



NOMURA
MASTER
FUND

[For Translation Purposes Only]

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For Immediate Release

To Whom It May Concern

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Securities Code: 3462
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**Notice Concerning Property Acquisition
and Commencement of Asset Management in New Sector**

Nomura Real Estate Master Fund, Inc. (“Nomura Master Fund” or the “Fund”) announced the decision made today by Nomura Real Estate Asset Management Co., Ltd. (the “Asset Management Company”), a licensed investment trust management company retained by the Fund to provide asset management services, that it will acquire asset (the “Acquisition”) and commence the asset management of hotels, as described below.

1. Overview of the Acquisition

Property Name	Use	(Scheduled) Date of Agreement	(Scheduled) Date of Acquisition	Seller	(Scheduled) Acquisition Price (¥million)(Note 1)
Watermark Hotel Sapporo	Hotels	December 20, 2017	March 5, 2018	Watermark Hotel Japan Co., Ltd.	3,600

(Note 1) The amount excluding acquisition related costs, property tax, city planning tax, consumption tax and local consumption tax is stated.

(Note 2) The asset to be acquired is an actual real estate.

(Note 3) The asset to be acquired is scheduled to be acquired using cash on hand.

2. Reasons for the Acquisition

The Fund determined that acquiring the property would help secure stable earnings and steady growth of the Fund’s investment assets over the medium to long term, in line with the asset management objectives and policies specified in the Fund’s Articles of Incorporation. As such, the Fund decided to acquire the property.

In conjunction with the acquisition of the property, the Fund revised a portion of its asset management guidelines because said acquisition will position the Fund to commence investment in hotels. For more details, please also see a press release issued by the Fund on December 19, 2017, under the title “Notice Concerning the Partial Revision of Asset Management Guidelines.”

The main strengths of the property to be acquired are as follows:

- Easily accessible, a four-minute walk from Susukino station on the Sapporo Municipal Subway Nanboku Line or a seven-minute walk from Odori Station on the Sapporo Municipal Subway Nanboku, Toho and Tozai lines. Also, it is near the Susukino area, the city's busiest entertainment district, while as well as being very close to the Odori area, which serves as the city's business hub. Therefore, the property is thus well-positioned to welcome businesspeople in need of accommodation while also attracting sightseers from elsewhere in Japan and overseas. Moreover, the property is located on the Tanukikoji Shopping Street, an extensive arcade affording easy access to shops in all seasons.
- The property's guest rooms comprise 72 large 15 m² single rooms, as well as 81 double/twin rooms (including a number of universal access rooms) with floor space ranging from 17 m² to 21 m². Unlike typical domestic hotels targeting businesspeople, in which the bathtub, toilet and washbasin are crammed into a single space-saving modular bathroom, each guest room boasts a well-appointed bathroom with discrete fittings. The hotel's rooms thus boast superior functionality while providing guests with a feeling of luxury. Compared with similar accommodation facilities in the city, the property is positioned to secure greater commercial opportunities thanks to these competitive advantages.
- Only Tokyo's 23 wards have higher net immigration^(Note) figures than Sapporo, and the city's population is steadily rising. Accordingly, Sapporo is one of Japan's few regional municipal bodies boasting significant growth potential as well as stable business opportunities. In addition, New Chitose Airport has recently completed the renovation of its terminal buildings and increased the number of domestic and international flights it handles. Reflecting the increasing number of tourists visiting Sapporo, sightseeing-related demand, including inbound marketing demand, is expected to grow.
- As of the issuance date of this press release, Watermark Hotel Japan Co., Ltd. is serving as the hotel operator for the property. However, plans call for replacing the operator, commissioning Vista Hotel Management Co., Ltd. to take over. Vista Hotel Management, a company that maintains a network of 10 Vista brand hotels in regions nationwide, boasts a wealth of expertise in hotel operations as well as familiarity with local market conditions in Sapporo. Once Vista Hotel Management takes over, the Fund expects it to execute robust rebranding. In addition, the Fund intends to lease the property to Vista Hotel Management under a leasing scheme that combines fixed and variable rents, with the aim of securing stable revenues while pursuing upside potential.

