructed properties

**2.** Management of DPU level
- ▶ Exercised preferential negotiating rights coupled with disposition (Hirakata Kuzuha LC)

**3.** Crossover Deals
- ▶ Disposed office & residential properties, acquired logistics & residential properties

Corresponded to increase of repair costs and lowering competitiveness

New acquisition considering size and earning strength of disposed assets

Cross asset type transaction utilizing the merit of diversified type REIT

## Overview of Replacement

| | Number of Properties | Asset type | Price | Building age | NOI yield |
|---|---|---|---|---|---|
| **Disposition** | 8 | Office, Residential | 5,350 mln | 25.3 year(※1) | 3.7%(※2) |
| **Acquisition** | **3** | **Logistics, Residential** | **5,680 mln** | **10.9 year**(※1) | **5.2%**(※3) |

### Changes in Portfolio

Reducing of average building age
**- 0.1year** (※1)
(Average 19.2 year)

Difference between disposition price and anticipated book value
**＋286 mln** (※4)

Reducing of repair expense
Estimated long term repair plans
**- 293 mln** (※5)

(※1) Building age are as of March 29, 2016
(※2) NOI of most recent 2FYof each REIT before the merger divided by NMF's acquisition price.
(※3) NOI yield obtained using NOI of direct capitalization approach on the appraisal report for the acquisition price.
(※4) Indicates scheduled disposition price minus anticipated book value as of October 1, 2015, and differs from accounting transfer profit.
(※5) Compared forecast of long-term repair costs (12years) written in the Engineering Report of the Property

# List of Disposed Properties

**Disposed small 8 properties which building age are old and hard to anticipate future internal growth through "bidding process & bulk transaction"**

## Central Shintomicho Bldg.



| | |
|---|---|
| Address | Chuo-ku, Tokyo |
| Access | Shintomicho Station (Tokyo Metro Yurakucho Line) |
| Building Age | 26.0years |
| Gross Floor area | 2,465.86㎡ |

## Toho Edogawabashi Bldg.



| | |
|---|---|
| Address | Bunkyo-ku, Tokyo |
| Access | Edogawabashi Station (Tokyo Metro Yurakucho Line) |
| Building Age | 23.0years |
| Gross Floor area | 2,058.95㎡ |

## Toshin Meguro Bldg.



| | |
|---|---|
| Address | Meguro-ku, Tokyo |
| Access | Meguro Station (JR Yamanote Line) |
| Building Age | 26.5years |
| Gross Floor area | 1,341.17㎡ |

## Prime Urban Ochiai



| | |
|---|---|
| Address | Shinjuku-ku, Tokyo |
| Access | Nakai Station (Seibu Shinjuku Line) |
| Building Age | 30.0years |
| Gross Floor area / Unit | 517.53㎡ 32units |

## Prime Urban Nakano



| | |
|---|---|
| Address | Nakano-ku, Tokyo |
| Access | Araiyakushimae Station (Seibu Shinjuku Line) |
| Building Age | 31.1years |
| Gross Floor area / Unit | 801.30㎡ 51units |

## Prime Urban Ekoda



| | |
|---|---|
| Address | Nerima-ku, Tokyo |
| Access | Ekoda Station (Seibu Ikebukuro Line) |
| Building Age | 26.7years |
| Gross Floor area / Unit | 872.49㎡ 35units |

## Prime Urban Urayasu 2



| | |
|---|---|
| Address | Urayasu-shi, Chiba |
| Access | Urayasu Station (Tokyo Metro Tozai Line) |
| Building Age | 22.9years |
| Gross Floor area / Unit | 437.94㎡ 27units |

## Prime Urban Yamahana



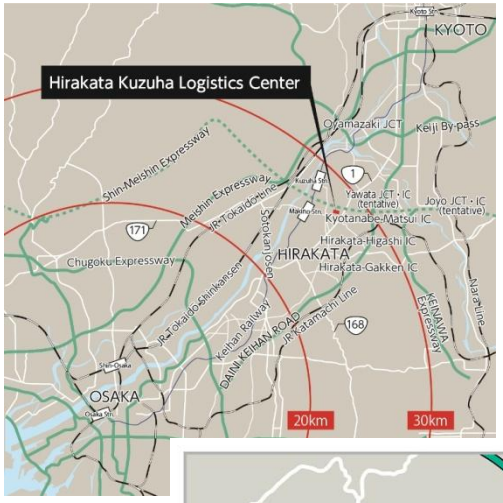
| | |
|---|---|
| Address | Sapporo-shi, Hokkaido |
| Access | Nishisen Jyuroku Jo Station (Sapporo City Street Car Line) |
| Building Age | 11.0years |
| Gross Floor area / Unit | 1,518.58㎡ 33units |

※ Access denotes major station only.

