

**For Immediate Release**

To Whom It May Concern

**Nomura Real Estate Master Fund, Inc.**

Securities Code: 3462

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**Notice Concerning Property Acquisition and Disposition**

Nomura Real Estate Master Fund, Inc. (“Nomura Master Fund” or the “Fund”) announces 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, to acquire and dispose of assets (the “Acquisition” and the “Disposition,” respectively; collectively referred to as the “Transaction”), as described below.

1. Summary of Assets to Be Acquired/Disposed Of

(1) Summary of Assets to Be Acquired

No.	Property Name	Use	(Scheduled) Date of Agreement	(Scheduled) Date of Acquisition	Seller	(Scheduled) Acquisition Price (¥ million) (Note 1)
1	PMO Hirakawacho	Office	September 29, 2017	September 29, 2017	Nomura Real Estate Development Co., Ltd.	3,410
2	PMO Shinnihonbashi	Office				4,440
3	GEMS Kanda	Retail				1,500
4	GEMS Daimon	Retail				2,060
Total						11,410

(Note 1) The amounts stated exclude acquisition-related costs, property tax, city planning tax, consumption tax and local consumption tax.

(Note 2) The assets to be acquired are all actual real estate.

(Note 3) Payments for the acquisition of the assets to be acquired will be settled with the proceeds from the sale of Morisia Tsudanuma, as listed below under “(2) Summary of Assets Scheduled to Be Disposed Of.” Note that the Transaction is planned on the assumption that the acquisition of all of the properties to be acquired and the sale of the property to be disposed of are executed simultaneously. Should the agreements concerning the acquisition or disposal of any of the said properties or their actual acquisition or disposal be cancelled for any reason, the entire Transaction will be cancelled.

The above four properties are collectively referred to hereinafter as the “Four Properties to Be Acquired.”

## (2) Summary of Assets to Be Disposed Of

No.	Property Name	Use	(Scheduled) Date of Agreement	(Scheduled) Date of Disposition	Transferee	(Scheduled) Transfer Price (¥ million)	Book Value (¥ million) (Note 1)	Difference (¥ million) (Note 2)
1	Morisia Tsudanuma	Retail	September 29, 2017	September 29, 2017	Nomura Real Estate Development Co., Ltd.	18,000	17,896	103
Total					—	18,000	17,896	103

(Note 1) Anticipated book value at the date of disposition.

(Note 2) For reference only, this indicates the difference between the scheduled transfer price and anticipated book value; it is not equal to gain or loss on sale.

(Note 3) The above asset to be disposed of is a beneficiary interest in a trust for which real estate is the principal trust asset.

(Note 4) Under the sale contract for the Property to Be Sold, regarding the future sale of rental or other facilities on the property's land, should Nomura Real Estate Development Co., Ltd., redevelop and sell said property in the future, the Fund will be granted preferential negotiation rights regarding said sale.

The above property is referred to hereinafter as the “Property to Be Sold.” Individual properties among the Four Properties to Be Acquired and the Property to Be Sold are also referred to individually hereinafter as “the Property.”

## 2. Reasons for the Transaction

In accordance with the Medium- to Long-term Management Strategy announced in November 2015, Nomura Master Fund designated the three years following that date 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 has decided to execute an asset swap with the Sponsor, Nomura Real Estate Development Co., Ltd., comprising the sale of Morisia Tsudanuma, an aging building with an excellent location, and the acquisition of four properties developed by Nomura Real Estate Development Co., Ltd., comprising two office (PMO) and two retail (GEMS) facilities.

The Fund will continue to actively use its leasing value chain, consisting of its property acquisition pipeline and management pipeline, thereby working to accelerate mutual growth with the Nomura Real Estate Group.

## 3. Summary of Assets to Be Acquired and Sold

### (1) Summary of Assets to Be Acquired

#### a. PMO Hirakawacho

#### Strengths of the Asset to Be Acquired

The main strengths of the asset to be acquired are as follows.

- Located one minute on foot from Nagatacho Station on the Tokyo Metro Hanzomon, Nanboku and Yurakucho lines and four minutes on foot from Akasaka-Mitsuke Station on the Tokyo Metro Marunouchi and Ginza lines, the Property is easily accessible via multiple train lines and stations, providing excellent transportation convenience.
- The Nagatacho area, where the Property is located, is close to The Imperial Palace, the Supreme Court of Japan and the National Diet Building and is home to numerous government offices, educational institutions and foreign embassies. As such, stable demand is expected from foundations and other extra-government organizations, law firms, foreign-owned corporations that prioritize their external appearance, consulting firms and other such tenants.

