

Nomura Real Estate Master Fund, Inc. (NMF)

Questions and Answers Teleconference for the 16th Fiscal Period Ended August 31, 2023

Summary of Questions and Answers

Q.1

With regard to the three strategies in consideration of current market conditions, the materials state that you will reduce the office sector ratio and allocate gains on sales evenly across four fiscal periods. It seems that asset replacement has already been actively implemented so far. Does this mean that asset replacement will continue as before or will it be implemented even more actively? Also, what are your intentions in posting these management strategies?

A.1

We do not intend to make a drastic increase compared to what we have already done, including the volume of asset replacement. To date, gains on sales arising from asset replacement have been allocated to internal reserves, in principle, but we have adequate internal reserves at this time. We would like to provide notice that gains on sales will be distributed in the future and the distributions will be allocated evenly across four fiscal periods, and not exclusively to the fiscal period when a disposition is executed, for the purpose of leveling and raising distributions.

Q.2

The materials state that the third strategy is to leverage the strengths of the Nomura Real Estate Group to pursue internal growth. Do you intend to introduce any additional measures in this regard or continue as before?

A.2

We intend to clearly convey that we have conducted prudent management by drawing on the strengths of NMF. We see achievements, such as ratios of directly operated assets that are over 80% in logistics and retail. We restated these strengths because we will continue to conduct operations in pursuit of internal growth by the entire Nomura Real Estate Group in the future.

Q.3

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wonder why four fiscal periods.

A.3

At this moment, the market continues to be favorable for selling. Under such circumstances, if a distribution is made as a lump sum, distribution amounts may fluctuate greatly. The key objective of allocating evenly across four fiscal periods is to achieve broadly stable returns.

Q.4

Would you share your thoughts concerning the allocation with regard to offices? What would be the conditions for resuming investment in offices?

A.4

We are aware that there is talk of a recovery in offices. Demand from tenants is recovering, but additional time is still needed for recovery. Rents could continue to decline as a result of replacement in this environment, and free rent is still being given to a certain extent. When there are clear opportunities for higher rents in the office sector, we will reconsider our policy.

In addition, the offices that are subject to asset replacement are those with rents that are not expected to change, even when assuming inflation in the future.

Q.5

Is there a chance of generating a profit from renovation of the Nakaza Cui-daore Building, given there currently seems to be an unrealized loss, and with renovation, the book value would increase?

A.5

Pre-leasing is currently underway as we reconsider renovation, and we have received eager inquiries. Crowds, including inbound tourists, are returning to the Dotonbori neighborhood. If we renovate and rent the entire building, cash flow will likely increase. The decision to renovate is not yet finalized, but we are considering factors including the balance between investments and returns.