

Nomura Real Estate Master Fund, Inc.
Securities Code: 3462
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Notice Concerning Property Acquisition

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., a licensed investment trust management company retained by the Fund to provide asset management services, that it will acquire asset (the “Acquisition”), as described below.

1. Summary of Asset scheduled to be Acquired

Property name	Use	Date of agreement	(Scheduled) Date of acquisition	Seller	(Scheduled) Acquisition price (¥million)(Note 1)
PRIME URBAN Gakugei Daigaku Parkfront (Note 2)	Residential	January 27, 2017	March 31, 2017	Undisclosed (Note 3)	1,300

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

(Note 2)Although the current property name is “Glenpark Megurohoncho” the Fund plans to change the name to the one stated above at the earliest opportunity, after the acquisition.

(Note 3)Undislosed, since concent have not obetained from the seller.

(Note 4)The asset to be acquired is real estate.

(Note 5)This property is scheduled to acquire using cash on hand and borrowing.

2. Reason for the Acquisition

In accordance with the Medium to Long-term Management Strategy it announced in November 2015, Nomura Master Fund designated the next three years as its Quality Phase and has been implementing various related measures.

One key measure is Strategic Property Replacement (SPR), which is aimed at improving the quality of our portfolio. As part of this measure, the Fund decided to acquire the Property at this time.

The Fund evaluated the points below concerning the acquisition of the Property.

- The Property is a 13-minute walk from Gakugei Daigaku Station on the Tokyu Toyoko Line. A bus stop that is a one-minute walk away from the Property provides access to Meguro Station on the JR Yamanote Line, providing easy access to major business and commercial areas like Shibuya, Shinjuku, Shinagawa and Tokyo.
- There are supermarkets and convenience stores in the immediate neighborhood of the Property, making the area very easy to live in. It boasts a pleasant residential environment characterized by tranquil neighborhoods and is bordered by a park on the south side. In fact, all of the Property's units face south, overlooking the park. This is a rare advantage in the area and expectations are accordingly high for stable demand from single workers who commute to the city center.

3. Property Summary of Asset

Property Name		PRIME URBAN Gakugei Daigaku Parkfront
Type of Asset		Real Estate
Location (Note 1)	Registry	2-13-4 Meguro-honcho, Meguro Ward, Tokyo
	Street	2-12-20 Meguro-honcho, Meguro Ward, Tokyo
Access		13-minutes walk from Gakugei-Daigaku Station on Tokyu Toyoko Line 14-minutes by bus (Tokyu bus) from JR Meguro Station, and 1-minute walk from nearest Bus stop
Completion Date(Note 1)		February 29, 2008
Use(Note 1)		Apartment
Structure(Note 1)		RC, 6F
Leasable Units		49 units
Architect		DUES Architect Office
Structural Strength Calculator		S.U. Architect Office
Constructor		WAKACHIKU CONSTRUCTION CO., LTD.
Building Inspection Agency		CENTER OF INTERNATIONAL ARCHITECTURAL STANDARD
Area(Note 1)	Land	750.39 m ²
	Floor Area	1,541.81 m ²
Type of Ownership	Land	Ownership
	Building	Ownership
Building Coverage Ratio		70.0% (Note 2)
Floor Area Ratio		200.0%
Collateral		None
Property Management Company (Note 3)		Nomura Real Estate Partners Co., Ltd.
Master leasing company (Note 4)		Nomura Real Estate Partners Co., Ltd.
Type of master leasing (Note 4)		Pass through
Seismic Risk (PML)(Note 5)		8.51% (SOMPO RISK MANAGEMENT & HEALTH CARE Inc.'s Earthquake PML Appraisal Report as of December 2016)
Notes		<ul style="list-style-type: none"> • The property management and master leasing company, Nomura Real Estate Partners Co., Ltd., is considered a Related Party under the Law Concerning Investment Trust and Investment Corporation ("Investment Trust Law"). • On November 28, 2008, subsequent to the acquisition of the building permit for the Property, the site of the Property was subject to height redistricting with the absolute height limit set at 17 meters. As a result, the building is designated as a pre-existing non-conforming building.
Acquisition Price (Scheduled)		¥1,300 million
Appraisal Value and Method		¥1,310 million (Based on the capitalization approach as of December 1, 2016) (Appraiser: Daiwa Real Estate Appraisal Co., Ltd.)
Appraisal NOI (Note 6)		¥57million