### Summary of Asset to Be Acquired

Property Name		PMO Hirakawacho
Type of Asset		Real estate
Location (Note 1)	Registry	2-7-6 Hirakawacho, Chiyoda Ward, Tokyo and 2 other lots
	Street	2-7-3 Hirakawacho, Chiyoda Ward, Tokyo
Access		1-minute walk from Nagatacho Station on the Tokyo Metro Hanzomon, Nanboku and Yurakucho lines 4-minute walk from Akasaka-Mitsuke Station on the Tokyo Metro Marunouchi and Ginza lines 9-minute walk from Kojimachi Station on the Tokyo Metro Yurakucho Line 10-minute walk from Kokkaigijido-Mae Station on the Tokyo Metro Chiyoda and Marunouchi lines
Completion Date (Note 1)		January 29, 2016
Use (Note 1)		Office
Structure (Note 1)		S 10F
Architect		Nomura Real Estate Development Co., Ltd., First-Class Architect Office
Builder		Tokyu Construction Co., Ltd.
Building Inspection Agency		UHEC
Area (Note 1)	Land	307.79 m <sup>2</sup>
	Floor Area	2,402.91 m <sup>2</sup>
Type of Ownership	Land	Ownership
	Building	Ownership
Building Coverage Ratio		100% (Note 2)
Floor Area Ratio		700%
Collateral		None
Property Management Company (Note 3)		Nomura Real Estate Development, Co., Ltd.
Master Leasing Company (Note 4)		Nomura Real Estate Development, Co., Ltd.
Type of Master Leasing		Pass through
Seismic Risk (PML) (Note 5)		3.87% (Based on an September 2017 Earthquake PML Appraisal Report by SOMPO RISK MANAGEMENT & HEALTH CARE Inc.)
Notes		<ul style="list-style-type: none"> <li>• To conform with urban planning, a road is to be constructed on the Property's west side. The timing of this construction has yet to be determined. When the plan is executed, the Property's boundary will move back approximately 1 m from the current boundary line of the road on its north side, and the property's land area will decrease by approximately 12.76 m<sup>2</sup>.</li> <li>• The property management company and master leasing company, Nomura Real Estate Development Co., Ltd., is considered a related party under the Law Concerning Investment Trust and Investment Corporations ("Investment Trust Law").</li> </ul>
Scheduled Acquisition Price		¥3,410 million
Appraisal Value and Method		¥3,560 million (Based on the capitalization approach as of September 1, 2017) (Appraiser: Japan Real Estate Institute)
Appraisal NOI (Note 6)		¥130 million
Leasing Status (As of September 26, 2017) (Note 7)		
Total Number of Tenants		9
Total Rental Income		¥180 million
Security Deposits		¥170 million
Occupancy Rate		100.0%

Total Leased Floor Space	1,871.08 m <sup>2</sup>				
Total Leasable Floor Space	1,871.08 m <sup>2</sup>				
Historical Occupancy Rates (Note 8)	July 2013	July 2014	July 2015	July 2016	July 2017
	—	—	—	66.7%	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 Ratio

The Property is located in a commercial zone where the building coverage ratio is 80% in principle. Because the Property is in a fire prevention zone and certified fireproof, however, the applied coverage ratio is 100%.

(Note 3) Property Management Company

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

(Note 4) Master Lease

Upon the acquisition of the Property, the Fund plans to enter into a master lease agreement with Nomura Real Estate Development Co., Ltd. Under this agreement, the building of the Property will be collectively leased to Nomura Real Estate Development Co., for the purpose of subleasing. The master lease agreement is a pass-through scheme, in which Nomura Real Estate Development Co., Ltd., the master lease company, pays to the Fund the same amount as the total sum of the rent based on the lease agreements that the master lease company concludes with end tenants.

(Note 5) PML (Probable Maximum Loss)

The PML figure indicates the probable losses caused by a major earthquake, expressed as the expected recovery cost presented as a percentage of replacement cost. PML is calculated based on a statistical assumption that there is a 0.211% annual chance (approximately 10% probability once every 50 years, i.e., the average lifespan of a building) of a major earthquake occurring.

(Note 6) Appraisal NOI

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

(Note 7) Leasing Status

“Total Number of Tenants” is the total number of end tenants actually leasing space in the building of the Property as of this document’s publication.

“Total Rental Income” is the amount obtained by multiplying the monthly rent stated in the lease agreements by the total number of end tenants actually leasing space in the building of the Property as of the date of this publication by 12 (truncated at the nearest million yen).

“Security Deposits” indicates the amount of security and other deposits specified in the aforementioned lease agreements (truncated at the nearest million yen).

“Total Leased Floor Space” indicates the total floor space leased to end tenants as of the date of this publication.

(Note 8) Historical Occupancy Rates

There are no applicable occupancy rates for July 2015 and before because the building was not yet completed.

#### b. PMO Shinnihonbashi

##### Strengths of the Asset to Be Acquired

The main strengths of the asset to be acquired are as follows.

- Located two minutes on foot from Shin-Nihombashi Station on the JR Sobu Line, five minutes on foot from Mitsukoshimae Station on the Tokyo Metro Ginza and Hazomon lines, and five minutes on foot from Kanda Station on the JR Yamanote, Keihin Tohoku and Chuo lines, the Property offers excellent access to public transportation.
- The Nihonbashi Area, where the Property is located, is home to the headquarters of the Bank of Japan and near the Tokyo Stock Exchange. Because of this, many domestic financial institutions, such as banks and securities firms, are located in the area. The Nihonbashi-Honcho area, specifically, was historically home to numerous medicine merchants, and today remains the location of many pharmaceuticals companies. As such, the Property is expected to enjoy stable demand from the Group companies and business partners of companies in said industries.

