NOMURA MASTER FUND

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

**May 9, 2016**

## An Exchange Deal with the Sponsor

Promote construction of sustainable portfolio with exchange deal utilizing strength that having NRE, general developer, as a sponsor.

### Acquisition of 1 properties with ¥10.8 Billion

✔ Landport series property which is an advanced logistics facility developed by Nomura Real Estate Development, will be acquired



Landport Kashiwa Shonan II

### Disposition of 3 properties with ¥18.1 Billion

✔ The Three Properties for the Sponsor that are aging and are expected to see their profitability decrease even though they are in excellent locations



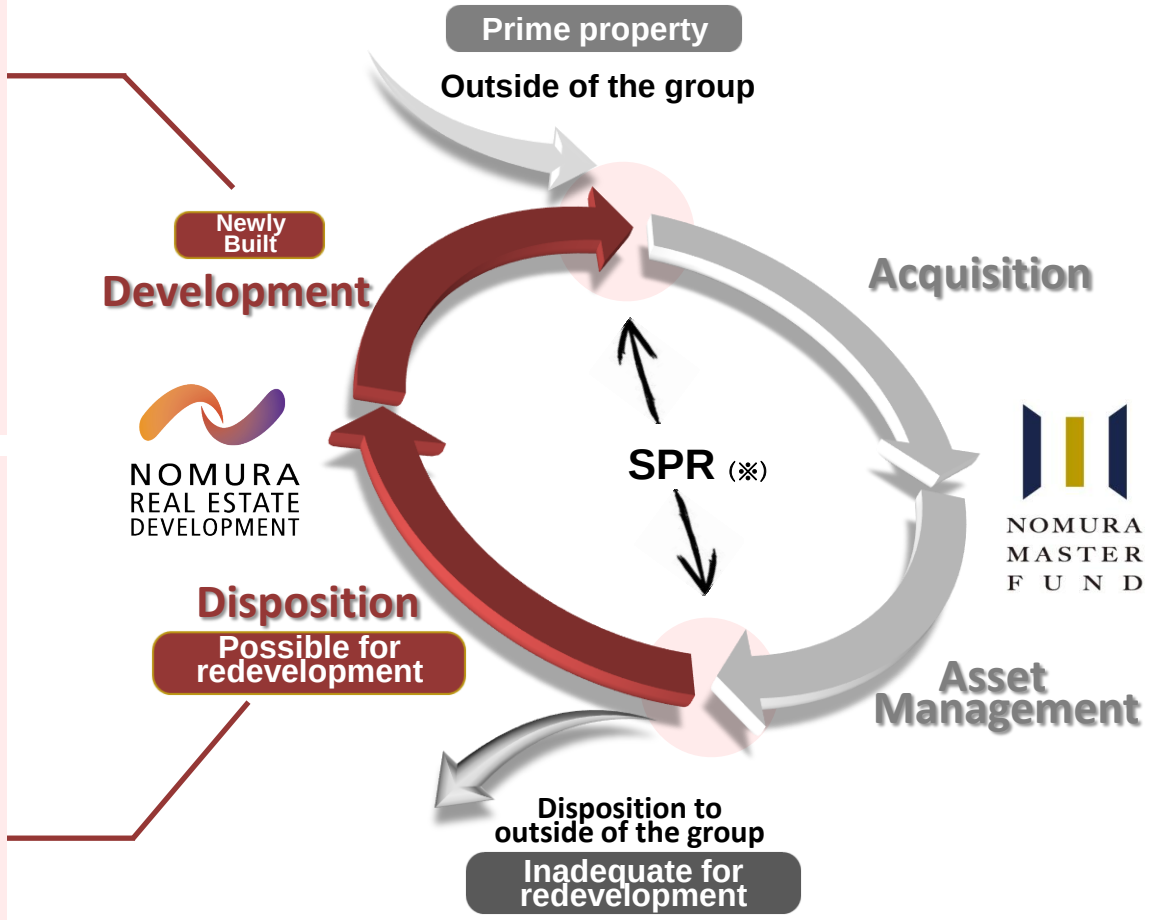
NOF Nihonbashi Honcho Building



NOF Tameike Building



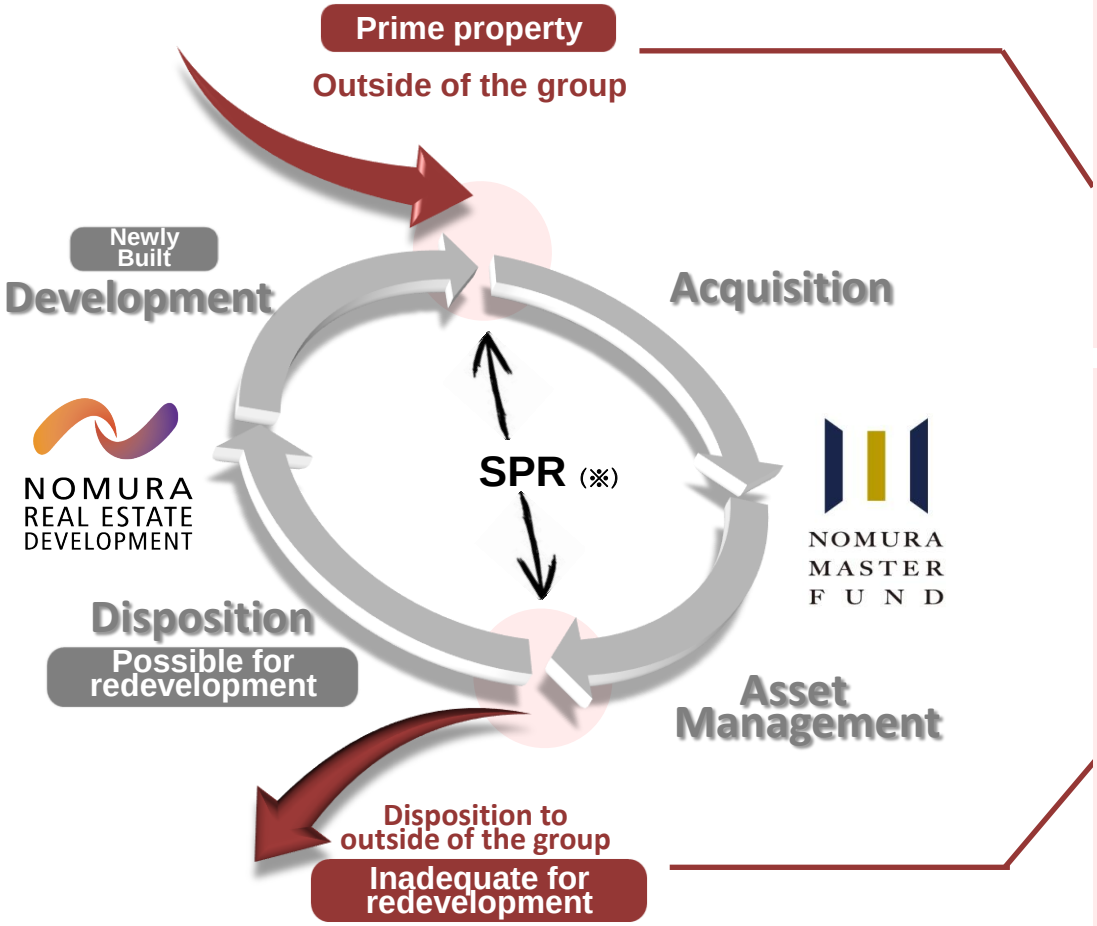
NOFMinami Shinjuku Building




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

## An Exchange Deal with the outside of the group

Promote construction of sustainable portfolio transferring properties that is inadequate for re-development and purchasing good location land.




### Acquisition of 1 properties with ¥4.9 Billion

✔ Stable cash flow will be obtained based on a fixed-term lease agreement for long-term business and the land has very high versatility



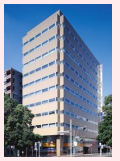
Ryotokuji University Shin-Urayasu Campus(Land)

### Disposition of 6 properties with ¥10.6 Billion

✔ Disposed properties which building age are old and hard to anticipate future internal growth through “bidding process & bulk transaction”



NOF Shinagawa Konan Building



Yokohama Odori Koen Building



JCB Sapporo Higashi Building



PRIME URBAN Hatagaya



PRIME URBAN Sangen Jaya II



PRIME URBAN Kamikitazawa

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

# Purpose of 2nd Shot of SPR



**Exchange deal with The Sponsor**

- ✔ Acquisition of brand property of the sponsor development （Landport Kashiwa Shonan Ⅱ）
- ✔ The Three Properties for the Sponsor that are aging and are expected to see their profitability decrease even though they are in excellent will be sold to the sponsor