Leasing Status (As of January 27, 2017) (Note 7)					
Total Number of Tenants	1				
Total Rental Income	¥70 million				
Security Deposits	¥5 million				
Occupancy Rate	100.0%				
Total Leased Floor Space	1,446.90 m ²				
Total Leasable Floor Space	1,446.90 m ²				
Occupancy Rates in the Past (Note 8)	August, 2012	August, 2013	August, 2014	August, 2015	August, 2016
	-	-	-	-	100.0%

(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

As the property is located in a Category1 medium-to-high-rise exclusive residential district, the Building Coverage is originally supposed to be 60%, however, the Building Coverage has been increased to 70%, as the property is in a fire prevention zone and certified fireproof.

(Note 3) Property Management Company

Refers to the Property Management Company that is scheduled to be appointed.

(Note 4) The Fund, simultaneously with the acquisition of the Property, a master lease agreement, under which the building of the Property will be collectively leased for the purpose of subleasing, with Nomura Real Estate Partners Co., Ltd. The master lease agreement is “pass-through scheme” where Nomura Real Estate Partners Co., Ltd., the master lease company, pays the same amount as the total sum of the rent based on the lease agreement which the master lease company has concluded with each end tenant to the Fund. The items in the above chart are indicated based on the following assumptions.

(Note 5) 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 6) Appraisal NOI

“Appraisal NOI” indicates the annual NOI (operating income-operating expenses) described in the real estate appraisal report with December 1, 2016 as the appraisal date.

(Note 7) Leasing Status

“Total Number of Tenants” is listed as one because, as stated above, at the time of the Property’s acquisition the Fund entered into a master lease agreement, under which the building of the Property will be collectively leased for the purpose of subleasing. The master lease company plans to sublease the Property’s units to end tenants.

“Total Rent Income” is the amount obtained by multiplying the monthly rent stated the lease agreement with end tenants actually leasing the building of the Property as of today by 12 (rounded down to the nearest million yen).

“Security Deposits” indicates the amount of security deposits, etc. stated in the aforementioned lease agreement (rounded down the nearest million yen).

“Total Leased Floor Space” indicates the floor space that is being leased to end tenants as of today.

(Note 8) Occupancy Rates in the Past

Regarding the occupancy rates before the end of August 2015, the figures are not stated, as the information has not been received from the seller.

4. Seller Profile

As the Fund has not obtained an agreement with the Seller, who is Japanese General Operating Company and Japanese Individuals, this information is not disclosed. There is no capital involvement, personnel involvement or transaction involvement between the Seller and the Fund or asset management company as of today. The Seller is not Related Parties under the Investment Trust Law of the asset management company.

5. Status of Owners

None. The current owner of the property is a Japanese General Operating Company and Japanese Individuals, and there is no special relation between the said company and the Fund or asset management company.

6. Broker Profile

Company Name	Nomura Real Estate Urban Net Co., Ltd.
Head Office	1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Representative	Kenichi Maeda, President
Principal Business	Real Estate Business
Capital	¥1,000 million (as of March, 2016)
Established	November 6, 2000
Relationship with the Fund and/or asset management company	
Capital	Nomura Real Estate Urban Net Co., Ltd. is an affiliated company of Nomura Real Estate Holdings, Inc., which has 100% ownership of Nomura Real Estate Asset Management Co., Ltd., the Fund's asset management company, and therefore, is a Related Party under the Investment Trust Law.
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.
Transaction	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.
Status of Related Parties	The said company is not considered a directly associating party of the Fund. However, as stated above, the said company is a Related Party of the Asset Management Company as it is a fellow subsidiary.
Commission	¥39 million (excluding consumption taxes and local consumption taxes)

