

**For Immediate Release**

To Whom It May Concern

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Notice Concerning Partial Revision of the Asset Management Guidelines

Nomura Real Estate Asset Management Co., Ltd. (the “Asset Management Company”), the asset management company to which Nomura Real Estate Master Fund, Inc. (the “Fund”) entrusts the management of its assets, will today begin investing in hotels. Accordingly, the Fund announces the partial revision of the Asset Management Guidelines (the “Management Guidelines”) pertaining to the management of its assets. Details are as follows.

1. Summary of and Reasons for the Revision

The Fund was established as a diversified REIT on October 1, 2015 through the consolidation type merger of the former Nomura Real Estate Master Fund, Inc., Nomura Real Estate Office Fund, Inc. and Nomura Real Estate Residential Fund, Inc. By combining a “diversified type strategy,” in which investments are made in logistics, retail, office, residential and a variety of other facilities, a “large-scale REIT strategy” and a “leasing value chain,” NMF aims to secure stable income over the medium to long term and the steady growth of assets under management.

In the J-REIT market, sectors targeted for investment have been diversifying, with increased funds being directed toward hotels, healthcare facilities and other property types. In particular, demand for hotels and other lodging facilities is expected to continue expanding, driven by the 2020 Tokyo Olympics as well as steady tourism- and commerce-related domestic demand that is reflective of governmental policies aimed at promoting tourism nationwide as well as an anticipated rise in the number of overseas visitors to Japan over the long term.

Furthermore, hotels are distinguished from properties in other sectors by the potential upside presented by both fixed-rent and variable-rent cash flows. They are therefore expected to improve the portfolio’s profitability.

In these circumstances, the Fund’s sponsor, the Nomura Real Estate Group, has decided to enter the hotel business. Its first property in this business, under the new brand NOHGA HOTEL, is scheduled to open in 2018. Going forward, the Fund expects business in this area to further reinforce the leasing value chain (the property supply pipeline and management pipeline).

At the start of its fifth fiscal period (ending February 28, 2018), the Fund transitioned to the Growth phase of its Medium- to Long-term Management Strategy, announced in November 2015. As the name implies, during the Growth phase, the Fund aims to achieve sustained external and internal growth. The Fund believes that investing in hotels is consistent with its Growth stage management strategy as such investment will help expand the Fund’s investment opportunities and increase the portfolio’s profitability.

In light of the conditions of the investment environment and the Fund's management strategy described above, in addition to the four main sectors in which it has invested to date, the Fund plans to invest in hotels. This revision to the Management Guidelines will therefore clarify the Asset Management Company's investment policy regarding investments in hotels.

## 2. Date of the Revision

December 19, 2017

## 3. Content of the Revision

Focused on investment in hotels, the amendment establishes standards for selecting hotels for acquisition; the leasing policy for such properties; and standards for selecting operators for such properties. For details, please see the attached "Guidelines Prior to and Following the Revision (Excerpts)."

## 4. Others

This partial revision to the Management Guidelines will not affect the Fund's operating results for the fifth fiscal period (September 1, 2017 to February 28, 2018). In accordance with the Financial Instruments and Exchange Act, the Fund has submitted an extraordinary report, dated December 19, 2017, to the Director of the Kanto Local Finance Bureau regarding this amendment.

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

Attachment Guidelines Prior to and Following the Revision (Excerpts)

The main revised passages of the Management Guidelines are shown below. The excerpts of both the existing and a revised Management Guidelines presented here are mainly the passages that have been revised (with changes underlined); other sections of the guidelines are omitted.

Management Guidelines Prior to Revision	Management Guidelines Following Revision
<p>II. Investment Policy 2-1 Investment standards (property selection standards and portfolio composition standards)</p> <p>1. (Omitted)</p> <p>2. Property selection standards When investing in Real-Estate Related Assets, the Asset Management Company shall individually select assets to be real estate under management based on the following criteria. In said selection, particular weight shall be given to the ability of assets to secure stable earnings based on such factors as location, building specifications and past earnings in accordance with the Basic Asset Management Policies laid out in Article 27 of the Articles of Incorporation, namely that of securing stable earnings for the medium and long term.</p> <p>(1) Property selection standards for specific property uses</p> <p>(i)–(iv) (Omitted)</p> <p>(Newly added)</p>	<p>II. Investment Policy 2-1 Investment standards (property selection standards and portfolio composition standards)</p> <p>1. (No change)</p> <p>2. Property selection standards When investing in Real-Estate Related Assets, the Asset Management Company shall individually select assets to be real estate under management based on the following criteria. In said selection, particular weight shall be given to the ability of assets to secure stable earnings based on such factors as location, building specifications and past earnings in accordance with the Basic Asset Management Policies laid out in Article 27 of the Articles of Incorporation, namely that of securing stable earnings for the medium and long term.</p> <p>(1) Property selection standards for specific property uses</p> <p>(i)–(iv) (No change)</p> <p><u>(v) Hotels</u></p> <p>a) <u>Standards for determining a property’s use</u> <u>Upon acquisition, the leasable floor space, rent revenue and other factors attributable to each use of the acquired real estate shall be assessed to determine its main use; properties’ whose main use is thus found to be as hotels shall be considered hotels. Note that hotels include any attached restaurants, meeting rooms, banquet halls, spas or similar facilities.</u></p> <p>b) <u>Standards for determining the contract type</u> <u>In principle, hotels to be acquired shall be managed as leased facilities (including variable-rent leases), and Nomura Real Estate Master Fund, Inc. shall not directly commission their operation.</u></p> <p>c) <u>Property selection policy</u> <u>When investing in hotels, in addition to the provisions of “(2) Property selection standards applied regardless of property use,” below, the Asset Management Company’s property selection policy shall be to invest with balanced consideration of profitability and stability.</u> <u>In particular, hotels shall be selected with</u></p>