(Note) Based on the *Report on Internal Migration in Japan Derived from the Basic Resident Registration*, compiled by Statistics Bureau, Ministry of Internal Affairs and Communications, to determine the number of people (by gender) who have recently immigrated or emigrated within or beyond prefectural boundaries; 2016 reporting data includes nationwide totals, figures broken down by prefecture and figures for the nation's 21 major cities.

3. Summary of Asset to Be Acquired

Property Name		Watermark Hotel Sapporo
Type of Asset		Real estate
Location (Note 1)	Registry	5-16 Minamisanjonishi , Chuou Ward, Sapporo City, and other 2 lots
	Street	5-16 Minamisanjonishi , Chuou Ward, Sapporo City
Access		4 minutes' walk from Susukino Station; 5 minutes' walk from Odori Station on Subway Nanboku Line 5 minutes' walk from Odori Station on Subway Nanboku Line, Subway Toho Line and Subway Tozai Line. 3 minutes' walk from Tamukikoji Station on Sapporo Streetcar
Completion Date ^(Note 1)		March 25, 2008
Use ^(Note 1)		Hotels
Structure ^(Note 1)		RC 13F
Architect		Living Corporation Inc.
Builder		Toda Corporation Sapporo Branch
Building Inspection Agency		Building Official of Sapporo City
Area ^(Note 1)	Land	553.20 m ²
	Floor Area	4,348.23 m ²
Type of Ownership	Land	Ownership
	Building	Ownership
Building Coverage Ratio		100% ^(Note 2)
Floor Area Ratio		800%
Collateral		None

Property Management Company (Note 3)	JLL Japan Inc.				
Master Leasing Company	-				
Type of Master Leasing	-				
Seismic Risk (PML) (Note 4)	0.09% (Based on a November 2017 Earthquake PML Appraisal Report by SOMPO RISK MANAGEMENT & HEALTH CARE Inc.)				
Notes	-				
Acquisition Price (Scheduled)	¥3,600 million				
Appraisal Value and Method	¥3,850 million (Based on the capitalization approach as of November 1, 2017) (Appraiser: Japan Valuers Co., Ltd.)				
Appraisal NOI ^(Note 5)	¥184 million				
Leasing Status (As of scheduled acquisition date) ^(Note 6)					
Total Number of Tenants	2				
Name of Tenants	Vista Hotel Management Co., Ltd. etc.				
Hotel Operator	Watermark Hotel Japan Co., Ltd. ^(Note 7)				
Total Rental Income(Annual)	Undisclosed				
	Fixed Hotel Rents	Undisclosed			
	Variable Hotel Rents	Depends on GOP ^(Note 8)			
Security Deposits	Undisclosed				
Occupancy Rate	-				
Total Leased Floor Space	4,425.36 m ²				
Total Leasable Floor Space	4,425.36 m ²				
Historical Occupancy Rates ^(Note 9)	August, 2013	August, 2014	August, 2015	August, 2016	August, 2017
	-	-	-	-	-

(Note 1) Location and Other Items

Location (registry), Completion Date, Use, Structure and Area are based on the information in the real estate registry.

(Note 2) Building Coverage Ratio

The Property is located in a commercial district where the building coverage ratio is 80% in principle. As the building is fire resistant in a fire zone, however, an increased ratio of 100% applies.

(Note 3) Property Management Company

Refers to the property management company that is scheduled to be appointed after acquisition.

(Note 4) PML (Probable Maximum Loss)

PML shows the probable losses caused by a major earthquake, as a percentage of the expected recovery cost to the replacement cost. PML is calculated based on the statistical assumption that within next 475 years there is a 0.211% annual chance (10% probability of once every 50 years, i.e., average life time of buildings) of major earthquake occurring.