##### Summary of Asset to Be Acquired

Property Name		PMO Shinnihonbashi
Type of Asset		Real estate
Location (Note 1)	Registry	4-11-2 Nihonbashi-Honcho, Chuo Ward, Tokyo and 2 other lots
	Street	4-3-6 Nihonbashi-Honcho, Chuo Ward, Tokyo

Access		2-minute walk from Shin-Nihombashi Station on the JR Sobu Line 5-minute walk from Mitsukoshimae Station on the Tokyo Metro Ginza and Hanzomon lines 5-minute walk from Kanda Station on the JR Yamanote, Keihin-Tohoku and Chuo lines 7-minute walk from Kodemmacho Station on the Tokyo Metro Hibiya Line				
Completion Date <sup>(Note 1)</sup>		November 30, 2016				
Use <sup>(Note 1)</sup>		Office, parking				
Structure <sup>(Note 1)</sup>		S/SRC B1F/9F				
Architect		Nomura Real Estate Development Co., Ltd., First-Class Architect Office				
Builder		Sato Kogyo Co., Ltd.				
Building Inspection Agency		UHEC				
Area <sup>(Note 1)</sup>	Land	552.11 m <sup>2</sup> (owned portion: 473.11 m <sup>2</sup> ; leased portion: 79.00 m <sup>2</sup> )				
	Floor Area	3,721.63 m <sup>2</sup>				
Type of Ownership	Land	Ownership, leasehold				
	Building	Ownership				
Building Coverage Ratio		100% <sup>(Note 2)</sup>				
Floor Area Ratio		600%				
Collateral		None				
Property Management Company <sup>(Note 3)</sup>		Nomura Real Estate Development, Co., Ltd.				
Master Leasing Company <sup>(Note 4)</sup>		Nomura Real Estate Development, Co., Ltd.				
Type of Master Leasing		Pass through				
Seismic Risk (PML) <sup>(Note 5)</sup>		5.53% (Based on an September 2017 Earthquake PML Appraisal Report by SOMPO RISK MANAGEMENT & HEALTH CARE Inc.)				
Notes		• The property management company and master leasing company, Nomura Real Estate Development Co., Ltd., is considered a related party under the Investment Trust Law.				
Scheduled Acquisition Price		¥4,440 million				
Appraisal Value and Method		¥4,680 million (Based on the capitalization approach as of September 1, 2017) (Appraiser: Japan Real Estate Institute)				
Appraisal NOI <sup>(Note 6)</sup>		¥180 million				
Leasing Status (As of September 26, 2017) <sup>(Note 7)</sup>						
Total Number of Tenants		4				
Total Rental Income		¥255 million				
Security Deposits		¥250 million				
Occupancy Rate		100.0%				
Total Leased Floor Space		2,971.76 m <sup>2</sup>				
Total Leasable Floor Space		2,971.76 m <sup>2</sup>				
Historical Occupancy Rates <sup>(Note 8)</sup>		July 2013	July 2014	July 2015	July 2016	July 2017
		—	—	—	—	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 Ratio

The Property is located in a commercial zone where the building coverage ratio is 80% in principle. Because the Property is in a fire prevention zone and certified fireproof, however, the applied coverage ratio is 100%.

(Note 3) Property Management Company

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

(Note 4) Master Lease

Upon the acquisition of the Property, the Fund plans to enter into a master lease agreement with Nomura Real Estate Development Co., Ltd. Under this agreement, the building of the Property will be collectively leased to Nomura Real Estate Development Co., Ltd. for the purpose of subleasing. The master lease agreement is a pass-through scheme, in which Nomura Real Estate Development Co., Ltd., the master lease company, pays to the Fund the same amount as the total sum of the rent based on the lease agreements that the master lease company concludes with end tenants.

(Note 5) PML (Probable Maximum Loss)

The PML figure indicates shows the probable losses caused by a major earthquake, expressed as the expected recovery cost presented as a percentage of replacement cost. PML is calculated based on a statistical assumption that there is a 0.211% annual chance (approximately 10% probability once every 50 years, i.e., the average lifespan of a building) of a major earthquake occurring.

(Note 6) Appraisal NOI

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

(Note 7) Leasing Status

“Total Number of Tenants” is the total number of end tenants actually leasing space in the building of the Property as of this document’s publication.

“Total Rental Income” is the amount obtained by multiplying the monthly rent stated in the lease agreements by the total number of end tenants actually leasing space in the building of the Property as of the date of this publication by 12 (truncated at the nearest million yen).

“Security Deposits” indicates the amount of security and other deposits specified in the aforementioned lease agreements (truncated at the nearest million yen).