(v) Other uses  
 There are a wide range of uses for other investment real estate, and investment standards vary greatly by use. Accordingly, for properties with other uses, these Guidelines do not set out specific restrictions on such factors as property size, but investment shall be made based on comprehensive consideration of such factors as the location and surrounding area, ease of securing a replacement tenant and versatility of use of each piece of investment real estate.

(2) Property selection standards applied regardless of property use.  
 The following standards shall apply to the acquisition of all properties, regardless of property use.

(i)–(vii) (Omitted)

(viii) Tenant composition  
 The Asset Management Company shall invest in properties with tenants that have adequate creditworthiness and whose purpose of use of the property is appropriate.  
 In principle, the Asset Management Company shall invest in multi-tenant properties. Investment decisions regarding properties with a single tenant or small number of tenants shall be made based on comprehensive consideration of such factors as the details of the lease contracts; the tenants’ creditworthiness as judged based on their commercial registration, the report of a corporate research firm or other factors; prospects for attracting replacement tenants if present tenants leave; and the specificity of the property’s use.

(ix)(Omitted)

3.–4. (Omitted)

regard to their location in light of such factors as the strength of the local economy, trends in visitors from overseas and the potential impact on the surrounding area of natural disasters. Furthermore, as the profitability of hotels is greatly impacted by such factors as the ability of the operator and brand strength, particular weight shall be given to the conditions of the property’s lease contract and the operator’s creditworthiness and substitutability. Consideration shall also be given to the division between the Asset Management Company and the operator of assets, including furniture, fixtures and equipment, as well as the division of the burden for repairs and renovations.

(vi) Other uses  
 There are a wide range of uses for other investment real estate, and investment standards vary greatly by use. Accordingly, for properties with other uses, these Guidelines do not set out specific restrictions on such factors as property size, but investment shall be made based on comprehensive consideration of such factors as the location and surrounding area, ease of securing a replacement tenant and versatility of use of each piece of investment real estate.

(2) Property selection standards applied regardless of property use  
 The following standards shall apply to the acquisition of all properties, regardless of property use.

(i)–(vii) (No change)

(viii) Tenant composition  
 The Asset Management Company shall invest in properties with tenants that have adequate creditworthiness and whose purpose of use of the property is appropriate.  
With the exception of hotels, in principle, the Asset Management Company shall invest in multi-tenant properties. Investment decisions regarding properties with a single tenant or small number of tenants shall be made based on comprehensive consideration of such factors as the details of the lease contracts; the tenants’ creditworthiness as judged based on their commercial registration, the report of a corporate research firm or other factors; prospects for attracting replacement tenants if present tenants leave; and the specificity of the property’s use.

(ix) (No change)

3.–4. (No change)

<p>II. Investment Policy 3-1 Portfolio management policy (Basic strategy 1. Leasing policy)</p> <p>1. (Omitted)</p> <p>2. Leasing policy 2-1 Common provisions for all uses (excluding residential facilities)</p> <p>(1) Understanding the state of the relevant market The Asset Management Company shall analyze the forecast tenant demand, rent levels, occupancy rates and trends at competing properties in the markets to which its real estate under management belongs based on such information as its own research, third-party market reports and information provided by real estate brokers or other market actors. In cases where the surrounding market is undergoing structural change (such as a trend toward the new development of rental real estate, the opening of new transportation systems or new stations, etc.), the Asset Management Company shall analyze the impact of such changes.</p> <p>(2)–(5) (Omitted)</p> <p>(Newly added)</p> <p>2–2 (Omitted)</p>	<p>II. Investment Policy 3-1 Portfolio management policy (Basic strategy 1. Leasing policy)</p> <p>1. (No change)</p> <p>2. Leasing policy 2-1 Common provisions for all uses (excluding residential facilities)</p> <p>(1) Understanding the state of the relevant market The Asset Management Company shall analyze the forecast tenant demand, rent levels, occupancy rates and trends at competing properties in the markets to which its real estate under management belongs based on such information as its own research, third-party market reports and information provided by real estate brokers, <u>consultants</u> or other market actors. In cases where the surrounding market is undergoing structural change (such as a trend toward the new development of rental real estate, the opening of new transportation systems or new stations, etc.), the Asset Management Company shall analyze the impact of such changes. <u>For hotels, in addition to the abovementioned structural changes, the Asset Management Company shall analyze such factors as trends at nearby tourist facilities and trends related to tourists, including those from overseas.</u></p> <p>(2)–(5) (No change)</p> <p>(6) <u>Operator selection standards</u> <u>The profitability of a hotel depends in great part on the ability of the operator. Accordingly, the Asset Management Company shall consider such factors as the operator’s financial condition and past record of operating hotels.</u></p> <p>2–2 (No change)</p>
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