## Hirakata Kuzuha Logistics Center

Utilized Bridge Fund









| | | | |
|---|---|---|---|
| Acquisition Date | April 27, 2016 | Address | 7 Shodai-Tachika, Hirakata City, Osaka |
| Completion date | Apr 2003 | Gross Floor area | 19,807.18㎡ |
| Acquisition Price(A) | ¥3,460mln. | Number of Tenants /Main Tenant | 1 tenant / Itochu Logistics |
| Appraisal Value(B) | ¥3,690mln. | (A)/(B) | 93.8% |

## Investment Highlights

- ✔ Located on scarce place that covers two largest consuming markets of Kansai-area (Osaka, Kyoto), enables 24hours operation, and easy to find labor force.
- ✔ Stable cashflow from long-term lease contract and room for continuous internal growth from stage rent.
- ✔ Room for internal growth utilizing 7.5m effective height under lower beam (mezzanine floor, etc.)
  Possibility of redevelopment using undigested floor area ratio (142%/200%)
- ✔ Preceded investment on March, 2015 utilizing bridge fund.
  Investment without competition, exercising preferential negotiation right on the same timing with this property replacement.

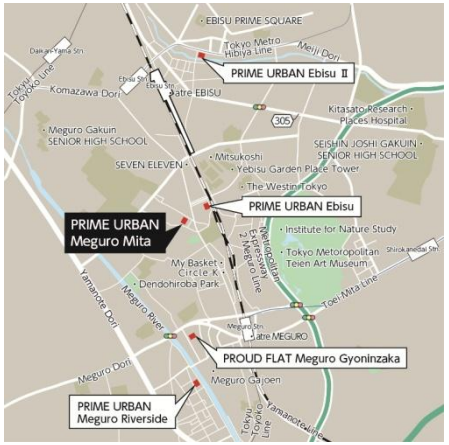
# Overview of New Properties

野村不動産マスターファンド投資法人
NOMURA REAL ESTATE MASTER FUND,INC.

## PRIME URBAN Meguro Mita

1 on 1 negotiation






| | | | |
|---|---|---|---|
| Acquisition Date | April 25, 2016 | Address | 2-7-9 Mita, Meguro-ku, Tokyo |
| Completion date | Jul 2008 | Gross Floor area | 1,106.31㎡ |
| Acquisition Price(A) | ¥1,058mln. | Number of Unit | 28units |
| Appraisal Value(B) | ¥1,080mln. | (A)/(B) | 98.0% |

### Investment Highlights

✔ Located on “Ebisu” area ranked as No.1 for “Where to live ranking”.(※)
Scarce location enabling to use both Ebisu Station and Meguro Station with flat approach despite locating in quiet residential area next to Ebisu Garden Place.

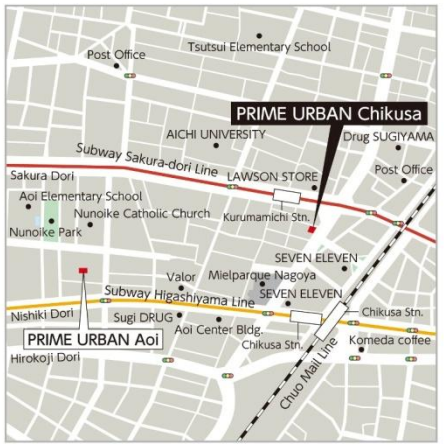
✔ Wide range type of rooms from studio to duplex type 1LDK.
Accomplished façade titillates tenant needs.

✔ Obtained property information through own route of the asset management company.
Realization of negotiation basis transaction without bidding process.

## PRIME URBAN Chikusa

1 on 1 negotiation






| | | | |
|---|---|---|---|
| Acquisition Date | April 5, 2016 | Address | 2-7-9 Mita, Meguro-ku, Tokyo |
| Completion date | Aug 2008 | Gross Floor area | 2,287.07㎡ |
| Acquisition Price(A) | ¥1,110mln. | Number of Unit | 28 units |
| Appraisal Value(B) | ¥1,130mln. | (A)/(B) | 98.2% |

### Investment Highlights

✔ Located on the most prestigious residential area “Chikusa” within Naogoya City.
Located on adjacent to central Nagoya and the most traffic convenient location enabling to use 2 stations and 3 lines.
Brand location where local lord’s townhouse used to exist.