“Total Leased Floor Space” indicates the total floor space leased to end tenants as of the date of this publication.

(Note 8) Historical Occupancy Rates

There are no applicable occupancy rates for July 2016 and before because the building was not yet completed.

c. GEMS Kanda

Strengths of the Asset to Be Acquired

The main strengths of the asset to be acquired are as follows.

- Located four minutes on foot from Kanda Station on the JR Yamanote, Keihin-Tohoku and Chuo lines, three minutes on foot from Shin-Nihombashi Station on the JR Sobu Line and five minutes on foot from Mitsukoshimae Station on the Tokyo Metro Ginza Line, the Property offers excellent access to public transportation.
- The Kanda area, where the Property is located, contains numerous pharmaceutical-related companies and financial institutions, mainly regional banks. As such, robust retail demand is expected, mainly from nearby office workers.

Summary of Asset to Be Acquired

Property Name		GEMS Kanda
Type of Asset		Real estate
Location (Note 1)	Registry	1-4-3 Kajicho, Chiyoda Ward, Tokyo and 2 other lots
	Street	1-9-19 Kajicho, Chiyoda Ward, Tokyo
Access		4-minute walk from Kanda Station on the JR Yamanote and Chuo lines (among others) 3-minute walk from Shin-Nihombashi Station on the JR Sobu Line 4-minute walk from Kanda Station on the Tokyo Metro Ginza Line 5-minute walk from Mitsukoshimae Station on the Tokyo Metro Ginza Line
Completion Date (Note 1)		June 15, 2016
Use (Note 1)		Retail
Structure (Note 1)		S/SRC B1F/8F
Architect		Nomura Real Estate Development Co., Ltd., First-Class Architect Office
Builder		Real Estate Developer
Building Inspection Agency		UHEC
Area (Note 1)	Land	198.73 m <sup>2</sup>
	Floor Area	1,177.49 m <sup>2</sup>
Type of Ownership	Land	Ownership
	Building	Ownership
Building Coverage Ratio		100% (Note 2)
Floor Area Ratio		600%
Collateral		None

Property Management Company (Note 3)	GEO-AKAMATSU Co., Ltd.				
Master Leasing Company (Note 4)	GEO-AKAMATSU Co., Ltd.				
Type of Master Leasing	Pass through				
Seismic Risk (PML) (Note 5)	5.24% (Based on an August 2017 Earthquake PML Appraisal Report by SOMPO RISK MANAGEMENT & HEALTH CARE Inc.)				
Notes	• The property management company and master leasing company, GEO-AKAMATSU Co., Ltd., is considered a related party under the Investment Trust Law.				
Scheduled Acquisition Price	¥1,500 million				
Appraisal Value and Method	¥1,530 million (Based on the capitalization approach as of September 1, 2017) (Appraiser: Daiwa Real Estate Appraisal Co., Ltd.)				
Appraisal NOI (Note 6)	60 million				
Leasing Status (As of September 26, 2017) (Note 7)					
Total Number of Tenants	9				
Total Rental Income	¥90 million				
Security Deposits	¥66 million				
Occupancy Rate	100.0%				
Total Leased Floor Space	1,023.60 m <sup>2</sup>				
Total Leasable Floor Space	1,023.60 m <sup>2</sup>				
Historical Occupancy Rates (Note 8)	July 2013	July 2014	July 2015	July 2016	July 2017
	—	—	—	100.0%	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 Ratio

The Property is located in a commercial zone where the building coverage ratio is 80% in principle. Because the Property is in a fire prevention zone and certified fireproof, however, the applied coverage ratio is 100%.

(Note 3) Property Management Company

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

(Note 4) Master Lease

Upon the acquisition of the Property, the Fund plans to enter into a master lease agreement with GEO-AKAMATSU Co., Ltd. Under this agreement, the building of the Property will be collectively leased to GEO-AKAMATSU Co., Ltd. for the purpose of subleasing. The master lease agreement is a pass-through scheme, in which GEO-AKAMATSU Co., Ltd., the master lease company, pays to the Fund the same amount as the total sum of the rent based on the lease agreements that the master lease company concludes with end tenants.

(Note 5) PML (Probable Maximum Loss)

The PML figure shows indicates the probable losses caused by a major earthquake, expressed as the expected recovery cost presented as a percentage of replacement cost. PML is calculated based on a statistical assumption that there is a 0.211% annual chance (approximately 10% probability once every 50 years, i.e., the average lifespan of a building) of a major earthquake occurring.

(Note 6) Appraisal NOI

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

(Note 7) Leasing Status

“Total Number of Tenants” is the total number of end tenants actually leasing space in the building of the Property as of this document’s publication.

“Total Rental Income” is the amount obtained by multiplying the monthly rent stated in the lease agreements by the total number of end tenants actually leasing the space in the building of the Property as of the date of this publication by 12 (truncated at the nearest million yen).

“Security Deposits” indicates the amount of security and other deposits specified in the aforementioned lease agreements (truncated at the nearest million yen).