**Transaction utilizing diversified type REIT**

- ✔ Stable cash flow will be obtained based on a fixed-term lease agreement for long-term business of 50 years and the land has very high versatility.
- ✔ Cross-over deal （Disposition of office and residential, Acquisition of logistics and land）

**Accelerating the Property Replacement Plan**

- ✔ Accelerated property replacement of ¥34 billion, from original plan of ¥50 billion within 3-5 years
- ✔ Disposed properties which building age are old and hard to anticipate future internal growth for the outside of the group

**Improvement of the portfolio quality**

- ✔ **Reduction of building age（▲1.2years）**
- ✔ **Reduction of medium- and long-term repair cost（▲23 million yen ）**

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

# Replacement Properties of 2nd Shot of SPR

## List of Replacement Properties

**Disposition**

Disposition the buildings in excellent locations for sponsor bidding process & bulk transaction

| | Name | Use | Acquisition price | Transfer price (A) | Book value (B) | (A)-(B) | Appraisal value | Building Age | NOI yield |
|---|---|---|---|---|---|---|---|---|---|
| SPR 2nd | NOF Nihonbashi Honcho Building (49%) | Office | 10,486 | 11,270 | 10,449 | 820 | 10,437 | 55.1 | 4.8% |
| SPR 2nd | NOF Tameike Building | Office | 4,810 | 4,500 | 4,802 | -302 | 4,480 | 56.8 | 4.2% |
| SPR 2nd | NOF Minami Shinjuku Building | Office | 2,210 | 2,380 | 2,214 | 166 | 2,210 | 30.2 | 3.5% |
| SPR 3rd | NOF Shinagawa Konan Building | Office | 3,460 | 10,633 | 3,457 | 574 | 3,310 | 28.5 | 3.9% |
| SPR 3rd | Yokohama Odori Koen Building | Office | 1,810 | | 1,806 | | 1,800 | 27.2 | 5.7% |
| SPR 3rd | JCB Sapporo Higashi Building | Office | 3,270 | | 3,252 | | 3,260 | 49.6 | 6.0% |
| SPR 3rd | PRIME URBAN Hatagaya | Residential | 469 | | 470 | | 472 | 23.5 | 4.2% |
| SPR 3rd | PRIME URBAN Sangen Jaya II | Residential | 483 | | 484 | | 488 | 25.5 | 4.4% |
| SPR 3rd | PRIME URBAN Kamikitazawa | Residential | 597 | | 597 | | 601 | 29.0 | 4.5% |
| | Total 9 Properties | | 27,595 | 28,783 | 27,530 | 1,243 | 27,058 | 46.0 | 4.7% |

**Acquisition** **Others**

Sponsor support & Acquisition of the land unique characterizes the location

| | Name | Use | Acquisition price(A) | The time of acquisition Appraisal value(B) | (B)-(A) | Building Age | NOI yield |
|---|---|---|---|---|---|---|---|
| SPR 2nd | Landport Kashiwa Shyonan II | Logistics | 10,800 | 11,000 | 200 | 0.1 | 4.9% |
| SPR 3rd | Ryotokuji University Shin-Urayasu Campus(Land) | Other (Land) | 4,900 | 5,090 | 190 | - | 3.9% |
| | Total 2 Properties | | 15,700 | 16,090 | 390 | 0.1 | 4.6% |

(※) Indicates anticipated Book value as of the date of disposition.

## Effect of SPR

| | Before the implementation of SPR | | After the implementation of SPR | Effect |
|---|---|---|---|---|
| Number of properties | 259 properties | ▶ | 253 properties | — |
| Acquisition price | ¥807,302mln. | ▶ | ¥795,407mln. | — |
| Building age | 19.3 years | ▶ | 18.1 years | Reduction of 1.2 years |
| Repair cost | ¥45,619mln. | ▶ | ¥42,736mln. | Reduction of 2,882 million yen |
| Unrealized gain/loss | ¥39,005mln. | ▶ | ¥39,028mln. | Unrealized gains increaseof 23 million yen |
| Transfer price-Book value | | ▶ | ¥1,242mln. | — |
| External growth | | ▶ | A provision granting preferential negotiation rights to NMF for if and when Nomura Real Estate Development is to sell the properties after redevelopment is expected. | |