(Note 5) Appraisal NOI

“Appraisal NOI” is the annual NOI (operating income-operating expenses) described in the real estate appraisal report, with November 1, 2017 as the appraisal date.

(Note 6) Leasing Status

“Total Number of Tenants” is presented based on a fixed-term lease contract that is expected to go into effect on the date of acquisition.

“The Name of the Tenant” is presented based on a fixed-term lease contract that is expected to go into effect on the date of acquisition.

“Rental Revenues,” are undisclosed as Nomura Master Fund has not received permission from the tenant to reveal such data.

“Security Deposits” are undisclosed, as Nomura Master Fund has not received permission from the tenant to reveal such data.

“Total Leased Floor Space” indicates the total floor space presented in a fixed-term lease contract that is expected to go into effect on the date of acquisition.

(Note 7) Hotel Operator

As of the issuance date of this press release, Watermark Hotel Japan Co., Ltd. is serving as the hotel operator. Vista Hotel Management Co., Ltd. is scheduled to be a tenant of the property as of the acquisition date. However, Watermark Hotel Japan Co., Ltd. will be remained as the hotel operator entrusted by Vista Hotel Management Co., Ltd. which will take over the operation in the future.

(Note 8) GOP

GOP is the sum of revenues from hotel operations (revenues from guest room operation and other departments) less cost items, which consist of the cost of sales (accommodation and other costs), personnel expenses (associated with guest room staff and part-time employees), operational expenses (operational fees and commissions, outsourcing expenses associated with facility cleaning and other tasks, and the cost of linens and expendables used by guests) and other expenses (expenses associated with advertising and utilities in addition to facility management, repair and maintenance expenses borne by the tenant). Although the amount of “Variable Hotel Rents” depends on the GOP figure recorded by the property’s hotel, no further detail can be disclosed as Nomura Master Fund has not received permission from the tenant to reveal such data.

(Note 9) Historical Occupancy Rates

As of today, both the occupancy rate and the historical occupancy rate are not applicable as the property is single used by the Seller as business real estate and is not rented to any third parties.

4. Seller Profile

Company Name	Watermark Hotel Japan Co.,Ltd.
Head Office	6-8-1 Nishi-Shinjuku, Shinjuku Ward, Tokyo
Representative	Representative Director, Jun Yamamoto
Principal Business	Hotel Management and Operation
Capital	¥ 90 million (as of October 31, 2017)
Established	June 8, 2006
Net Assets	¥ 851.71 million (as of July 31, 2017)
Total Assets	¥ 1,158.89 million (as of July 31, 2017)
Major Shareholder (Stockholding Ratio)	H.I.S. Hotel Holdings Co., Ltd. (100.0%) (as of October 31, 2017)
Relationships with the Fund and/or the Asset Management Company	
Capital	There is no capital involvement between the said company and the Fund or asset management company. There is also no capital involvement between related parties of the said company and related parties of the Fund or asset management company.
Personnel	There is no personnel involvement between the said company and the Fund or asset management company. There is also no personnel involvement between related parties of the said company and related parties of the Fund or asset management company.
Transactions	There is no transaction between the said company and the Fund or asset management company. There is also no transaction between related parties of the said company and related parties of the Fund or asset management company.
Related Party Status	The said company is not considered a directly associating party of the Fund. Also, the said company is not considered a Related Party, etc., of the asset management company under the Investment Trusts Act.

5. Status of Owners

There is no special relationship of interest between the seller and the Fund or the Asset Management Company for the acquisition of the property.