“Total Leased Floor Space” indicates the total floor space leased to end tenants as of the date of this publication.

(Note 8) Historical Occupancy Rates

There are no applicable occupancy rates for July 2015 and before because the building was not yet completed.

d. GEMS Daimon

Strengths of the Asset to Be Acquired

The main strengths of the asset to be acquired are as follows.

- Located one minute on foot from Daimon Station on the Toei Asakusa and Oedo lines and five minutes on foot from Hamamatsucho Station on the JR Yamanote and Keihin-Tohoku lines and the Tokyo Monorail, the Property offers excellent access to public transportation. Furthermore, the Property is located on a corner lot and faces a wide road, affording it excellent visibility.
- The Hamamatsucho/Daimon area, where the Property is located, offers excellent access to Tokyo and Shinagawa stations and is home to numerous major manufacturing companies and foreign-owned companies that require superior access to Shinkansen stations and the airport. As such, robust retail demand is expected, mainly from nearby office workers.

Summary of Asset to Be Acquired

Property Name		GEMS Daimon
Type of Asset		Real estate
Location (Note 1)	Registry	1-401-1 Daimon, Minato Ward, Tokyo and 3 other lots
	Street	1-15-3 Daimon, Minato Ward, Tokyo
Access		1-minute walk from Daimon Station on the Toei Asakusa and Oedo lines 5-minute walk from Hamamatsucho Station on the JR Yamanote and Keihin-Tohoku lines
Completion Date (Note 1)		February 15, 2016
Use (Note 1)		Retail
Structure (Note 1)		S/SRC B1F/9F
Architect		Nomura Real Estate Development Co., Ltd., First-Class Architect Office
Builder		Goda Koumuten Co., Ltd.
Building Inspection Agency		UHEC
Area (Note 1)	Land	241.43 m <sup>2</sup>
	Floor Area	1,387.89 m <sup>2</sup>
Type of Ownership	Land	Ownership
	Building	Ownership
Building Coverage Ratio		100% (Note 2)
Floor Area Ratio		600%
Collateral		None
Property Management Company (Note 3)		GEO-AKAMATSU Co., Ltd.
Master Leasing Company (Note 4)		GEO-AKAMATSU Co., Ltd.
Type of Master Leasing		Pass through
Seismic Risk (PML) (Note 5)		6.44% (Based on an September 2017 Earthquake PML Appraisal Report by SOMPO RISK MANAGEMENT & HEALTH CARE Inc.)
Notes		• The property management company and master leasing company, GEO-AKAMATSU Co., Ltd., is considered a related party under the Investment Trust Law.
Scheduled Acquisition Price		¥ 2,060 million
Appraisal Value and Method		¥2,110 million (Based on the capitalization approach as of September 1, 2017) (Appraiser: Daiwa Real Estate Appraisal Co., Ltd.)
Appraisal NOI (Note 6)		82 million
Leasing Status (As of September 26, 2017) (Note 7)		



Total Number of Tenants	9				
Total Rental Income	¥102 million				
Security Deposits	¥86 million				
Occupancy Rate	100.0%				
Total Leased Floor Space	1,175.42 m <sup>2</sup>				
Total Leasable Floor Space	1,175.42 m <sup>2</sup>				
Historical Occupancy Rates (Note 8)	July 2013	July 2014	July 2015	July 2016	July 2017
	—	—	—	100.0%	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 Ratio

The Property is located in a commercial zone where the building coverage ratio is 80% in principle. Because the Property is in a fire prevention zone and certified fireproof, however, the applied coverage ratio is 100%.

(Note 3) Property Management Company

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

(Note 4) Master Lease

Upon the acquisition of the Property, the Fund plans to enter into a master lease agreement with GEO-AKAMATSU Co., Ltd. Under this agreement, the building of the Property will be collectively leased to GEO-AKAMATSU Co., Ltd. for the purpose of subleasing. The master lease agreement is a pass-through scheme, in which GEO-AKAMATSU Co., Ltd., the master lease company, pays to the Fund the same amount as the total sum of the rent based on the lease agreements that the master lease company concludes with end tenants.

(Note 5) PML (Probable Maximum Loss)

The PML figure indicates the probable losses caused by a major earthquake, expressed as the expected recovery cost presented as a percentage of replacement cost. PML is calculated based on a statistical assumption that there is a 0.211% annual chance (approximately 10% probability once every 50 years, i.e., the average lifespan of a building) of a major earthquake occurring.

(Note 6) Appraisal NOI

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

(Note 7) Leasing Status

“Total Number of Tenants” is the total number of end tenants actually leasing space in the building of the Property as of this document’s publication.

“Total Rental Income” is the amount obtained by multiplying the monthly rent stated in the lease agreements by the total number of end tenants actually leasing space in the building of the Property by 12 (truncated at the nearest million yen).

“Security Deposits” indicates the amount of security and other deposits specified in the aforementioned lease agreements (truncated at the nearest million yen).