(※1) Building age are as of May 9, 2016
(※2) Repair cost is Compared forecast of long-term repair costs (12years) written in the Engineering Report of the Property

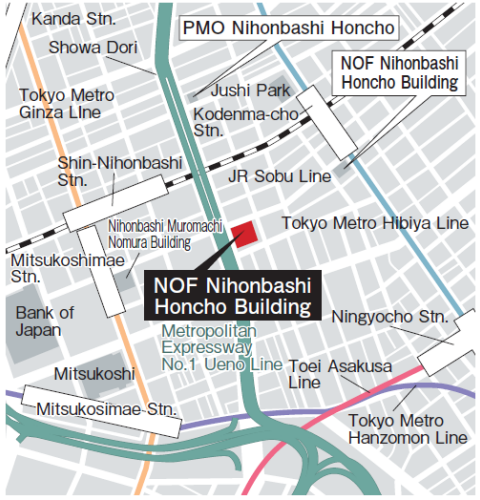
# List of Disposed Properties（ Disposition to Sponsor ）

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

The Three Properties for the Sponsor that are aging and are expected to see their profitability decrease even though they are in excellent locations will be sold to the Sponsor

## NOF Nihonbashi Honcho Building（49%）

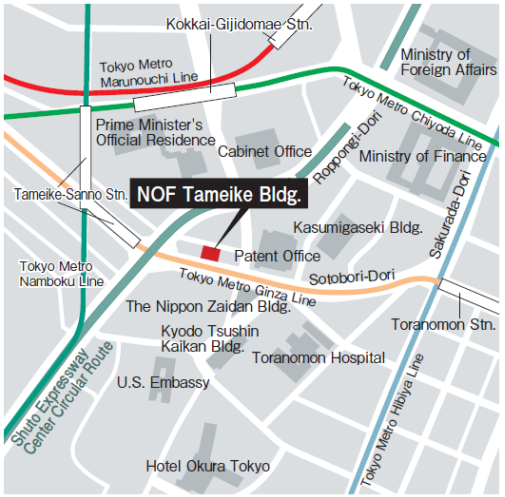





| Adress | 2-7-1 Nihonbashi Honcho,Chuo Ward, Tokyo |
|---|---|
| Access | Mitsukoshimae Station (Tokyo Metro Ginza Line ) |
| Building Age | 55.0years |
| Gross Floor area | 19,157.05㎡ |

## NOF Tameike Building

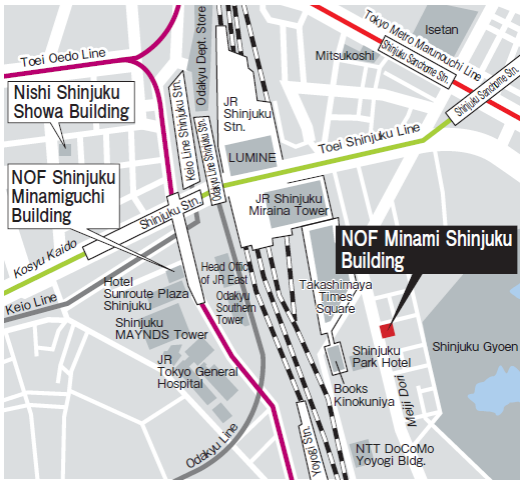





| Adress | 1-1-14 Akasaka,Minato Ward, Tokyo |
|---|---|
| Access | Tameike-Sanno Station (Tokyo Metro Ginza Line) |
| Building Age | 56.7years |
| Gross Floor area | 4,715.20㎡ |

## NOF Minami Shinjuku Building






| Adress | 5-32-7 Sendagaya,Shibuya Ward, Tokyo |
|---|---|
| Access | Shinjuku Station and Yoyogi Station (JR Line) |
| Building Age | 30.1years |
| Gross Floor area | 2,464.71㎡ |

※ Access denotes major station only.