7. Transaction with Related Parties

(1) The property management company and master leasing company

The property management company and master leasing company of the Property, Nomura Real Estate Partners Co., Ltd., is a Related Party under the Investment Trust Law, as stated above. Accordingly, the fees and other terms of the consignment of property management as well as the lease period, rental rate, and other leasing terms related to the Property have been duly examined and authorized by the Asset Management Company's Compliance Committee and Investment Committee pursuant to its Investment Committee Rules, Rules of Compliance, Compliance Manual, Rules Concerning Transactions with Related Parties, and other relevant rules and guidelines.

(2) Broker

The brokerage of the transaction is a Related Party under the Investment Trust Act. Therefore, the Asset Management Company determined the transfer and the terms and conditions of the transaction, including the commission and the other conditions to the restrictions and formalities concerning the transactions with related parties as set forth in the Investment Trust Act and the Asset Management Company's bylaws and duly authorized by the Asset Management Company's Compliance Committee and Investment Committee pursuant to its Investment Committee Rules, Rules of Compliance, Compliance Manual, Rules Concerning Transactions with Related Parties, and other relevant rules and guidelines.

8. Form of Payment, etc.

(1) Form of Payment

With respect to the purchase price of the Asset, Nomura Master Fund plans to make a package payment to the Seller of the purchase price through cash on hand and borrowing on the scheduled date of the acquisition.

(2) Impact on the New Investment Corporation's Financial Status in Case of Failure of the Forward Commitment

The agreement on purchase and sale of real estate concerning the Asset to be Acquired and the agreement on purchase and sale of real estate (collectively, the "Agreement") falls into the Forward Commitment, etc., (Note) as set forth in the Comprehensive Guideline for Supervision of Financial Instruments Business Operators set by the Financial Services Agency. Scheduled details of the cancellation clauses are as follows. The Agreement carries suspensive conditional clauses stating that the transaction be executed only when procurement of required funds through borrowings by the buyer is reasonably expected. Please refer to "Suspensive conditional clauses" below for suspensive conditional clauses for the Agreement

- 1) In case there are any significant violations concerning the provisions of the agreement on purchase and sale of the Asset to be Acquired by the seller or the purchaser (the party hereto, the "defaulting party"), the other party can urge the defaulting party to fulfill the obligation fixing a period of time. When the defaulting party does not correct the violations within that time limit, the other party may cancel the agreement on purchase and sale of the Asset to be Acquired.
- 2) In case of the cancellation of the Agreement, the other party may make a claim for the penalty equivalent to 20% of the sales price to the defaulting party.
- 3) The amount paid as penalty stipulated in note 2 above will be considered compensation for damages, and, even in the event that damages are incurred in excess of an amount equivalent to 20% of the sales price, the contracting parties cannot seek compensation for the portion of damages exceeding the amount.

(Note) The forward commitment, etc., refers to postdated sale agreements where the conclusion and delivery of the property is scheduled over one month ahead of the contract date, and other similar agreements.

9. Schedule for Acquisition

January 27, 2017	Conclusion of agreement on purchase and sale for the acquisition of the Assets.
March 31, 2017	Delivery of real estate of the Asset.

10. Forecasts of Financial Results

There is only small impact to Nomura Master Fund's forecasts of financial results for the fiscal period ending February 28, 2017 (September 1, 2016 to February 28, 2017), there is no revision to the forecast of financial results.