✔ Mainly with wider 1K type. Room layout composition matched to singles and employees transferred without family

✔ Obtained property information through own route of the asset management company.
Realization of negotiation basis transaction without bidding process.

(※) The questionnaire carried out for approximately 720,000 who are intended to purchase condominium in Japan carried out by portal site “MAJOR 7”（MAJOR 7= Sumitomo Realty & Development, Daikyo, Tokyu Land, Tokyo Tatemono, Nomura Real Estate Development, Mitsui Fudosan Residential, and Mitsubishi Jisho Residence）

# Action Plans of SPR



## Action Plan

**Disclosed concepts of SPR**
- Completed selecting properties for disposition

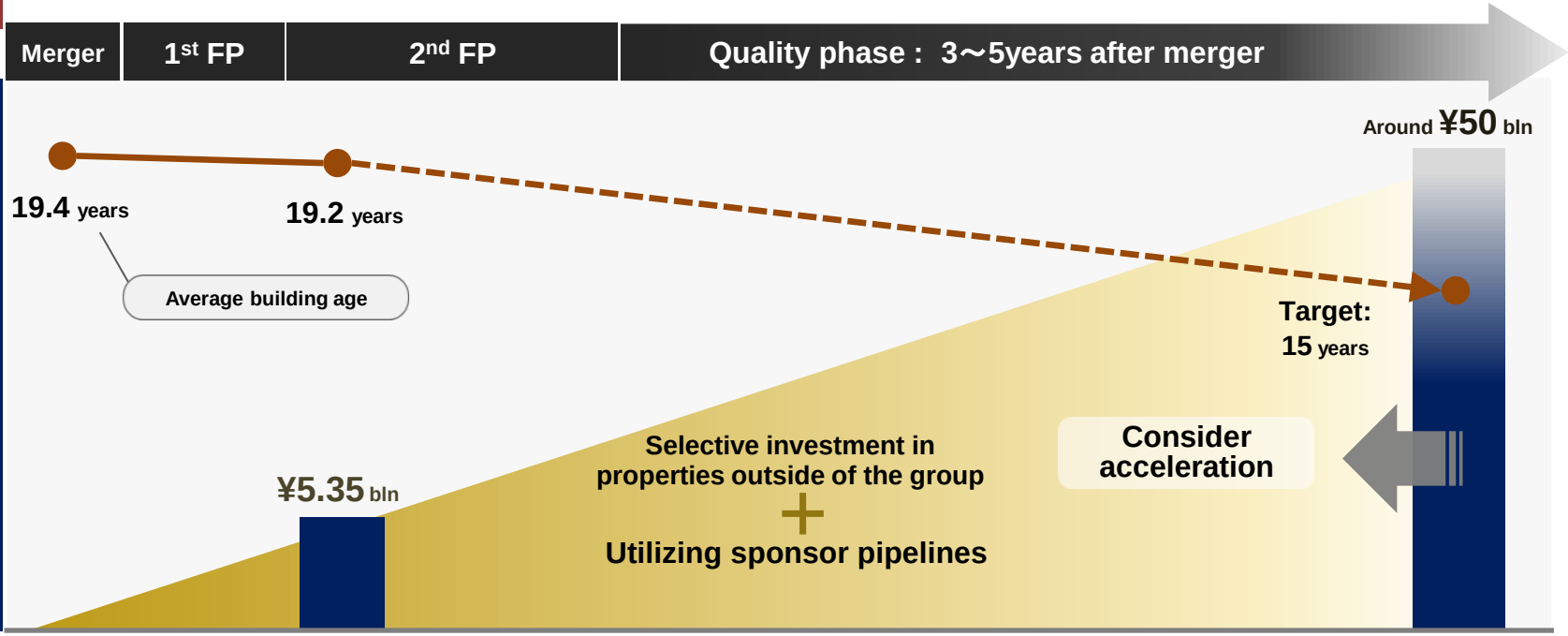
**First shot of SPR**

Considering asset swap with sponsor
- Strong sponsor commitment
- Acquire sponsor developed properties
- Redevelopment by sponsor

**Realization of replacement of ¥50 bln in total**

▶ **Construction of sustainable portfolio**
- Implement continuous SPR
- Consider acceleration of SPR by monitoring sales market

## Image of Replacement



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