# List of Disposed Properties（Disposition to outside of the group）

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

Disposed properties which building age are old and hard to anticipate future internal growth through “bidding process & bulk transaction”

## NOF Shinagawa Konan Building



| | |
|---|---|
| Adress | 1-2-5 Higashi Citynagawa,Shinagawa Ward, Tokyo |
| Access | Shinagawa Station (JR Line and Keikyu Line) |
| Building Age | 28.4years |
| Gross Floor area | 7,378.55㎡ |

## Yokohama Odori Koen Building



| | |
|---|---|
| Adress | 2-4-1 Horai-cho, Naka Ward, Yokohama City, Kanagawa |
| Access | Kannai Station (JR Line and Yokohama Municipal Subway Line) |
| Building Age | 27.1years |
| Gross Floor area | 4,234.62㎡ |

## JCB Sapporo Higashi Building




| | |
|---|---|
| Adress | 1-1 Minamiichijo-Nishi, Chuo Ward, Sapporo City, Hokkaido |
| Access | Odori Station (Shiei Toho Line and Tozai Line) |
| Building Age | 49.5years |
| Gross Floor area | 9,062.04㎡ |

## PRIME URBAN Hatagaya



| | |
|---|---|
| Adress | 3-28-6 Hatagaya, Shibuya Ward, Tokyo |
| Access | Hatagaya Station (Keio New Line) |
| Building Age | 23.4years |
| Gross Floor area | 650.60㎡ |

## PRIME URBAN Sangen Jaya II



| | |
|---|---|
| Adress | 2-4-16 Taishido, Setagaya Ward, Tokyo |
| Access | Sangen Jaya Station (Tokyu Denentoshi Line) |
| Building Age | 25.4years |
| Gross Floor area | 810.98㎡ |

## PRIME URBAN Kamikitazawa



| | |
|---|---|
| Adress | 5-21-22 Kami Kitazawa, Setagaya Ward, Tokyo |
| Access | Kamikitazawa Station and Hachimanyama Station (Keio Line) |
| Building Age | 29.0years |
| Gross Floor area | 1,384.45㎡ |

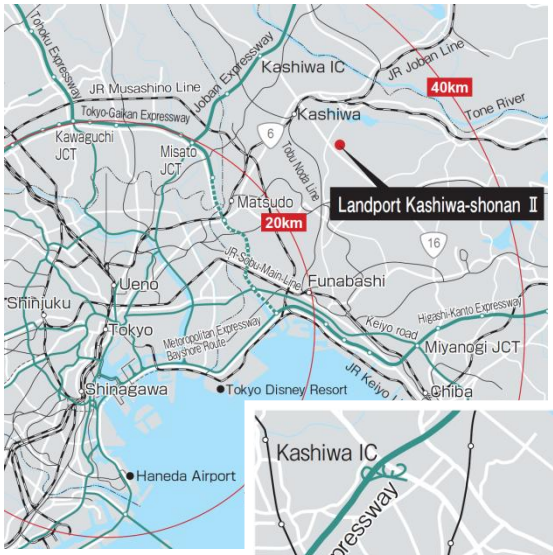
※ Access denotes major station only.

# Overview of New Properties

## Landport Kashiwa Shonan II

Take advantage of the sponsor pipeline









| | | | |
|---|---|---|---|
| Acquisition Date | September 1, 2016 | Address | 1043-1Wakashiraga, Kashiwa City, Chiba |
| Completion date | Apr 2016 | Gross Floor area | 50,539.27㎡ |
| Acquisition Price(A) | ¥10,800mln. | Number of Tenants /Main Tenant | Non-disclosure |
| Appraisal Value(B) | ¥11,000mln. | (A)/(B) | 98.2% |

