

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	Type of asset	(Scheduled) Date of agreement	(Scheduled) Date of acquisition	Seller	(Scheduled) Acquisition price (¥million)(Note 1)
Summit Store Naritahigashi (Land)	Retail	Real estate	April 28, 2017	April 28, 2017	Undisclosed (Note 2)	700

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

(Note 2)Undiscovered, since consent have not obtained from the seller.

(Note 3)This property is scheduled to acquire using cash on hand.

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.

- Suginami Ward, where the Property is located, is a very popular place to live and experiencing ongoing population growth(Note) due to its convenient access to central Tokyo and pleasant residential environment.
- Within a 1-km radius of the Property, there are around 26,000 households, and the commercial areas boast excellent supermarkets.
- For this area, which features high ratio of category I residential zones where retail facility development is limited, the Property is unusual in that it is zoned for retail use.

(Note) Reference: *Suginami Ward Statistical Report* (2016), 2. Population

3. Property Summary of Asset

Property Name		Summit Store Naritahigashi (Land)				
Type of Asset		Real estate				
Location (Note 1)	Registry	1-182-2, 182-3, 182-5, 182-8, 182-9 Naritahigashi, Suginami Ward, Tokyo				
	Street	1-35-12 Naritahigashi, Suginami Ward, Tokyo				
Access		13-minute walk from both Minami-Asagaya Station and Shin-Koenji Station on the Tokyo Metro Marunouchi Line				
Completion Date		-				
Use		-				
Structure		-				
Area(Note 1)	Land	1,607.89 m ² (Note 2)				
	Floor Area	-				
Type of Ownership	Land	Ownership				
	Building	-				
Building Coverage Ratio		90%・60%(Note 3)				
Floor Area Ratio		300%・100%(Note 4)				
Collateral		None				
Property Management Company(Note 5)		Nomura Real Estate Partners Co., Ltd.				
Seismic Risk (PML)		-				
Notes		<ul style="list-style-type: none">• The property management company, Nomura Real Estate Partners Co., Ltd. is considered a related party under the Act on Investment Trusts and Investment Corporations (“Investment Trust Act”).• Should the Fund attempt to sell the Property to a third party, the tenant of the Property shall be granted preferential negotiation rights for a period of time regarding said sale.				
Acquisition Price (Scheduled)		¥700 million				
Appraisal Value and Method		¥737 million (Based on the capitalization approach as of March 1, 2017) (Appraiser: Japan Real Estate Institute)				
Appraisal NOI(Note 6)		¥29 million				
Leasing Status (As of April 25, 2017) (Note 7)						
Total Number of Tenants		1				
Total Rental Income		Undisclosed				
Security Deposits		Undisclosed				
Occupancy Rate		100%				
Total Leased Floor Space		1,607.89 m ²				
Total Leasable Floor Space		1,607.89 m ²				
Occupancy Rates in the Past (Note 8)		February, 2013	February, 2014	February, 2015	February, 2016	February, 2017
		-	-	-	-	-

(Note 1) Location and other Items

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

(Note 2) Area

The land area includes a 91.8-m² section recognized as road based on Article 42, Paragraph 2 of the Building Standards Law (a no less than two-meter wide strip of land measured from either side of the centerline of a roadway must be set aside for use as a road) and another 91.8-m² section that was converted to a road and is currently used as a private road.

(Note 3) Building Coverage Ratio

Measuring south from the road boundary on the north side of the Property, the area lying in the first 20 meters is in a neighborhood commercial zone where the fundamental building coverage ratio (BCR) is set at 80%. However, because the land is on a corner, an additional 10% is allowed, bringing the applicable BCR up to 90%. The area past the 20-meter mark is in a category I low-rise residential zone, however, and the fundamental BCR is set at 50%. But with the additional 10% allowance for being on a corner, the applicable BCR stands at 60%. The weighted average of the land area ratio is used for these calculations.

(Note 4) Floor Area Ratio

The area lying in the first 20 meters as measured south from the road boundary on the north side of the Property is 300%, and the area beyond 20 meters south is 100%. The weighted average of the land area ratio is used for these calculations.

(Note 5) Property Management Company

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

(Note 6) Appraisal NOI

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

(Note 7) Leasing Status

The total number of tenants is based on the fixed-term business-use land lease agreement that is expected to take effect on the date of the acquisition.

Total rental income and security deposits are not disclosed because the tenant has not granted permission to do so.

Total leased floor space is listed as the contracted floor space outlined in the fixed-term business-use land lease agreement.

(Note 8) Occupancy Rates in the Past

The past occupancy rates are not measured as the Property was self-owned.

4. Seller Profile

As the Fund has not obtained an agreement with the Seller, who is Japanese General Operating Company, 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 there is no special relation between the said company and the Fund or asset management company.

6. Broker Profile

Company Name	Nomura Real Estate Development, Co., Ltd.
Head Office	1-26-2 Nishi-Shinjuku, Shinjuku Ward, Tokyo
Representative	Seiichi Miyajima, President & CEO
Principal Business	Real Estate
Capital	¥2,000 million (as of April 1, 2017)
Established	April 15, 1957
Relationships with the Fund and/or the Asset Management Company	
Capital	Nomura Real Estate Development, Co., Ltd. holds 5.04% of the Fund's investment units (as of February 28, 2017). As a wholly owned subsidiary of Nomura Real Estate Holdings, Inc., which also holds 100% ownership of the Asset Management Company, Nomura Real Estate Development, Co., Ltd. is a related party of the Asset Management Company as defined in the Investment Trust Law.
Personal	The Asset Management Company's employees and officers are dispatched from Nomura Real Estate Development, Co., Ltd.
Transactions	The Fund's property management consignor is a lessee of real estate owned by the Fund. In addition, the asset management company and the broker have signed an agreement to share information and a basic agreement regarding the leasing business value chain.
Related Party Status	Nomura Real Estate Development, Co., Ltd. does not fall under the definition of a related party of the Fund. However, as stated above, the said company is a related party of the Asset Management Company as they are fellow subsidiaries of a common parent company.
Commission	¥21million (excluding consumption taxes and local consumption taxes)

7. Transaction with Related Parties

(1) 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.