“Total Leased Floor Space” indicates the total floor space leased to end tenants as of the date of this publication.

(Note 8) Historical Occupancy Rates

There are no applicable occupancy rates for July 2015 and before because the building was not yet completed.

## (2) Summary of Asset to Be Sold

### a. Morisia Tsudanuma

Property Name		Morisia Tsudanuma
Type of Asset		Trust beneficiary interest in real estate
Trustee		Sumitomo Mitsui Trust Bank, Limited
Trust Term		(Low-rise retail building, etc.) August 30, 2006 to June 30, 2023 (Parking structure) August 30, 2006 to June 30, 2023
Location (Note 1)	Registry	1-1340-10 Yatsu, Narashino City, Chiba and 2 other lots
	Street	1-16-1 Yatsu, Narashino City, Chiba
Access		2-minute walk from Tsudanuma Station on the JR Sobu Line
Completion Date (Note 1)		(Low-rise retail building, etc.) October 1, 1978 (Parking structure) November 20, 1987
Use (Note 1)		(Low-rise retail building, etc.) Retail, office, parking (Parking structure) Parking
Structure (Note 1)		(Low-rise retail building, etc.) SRC/RC B3F/12F (Parking structure) S, 8F

Area <sup>(Note 1)</sup>	Land	(Low-rise retail building, etc.) 16,707.61 m <sup>2</sup> (Parking structure) 2,487.03 m <sup>2</sup>				
	Floor Area	(Low-rise retail building, etc.) 94,067.53 m <sup>2</sup> (Parking structure) 11,423.50 m <sup>2</sup>				
Type of Ownership	Land	(Low-rise retail building, etc.) Ownership (Parking structure) Ownership				
	Building	(Low-rise retail building, etc.) Compartmentalized ownership <sup>(Note 2)</sup> (Parking structure) Ownership				
Building Coverage Ratio		(Low-rise retail building, etc.) 100% <sup>(Note 3)</sup> (Parking structure) 100% <sup>(Note 3)</sup>				
Floor Area Ratio		(Low-rise retail building, etc.) 630% <sup>(Note 4)</sup> (Parking structure) 600%				
Collateral		None				
Scheduled Acquisition Price		¥16,600 million				
Scheduled Transfer Price		¥18,000 million				
Book Value <sup>(Note 5)</sup>		¥17,896 million				
Difference		¥103 million				
Appraisal Value and Method		¥17,500 million (Based on the capitalization approach as of August 31 2017) (Appraiser: Daiwa Real Estate Appraisal Co., Ltd.)				
Leasing Status (As of September 26, 2017) <sup>(Note 6)</sup>						
Total Number of Tenants		104				
Total Rental Income		¥139 million				
Security Deposits		¥831 million				
Occupancy Rate		97.8%				
Total Leased Floor Space		38,529.17 m <sup>2</sup>				
Total Leasable Floor Space		39,395.03 m <sup>2</sup>				
Historical Occupancy Rates		August 2013	August 2014	August 2015	August 2016	August 2017
		97.2%	98.6%	98.3%	97.2%	97.8%

(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) Type of Ownership

The trustee owns 92.57% of the Property's common areas, and Narashino City owns the remaining 7.43%.

(Note 3) Building Coverage Ratio

The Property is located in a commercial zone where the building coverage ratio is 80% in principle. Because the Property is in a fire prevention zone and certified fireproof, however, the applied coverage ratio is 100%.

(Note 4) Floor Area Ratio

The Property's low-rise retail building, etc., has a legally designated maximum floor area ratio of 600% in principle. However, as the location was designated as the Narashino-shi Yatsu-cho Specified Block in Narashino City Public Notice No. 11, promulgated March 5, 1974, the applied floor area ratio is 630%.

(Note 5) Book Value

"Book Value" is the anticipated book value at the date of disposition.

(Note 6) Leasing Status

"Total Number of Tenants" is the total number of end tenants actually leasing space in the building of the Property.

"Total Rental Income" is the amount obtained by multiplying the monthly rent stated in the lease agreements by the total number of end tenants actually leasing space in the building of the Property by 12 (truncated at the nearest million yen).

"Security Deposits" indicates the amount of security and other deposits specified in the aforementioned lease agreements (truncated at the nearest million yen).

"Total Leased Floor Space" indicates the total floor space leased to end tenants.

#### 4. Profile of Seller of the Properties to Be Acquired and Buyer of the Property to Be Sold

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
Net Assets	¥145.2 billion (as of March 31, 2017)
Total Assets	¥1,124.6 billion (as of March 31, 2017)
Major Shareholder (Stockholding Ratio)	Nomura Real Estate Holdings, Inc. (100.0%) (as of March 31, 2017)
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	Nomura Real Estate Development, Co., Ltd. is the property management company of the Fund and a lessee of real estate owned by the Fund. Moreover, the Asset Management Company has concluded an agreement on provision of information and a basic agreement on the leasing value chain with the said company.
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.