6. Broker Profile

Company Name	Mitsubishi Real Estate Services Co.,Ltd.
Head Office	2-2-1 Otemachi, Chiyoda Ward, Tokyo
Principal Business	President & CEO Yutaka Tajima
Representative	Real State Agency and Brokerage Business
Capital	¥ 2.4 billion (as of April 1, 2017)
Established	December 20, 1972
Relationships with the Fund and/or the Asset Management Company	
Capital	There is no capital involvement between the said company and the Fund or asset management company. There is also no capital involvement between related parties of the said company and related parties of the Fund or asset management company.
Personnel	There is no personnel involvement between the said company and the Fund or asset management company. There is also no personnel involvement between related parties of the said company and related parties of the Fund or asset management company.
Transactions	There is no transaction between the said company and the Fund or asset management company. There is also no transaction between related parties of the said company and related parties of the Fund or asset management company.
Related Party Status	The said company is not considered a directly associating party of the Fund. Also, the said company is not considered a Related Party, etc., of the asset management company under the Investment Trusts Act.
Brokerage Fee	The brokerage fee is not disclosed due to the fact that the broker's consent to disclosure has not been obtained.

7. Transaction with Related Parties

There is no special relation between the said company and the Fund or the Asset Management Company for this transaction.

8. Form of Payment, etc.

(1) Settlement Method

The Fund will complete settlement on the date of acquisition by paying the agreed price for the property in full to the seller using cash on hand.

(2) Impact on the Financial Standing of the Fund of a Possible Failure to Fulfill Our Forward Commitment

A real estate transfer contract to be executed in connection with the acquisition of the property is considered a forward commitment(Note) as stipulated in the Financial Services Agency's Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. Provisions contained in said transfer contract will include the following cancellation clauses.

(Note) Property transfers and other forward-dated contracts. In general, the date of settlements and transfers of ownership stipulated in a forward commitment is one month after the signing of the contract or later.

① Whenever a seller or buyer is found to be in significant violation of the provisions of the transfer contract (hereinafter such seller or buyer shall be referred to as the "violating party"), the other party may cancel the transfer contract if such violation is not remedied after the passage of a prescribed period following the date of the non-violating party issuance of a notification requiring the violating party to fulfill its obligation or if such violation is deemed impossible to remedy.

② If the transfer contract is cancelled in accordance with clause ① above, the non-violating party may require the violating party to pay a penalty charge that is equivalent to 20% of the acquisition price. A non-violating party intending to cancel a contract may not increase or decrease the amount of the penalty charge even if monetary damage it has suffered due to the violation is in excess of or falls short of 20% of the acquisition price.

③ The buyer may consult with the seller to change the acquisition price if (i) it is facing a radical fluctuation in such external conditions as the financial, currency exchange, political or economic environments at home or abroad or has recognized a precursor to such fluctuation prior to the date of acquisition or (ii) the appraisal value of the property to be acquired as presented in an appraisal report commissioned by the buyer prior to the date of acquisition falls short of the acquisition price. In such cases, the buyer may cancel the transfer contract without any indemnification or compensation, provided that the parties to the contract have failed to agree on the acquisition price by the date of acquisition.

9. Schedule for Acquisition

December 20, 2017	Conclusion of agreement on purchase and sale for the acquisition of the asset
March 5, 2018	Delivery of real estate of Watermark Hotel Sapporo

10. Forecasts of Financial Results

There is no impact of this acquisition on operations in the fiscal period ending February 28, 2018 (September 1, 2017 to February 28, 2018) as the acquisition is scheduled to be executed in the fiscal period ending August 31, 2018 (March 1, 2018 to August 31, 2018).

11. Appraisal Summary

Property Name	Watermark Hotel Sapporo
Appraisal Value	¥ 3,850,000,000
Appraiser	Japan Valuers Co., Ltd.
Appraisal Date	November 1, 2017

(Yen)