## Investment Highlights

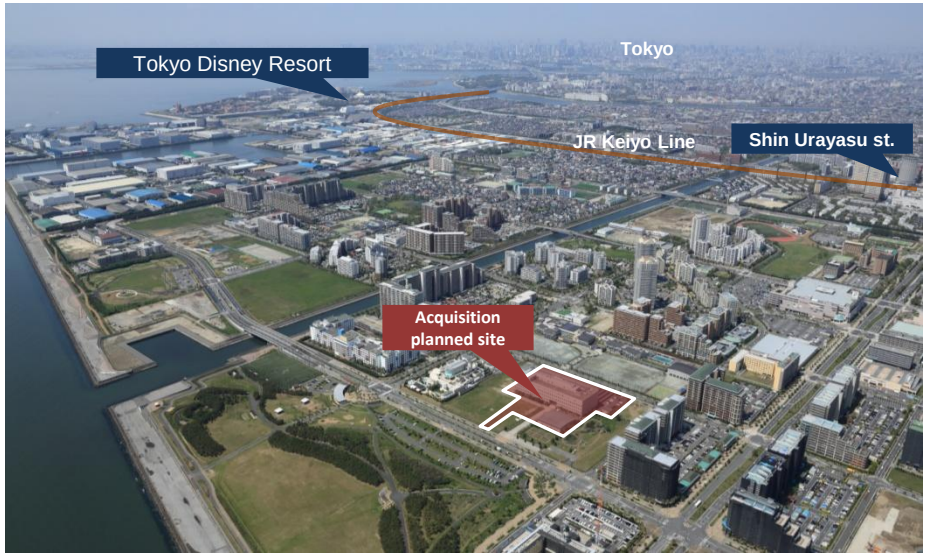
- ✔ The Landport series advanced and high-functioning logistics facility developed by Nomura Real Estate Development has high brand strengths addressing the detailed needs of tenants.
- ✔ The property has a facility specification that takes the working environment into consideration such as with onsite parking space, office space, excellent cafeteria space, changing rooms, etc
- ✔ As a slope-type facility, vehicles can connect to first and second floor berths. Moreover, the effective height under beams is 5.5m to 6.5m, an 11m × 11m grid is employed for pillar span, floor space can be increased through utilization of the surplus volume ratio and adaptation to seasonal fluctuations of demand and increase of logistics volume after occupancy is possible. As such, the facility has a high functioning capacity and can meet the demands of various tenants.

# Overview of New Properties

**Others**

## Ryotokuji University Shin-Urayasu Campus(Land)

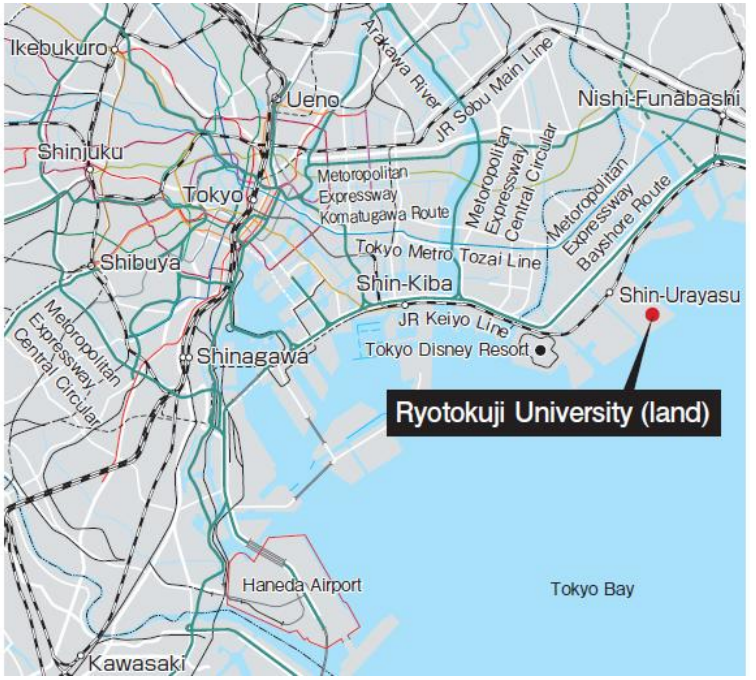
Acquisition of university's land







| | | | |
|---|---|---|---|
| Acquisition Date | May 26, 2016 | Address | 5-8-1Akemi, Urayasu City, Chiba |
| Completion date | – | Gross Floor area | 14,431.35㎡ |
| Acquisition Price(A) | ¥4,900mln. | Number of Tenants /Main Tenant | Ryotokuji University |
| Appraisal Value(B) | ¥5,040mln. | (A)/(B) | 97.2% |




## Investment Highlights

- ✔ This will be the first time for a J-REIT to acquire a university's land with leasehold right. Only a diversified type REIT that does not limit its sectors of investment can undertake such an initiative.
- ✔ Stable cash flow will be obtained based on a fixed-term lease agreement for long-term business of 50 years and the land has very high versatility.
- ✔ Various retail facilities, lodging facilities, bridal facilities, condominiums, medical facilities, etc. are being developed and established on a schedule basis around Shin-Urayasu Station with the opening of the adjacent large-scale resort facility. A very beautiful townscape that stands out even in the Tokyo bayside area is in place and a sense of uniqueness characterizes the location.