#### 5. Status of Owner of Properties to Be Acquired

PMO Hirakawacho, PMO Shinnihonbashi, GEMS Kanda, GEMS Daimon

Status of Owner <sup>(Note)</sup>	Current Owner and/or Trustee	Previous Owner and/or Trustee
Company Name	Nomura Real Estate Development, Co., Ltd.	—
Relationship With Parties with Special Interest	Please refer to “4. Profile of Seller of the Properties to Be Acquired and Buyer of the Property to Be Sold,” above	—
Background/Reasons for Acquisition, etc.	For development for later sale	—
Acquisition Price (Including Other Related Expenses)	—	—
Acquisition Date	—	—

(Note) All four of the Four Properties to Be Acquired as part of the Transaction have the same owner.

#### 6. Transactions with Related Parties

##### (1) Transactions related to the acquisition of assets to be acquired and the sale of assets to be sold

The transactions related to the acquisition of assets to be acquired and the sale of assets to be sold are considered transactions with a related party under the Investment Trust Law, as stated above. Accordingly, the acquisition and sale of each property, the acquisition and sale prices, and other relevant terms 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) The property management company and master leasing company of PMO Hirakawacho and PMO

Shinnihonbashi

The property management company and master leasing company of PMO Hirakawacho and PMO Shinnihonbashi, Nomura Real Estate Development Co., Ltd., is considered 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 PMO Hirakawacho and PMO Shinnihonbashi 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.

- (3) The property management company and master leasing company of GEMS Kanda and GEMS Daimon
- The property management company and master leasing company of GEMS Kanda and GEMS Daimon, GEO-AKAMATSU Co., Ltd., is considered 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 GEMS Kanda and GEMS Daimon 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.

7. Broker

There is no brokerage involved in the disposition of the assets to be acquired and sold.

8. Form of Payment, etc.

(1) The Four Properties to Be Acquired and the Property to Be Sold

Because the acquisitions and sale are between the same parties, said parties intend to settle the account based on the difference between the acquisition and sales prices. Accordingly, on the scheduled acquisition and sale date, Nomura Master Fund will receive from the seller the sale price of the Property to Be Sold, less the acquisition prices of the Four Properties to Be Acquired, in a lump sum.

Note that the Transaction is planned on the assumption that the acquisition of all of the properties to be acquired and the sale of the property to be disposed of will be executed simultaneously. Should the agreements concerning the acquisition or disposal of any of the said properties or their actual acquisition or disposal be cancelled for any reason, the entire Transaction will be cancelled.

9. Schedule for the Transaction

September 29, 2017	Conclusion of purchase and sale agreements for and acquisition of the Four Properties to Be Acquired (delivery of real estate)
	Conclusion of a purchase and sale agreement for and sale of the Property to Be Sold (delivery of trust beneficiary interests)

10. Forecast of Financial Results

The effects of the Transaction on the overall portfolio are expected to be minor and will be accounted for, along with expectations regarding the operating status of the remainder of the portfolio, in the forecast of financial results for the period ending February 28, 2018 (September 1, 2017 to February 28, 2018). The announcement of this forecast is planned for October 13, 2017, in tandem with the announcement of the results of the period ended August 31, 2017.

## 11. Appraisal Summary

### (1) Four Properties to Be Acquired

Property Name	PMO Hirakawacho
Appraisal Vale	¥3,560,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	September 1, 2017

(Yen)

Item	Amount or Percentage	Grounds
Capitalization Approach Price	3,560,000,000	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	3,610,000,000	Calculated by reducing the expected level of stable net revenue over the medium to long term by the capitalization rate.
(1) Operating Income (a)-(b)	173,572,000	
(a) Gross Rental Income	184,602,000	Calculated based on the expected medium- to long-term stable rent.
(b) Losses due to Vacancies, etc.	11,030,000	Calculated based on the expected medium- to long-term stable occupancy rate.
(2) Operating Expenses	42,723,000	
Maintenance	10,073,000	Calculated based on scheduled maintenance and management costs and the costs at similar buildings.
Utilities Costs	9,280,000	Calculated based on costs at similar properties and the occupancy rate of the leased portion of the Property.
Repair Costs	990,000	Calculated based on costs at similar properties and the average annual maintenance and renewal fees given in the engineering report.
Property Management Fees	4,339,000	Calculated based on agreed-upon fee rates, with reference to rates for similar properties.
Advertisement for Leasing, etc.	1,375,000	Calculated as an annualized amount based on assumed tenant turnover rates.
Taxes	15,714,000	Calculated based on taxes paid in the 2017 tax year (depreciable asset tax is an assumed amount).
Insurance Premium	112,000	Calculated based on insurance quotes and the premiums of similar properties.
Other Expenses	840,000	Fees paid for the use of adjacent parking lots recorded as other expenses.
(3) Net Operating Income from Leasing Business (NOI=(1)-(2))	130,849,000	
(4) Profit through Management of Temporary Deposits, etc.	1,551,000	Estimated profit based on an investment yield of 1%.
(5) Capital Expenditure Reserve	2,430,000	Calculated based on the assumption of average allocations each period, with reference to capital expenditure levels at similar properties, the building's age and the average annual maintenance and renewal fees given in the engineering report.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	129,970,000	
(7) Capitalization Rate	3.6%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.
Price Calculated by the Discounted Cash Flow Approach	3,510,000,000	
Discount Rate	3.4%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.