11. Appraisal Summary

Property Name	PRIME URBAN Gakugei Daigaku Parkfront	
Appraisal Value	¥1,310,000,000	
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.	
Appraisal Date	December 1, 2016	

(Yen)

Item	Amount or percentage	Grounds
Capitalization approach price	1,310,000,000	In calculating, both the discounted cash flow approach and the direct capitalization approach are taken into account.
Price calculated by the direct capitalization approach	1,330,000,000	Calculated by capitalization rate based on a net revenue of the stable mid-to-long term.
(1) Operating income (a)-(b)	69,354,099	
(a) Gross rental income	73,218,723	Assumed based on the expected mid- to long-term stable rent.
(b) Losses due to vacancies, etc.	3,864,624	Assumed based on the expected mid- to long-term stable occupancy rate.
(2) Operating expenses	12,042,942	
Maintenance	1,419,600	Assumed based on the estimated amount and of a similar building.
Utilities costs	629,928	Assumed based on past actual expenses taking into account the occupancy rate.
Repair costs	882,260	Allocation of appraised restoration expenses and repair expenses based on the Engineering Report.
Property management fees	2,042,240	Assumed based on agreement conditions, general standard, etc.
Advertisement for leasing, etc.	2,834,494	Assumed based on the agreement conditions, taking into account the standard tenant recruit expenses of similar buildings, and applying the estimated turnover ratio of unit.
Taxes	3,465,700	Assumed based on mid to long term perspective of the tax base of year 2016.
Insurance premium	94,650	Allocation, taking into account the actual amount, insurance premium rates of similar buildings, etc.
Other expenses	674,070	Assumed based on past actual other expenses.
(3) Net operating income from leasing business (NOI=(1)-(2))	57,311,157	
(4) Profit through management of temporary deposits, etc.	55,490	Assumed interest rates of 1.0%.
(5) Capital Expenditure Reserve	1,714,167	Assumed in consideration of building age, as well as average maintenance and lease renewal fees based on the engineering report.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	55,652,480	
(7) Capitalization rate	4.2%	Assumed based on conditions of the location, the building, and the contract of the Property.
Price calculated by the Discounted Cash Flow Approach	1,300,000,000	
Discount rate	4.0%	Assumed based on the yield on investment of similar buildings and the characteristics of the Property.
Terminal capitalization rate	4.4%	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	1,250,000,000	
Ratio of land	79.2%	
Ratio of building	20.8%	
Matters noted in reconciliation of indicated value and determination of appraisal value	The property is a 13-minute walk from Gakugei Daigaku Station on the Tokyu Toyoko Line. It is located in a relatively attractive residential area with a pleasant atmosphere. The building is geared mainly toward single residents and small families and is competitive with rental condominiums of similar size in terms of quality, available facilities and other aspects. The appraisal value was determined taking the above factors into consideration.	

【Exhibits】

Exhibit 1 Portfolio Over View after Acquisition

Exhibit 2 Photos of the Asset

Exhibit 3 Maps of the Asset

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

Exhibit 1

Portfolio Overview after Acquisition of the Asset

Asset Type	Area (Note 1)	(Scheduled) Acquisition Price (mln)	Percentage to total (%) (Note 2)
Office	Tokyo Area	371,944	40.0
	Other Area	71,930	7.7
	Total	443,874	47.8
Retail	Tokyo Area	104,877	11.3
	Other Area	45,896	4.9
	Total	150,773	16.2
Logistics	Tokyo Area	137,030	14.8
	Other Area	10,040	1.1
	Total	147,070	15.8
Residential	Tokyo Area	149,623	16.1
	Other Area	32,527	3.5
	Total	182,150	19.6
Others	Tokyo Area	4,900	0.5
	Total	0	0
Grand Total	-	928,767	100.0

(Note 1) “Greater Tokyo” 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) “Tokyo Area” “Greater Tokyo” refers to Tokyo Prefecture, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture. “Other Areas” refers to cabinet-order designated cities, prefectures the figures were rounded to the first decimal place, the total may not necessarily be 100%.

(Note 3) Figures in the table above reflect the assumption that the disposition of NOF Technoport Kamata Center Building and Ito-Yokado Higashi-Narashino Store, which was announced in the December 20, 2016, press release entitled “Notice Concerning Property Disposition,” has been completed.

Exhibit 2



Exhibit 3