Item	Amount or percentage	Grounds
Capitalization Approach Price	3,850,000,000	Calculated taking into account income-based values determined using both the direct capitalization approach and the discounted cash flow approach
Price Calculated by the Direct Capitalization Approach	3,940,000,000	Calculated by capitalization rate based on a net revenue of the stable mid-to-long term
(1) Operating Income (a)-(b)	Undisclosed	(Note)
(a) Gross Rental Income	Undisclosed	
(b) Losses due to Vacancies, etc.	Undisclosed	
(2) Operating Expenses		
Maintenance	Undisclosed	
Utilities Costs	Undisclosed	
Repair Costs	Undisclosed	
Property Management Fees	Undisclosed	
Advertisement for Leasing, etc.	Undisclosed	
Taxes	Undisclosed	
Insurance Premium	Undisclosed	
Other Expenses	Undisclosed	
(3) Net operating income from leasing business (NOI=(1)-(2))	184,470,066	
(4) Profit through management of temporary deposits, etc.	Undisclosed	(Note)
(5) Capital Expenditure Reserve	Undisclosed	
(6) Net Cash Flow (NCF = (3)+(4)-(5))	177,185,979	
(7) Capitalization rate	4.50%	Assumed based on conditions of the location, the building, and the contract of the Property.
Price Calculated by the Discounted Cash Flow Approach	3,760,000,000	
Discount Rate	4.30%	Assumed based on the yield on investment of similar buildings and the characteristics of the Property
Terminal Capitalization Rate	4.70%	Assumed based on the yield on investment of similar buildings, the future movement of the yield on investment, risks of the Property as a preferred investment, general forecasts of economic growth rate, and price trends of real estate and rents
Cost Approach Price	1,610,000,000	
Ratio of Land	76.2%	
Ratio of Building	23.8%	
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value	The property is located on Tanukikoji Shopping Street, a major shopping arcade in Sapporo city. It is also located within walking distance of the Odori area, one of the city's commercial and business centers, and the Susukino area, an entertainment district representative of the vast Hokkaido Prefecture. Accordingly, the property boasts geographical advantages that enable it to serve as a hub for both sightseeing and business activities. In addition to these strengths, the property boasts a sophisticated facility design built to accommodate businesspeople. The appraiser therefore believed that the market competitiveness of the property is higher than that of other properties of this kind. Taking these factors into account, the appraiser has thus determined an appraisal value grounded in profitability-based pricing that appropriately reflects the estimated value of return on investment.	

(Note) These items contain information for which the Fund bears a duty of confidentiality to the lessees or information that could be used to calculate such information. The disclosure of these items could result in a breach of said duty of confidentiality, which could negatively impact the Fund and thus the interests of its unitholders. Accordingly, these items are undisclosed.

【Exhibits】

Exhibit 1 Portfolio Overview after Acquisition

Exhibit 2 Photo of the Property to Be Acquired

Exhibit 3 Map of the Property to Be Acquired

*<Nomura Real Estate Master Fund, Inc.> URL: <http://www.nre-mf.co.jp/en/>

Overview of the Portfolio after Acquisition

(¥ million)

Sector \ Area	Greater Tokyo Area ^(Note 1)	Other Areas	(Scheduled) Total Acquisition Price (by Sector)	Percentage of Total ^(Note 2)
Office	356,180	71,930	428,110	46.2
Retail	100,427	59,356	159,783	17.3
Logistics	142,270	3,460	145,730	15.7
Residential	151,518	32,527	184,045	19.9
Hotels	-	3,600	3,600	0.4
Others	4,900	-	4,900	0.5
(Scheduled) Total Acquisition Price (by Area)	755,295	170,873	926,168	100.0
Percentage of Total ^(Note 2)	81.6	18.4	100.0%	

(Note 1) “Greater Tokyo Area” refers to Tokyo Prefecture, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture. “Other Areas” refers to cabinet-order designated cities, prefectural capitals, and cities having a population of at least 100,000 and their peripheral areas, excluding Greater Tokyo.

(Note 2) “Percentage of Total” indicates the ratio of the (Scheduled) total acquisition price of properties for each use and in each area to the total acquisition price of the entire portfolio. As the figures are rounded to the first decimal place, they may not add up to exactly 100%.

(Note 3) The figures are based on the assumption that the disposition of Funabashi Logistics Center on the press release “Notice Concerning Property Disposition” dated on December 12, 2017 has been completed.

Photo of the Property to Be Acquired



Map of the Property to be Acquired