# Action Plans of SPR

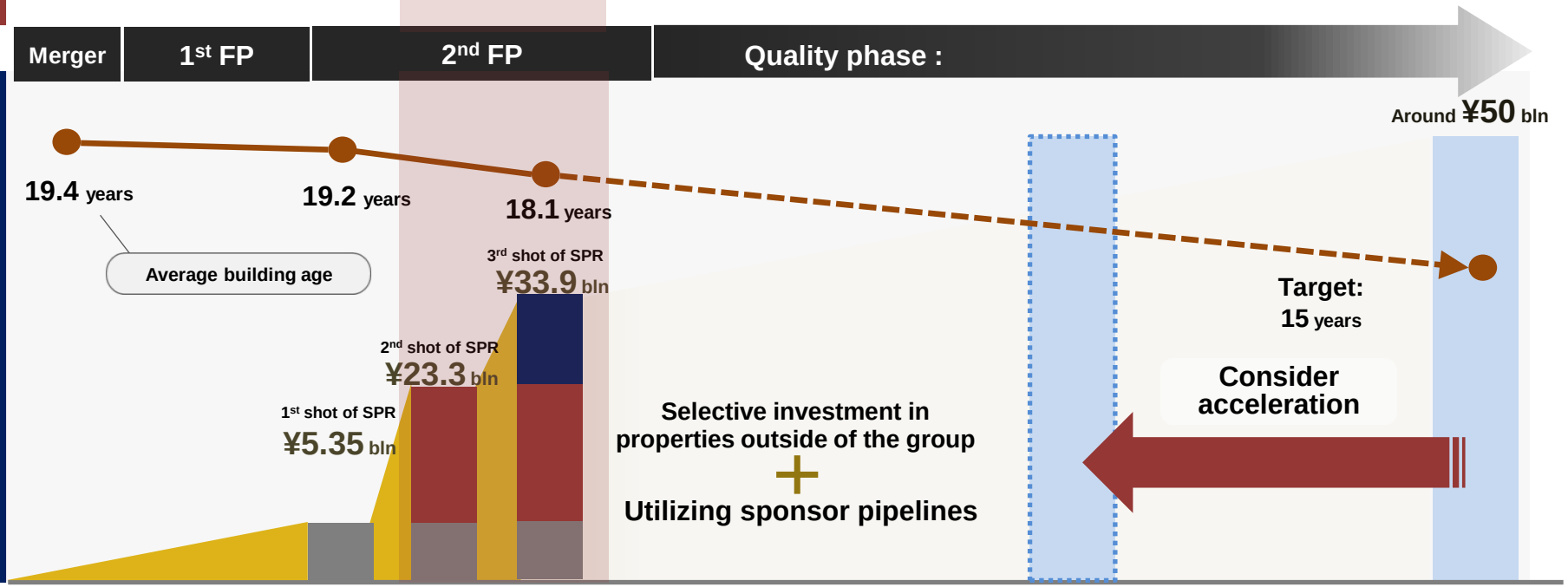
野村不動産マスターファンド投資法人
NOMURA REAL ESTATE MASTER FUND, INC.

## Action Plan

**Disclosed concepts of SPR** → **1st shot of SPR** → **2nd, 3rd shot of SPR** → Continuously Considering asset swap with sponsor → **Realization of replacement of ¥50 bln in total**

- Completed selecting properties for disposition
- Strong sponsor commitment
- Acquire sponsor developed properties
- Redevelopment by sponsor
- **Construction of sustainable portfolio ※1**
  - Dynamic investment utilizing acquisition capacity
  - Consider acceleration of SPR by monitoring sales market

## Image of Disposition ※2




※1 For details of the "sustainable portfolio," please refer to page 2 of "Supplement Documentation for Press Release 'Acquisition and Disposition of the Assets' dated March 29, 2016" announced on March 29, 2016.

※2 Image of disposition describes the total amount.

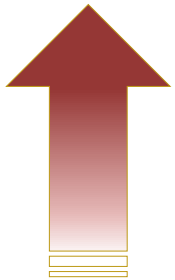
# (Reference) Overview of SPR (Strategic Property Replacement)

## 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

NOMURA
MASTER
F U N D

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. 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 the Fund pays to Nomura Real Estate Asset Management Co., Ltd., please refer to the terms and conditions of the Fund, 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 the Fund, 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 the Fund.

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 precision and safety of the same. Please note that the contents of this document is subject to change or cancellation without prior notice.
It is prohibited to make duplication, reproduction, distribution or use of any part or whole of the information contained in this document without express prior written consent.