(2) The property management company

The property management 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.

8. Form of Payment, etc.

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 on the scheduled date of the acquisition.

9. Schedule for Acquisition

April 28, 2017	Conclusion of agreement on purchase and sale for the acquisition of the Asset, and Delivery of real estate of the Asset.
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10. Forecasts of Financial Results

There is only small impact to Nomura Master Fund's forecasts of financial results for the fiscal period ending August 31, 2017 (March 1, 2017 to August 31, 2017), there is no revision to the forecast of financial results.

11. Appraisal Summary

Property Name	Summit Store Naritahigashi (Land)		
Appraisal Value	¥737,000,000		
Appraiser	Japan Real Estate Institute		
Appraisal Date	March 1, 2017		
(Yen)			
Item		Amount or percentage	Grounds
Capitalization approach price		737,000,000	Estimated based on the income-based value calculated using the direct capitalization approach and the income-based value calculated using the discounted cash flow approach.
Price calculated by the direct capitalization approach		744,000,000	Estimated by reducing stable medium- to long-term net income by the capitalization rate.
(1) Operating income (a)-(b)		35,000,000	
(a) Gross rental income		35,000,000	Estimated based on fair rent levels deemed stable over the medium to long term.
(b) Losses due to vacancies, etc.		0	Deemed unnecessary to calculate losses due to vacancies in light of the content of the agreement and the characteristics of the lessee.
(2) Operating expenses		5,602,000	
Maintenance		0	There are no maintenance costs.
Utilities costs		0	There are no utility costs.
Repair costs		0	There are no repair costs.
Property management fees		480,000	Estimated based on expected payments and payments from similar real estate properties.
Advertisement for leasing, etc.		0	There are no advertisement costs.
Taxes		5,118,000	Projected medium- to long-term taxes estimated based mainly on average taxes for fiscal 2016.
Insurance premium		4,000	Estimated based on expected insurance premiums and insurance premium rates for similar real estate properties.
Other expenses		0	There are no other costs.
(3) Net operating income from leasing business (NOI=(1)-(2))		29,398,000	
(4) Profit through management of temporary deposits, etc.		350,000	Estimated based on an investment yield of 1%.
(5) Capital Expenditure Reserve		0	There is no capital expenditure reserve.
(6) Net Cash Flow (NCF = (3)+(4)-(5))		29,748,000	
(7) Capitalization rate		4.0%	Estimated with comprehensive consideration given to the conditions of the property's location, existing building and existing agreements.
Price calculated by the Discounted Cash Flow Approach		729,000,000	
Discount rate		4.2%	Estimated with reference to the yield of similar real estate transactions and comprehensive consideration of the property's particular characteristics.
Terminal capitalization rate		3.9%	Estimated with reference to the yield of similar real estate transactions and with comprehensive consideration given to yield trends, the risk involved with the property as an investment, general forecasts of economic growth, future real estate prices and rent trends.
Cost Approach Price		—	
Ratio of land		—	
Ratio of building		—	
Matters noted in reconciliation of indicated value anddetermination of appraisal value	The Fund expects to establish a fixed-term business-use land lease agreement for the property. Due to its potential for stable profitability, the land is of investment quality. Because it is thus classified as investment property, typical market participants that might buy such a property are real estate investors who possess fund procurement capabilities.Considering the above, the Fund determined the appraisal value using an income-based value that accurately reflects return on investment.		

【Exhibits】

Exhibit 1 Portfolio Over View after Acquisition

Exhibit 2 Photo of the Asset

Exhibit 3 Map of the Asset

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

Portfolio Overview after Acquisition of the Asset

Asset Type	Area (Note 1)	(Scheduled) Acquisition Price (mln)	Percentage to total (%) (Note 2)
Office	Tokyo Area	348,330	37.0
	Other Area	71,930	7.6
	Total	420,260	44.7
Retail	Tokyo Area	108,367	11.5
	Other Area	65,996	7.0
	Total	174,363	18.5
Logistics	Tokyo Area	146,930	15.6
	Other Area	10,040	1.1
	Total	156,970	16.7
Residential	Tokyo Area	151,518	16.1
	Other Area	32,527	3.5
	Total	184,045	19.6
Others	Tokyo Area	4,900	0.5
	Total	4,900	0.5
Grand Total	-	940,538	100.0

(Note 1) “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 Tokyo Area.

(Note 2) “Percentage to Total” indicates the ratio of the total (Scheduled) acquisition price of properties for respective uses and in respective areas to the total (Scheduled) acquisition price of the entire portfolio based on (Scheduled) acquisition prices. Furthermore, as the figures were rounded to the first decimal place, the total may not necessarily be 100%.

(Note 3) Figures in the above table assume the successful dispositions of Ito-Yokado Higashi-Narashino Store (announced in the December 20, 2016 press release entitled “Notice Concerning Property Disposition”), the successful dispositions of Mitsubishi Motors Shibuya and Mitsubishi Motors Suginami (announced in the March 21, 2017 press release entitled “Notice Concerning Property Acquisition and Disposition”), and the successful dispositions of Tennozu Park Side Building (announced in the April 4, 2017 press release entitled “Notice Concerning Property Disposition”).

Photo of the Asset



Map of the Asset