		Terminal Capitalization Rate	3.8%	Calculated based on a comprehensive consideration of such factors as the yield on investment of similar buildings, the probable future movement of the yield on investment, risks of the Property as an investment, general forecasts of the economic growth rate and price trends in real estate and rents.
		Cost Approach Price	3,390,000,000	
		Ratio of Land	77.9%	
		Ratio of Building	22.1%	
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value		<p>The Property is situated on the west side of the Imperial Palace in the historic Hirakawacho area, where demand can be expected from a broad range of businesses. Very close to Nagatacho Station—just one minute away on foot—and within walking distance of Akasaka-Mitsuke, Kojimachi and Kokkaigijido-Mae stations, the Property's location offers excellent transportation convenience and is highly competitive as an office location. Furthermore, the building is relatively new and designed as a high-value-added office building, offering superior quality and facilities compared with other office buildings of similar size.</p> <p>These factors were taken into consideration in the determination of the Property's appraisal value.</p>		

Property Name	PMO Shinnihonbashi
Appraisal Vale	¥4,680,000,000
Appraiser	Japan Real Estate Institute
Appraisal Date	September 1, 2017

(Yen)

Item	Amount or Percentage	Grounds
Capitalization Approach Price	4,680,000,000	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	4,690,000,000	Calculated by reducing the expected level of stable net revenue over the medium to long term by the capitalization rate.
(1) Operating Income (a)-(b)	240,965,000	
(a) Gross Rental Income	254,061,000	Calculated based on the expected medium- to long-term stable rent.
(b) Losses due to Vacancies, etc.	13,096,000	Calculated based on the expected medium- to long-term stable occupancy rate.
(2) Operating Expenses	60,809,000	
Maintenance	15,000,000	Calculated based on scheduled maintenance and management costs and the costs at similar buildings.
Utilities Costs	15,840,000	Calculated based on costs at similar properties and the occupancy rate of the leased portion of the Property.
Repair Costs	1,553,000	Calculated based on costs at similar properties and the average annual maintenance and renewal fees given in the engineering report.
Property Management Fees	6,024,000	Calculated based on agreed-upon fee rates, with reference to rates for similar properties.
Advertisement for Leasing, etc.	1,904,000	Calculated as an annualized amount based on assumed tenant turnover rates.
Taxes	16,730,000	Calculated based on taxes paid in the 2017 tax year (depreciable asset tax is an assumed amount).
Insurance Premium	178,000	Calculated based on insurance quotes and the premiums of similar properties.
Other Expenses	3,580,000	Land rents recorded as other expenses.
(3) Net Operating Income from Leasing Business (NOI=(1)-(2))	180,156,000	
(4) Profit through Management of Temporary Deposits, etc.	1,882,000	Estimated profit based on an investment yield of 1%.
(5) Capital Expenditure Reserve	3,810,000	Calculated based on the assumption of average allocations each period, with reference to capital expenditure levels at similar properties, the building's age and the average annual maintenance and renewal fees given in the engineering report.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	178,228,000	
(7) Capitalization Rate	3.8%	Calculated based on a comprehensive consideration of the conditions of the Property's location, building and contract.
Price Calculated by the Discounted Cash Flow Approach	4,660,000,000	
Discount Rate	3.5%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.
Terminal Capitalization Rate	4.0%	Calculated based on a comprehensive consideration of such factors as the yield on investment of similar buildings, the probable future movement of the yield on investment, risks of the Property as an investment, general forecasts of the economic growth rate and price trends in real estate and rents.

Cost Approach Price		4,460,000,000	
	Ratio of Land	74.1%	
	Ratio of Building	25.9%	
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value		<p>The Property is located in the distinguished Nihonbashi-Honcho area, just two minutes on foot from Shin-Nihombashi, the nearest station, and within easy walking distance of Mitsukoshimae, Kanda and Kodemmacho stations, providing excellent access to such city-center areas as Otemachi and Marunouchi. Furthermore, the building is relatively new and designed as a high-value-added office building, offering superior quality and facilities compared with other office buildings of similar size.</p> <p>These factors were taken into consideration in the determination of the Property's appraisal value.</p>	



Property Name	GEMS Kanda
Appraisal Vale	¥1,530,000,000
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Date	September 1, 2017

(Yen)

Item	Amount or Percentage	Grounds
Capitalization Approach Price	1,530,000,000	The income-based value calculated using the discounted cash flow approach was used as the baseline and evaluated using the income-based approach calculated using the direct capitalization approach.
Price Calculated by the Direct Capitalization Approach	1,510,000,000	Calculated by reducing the expected level of stable net revenue over the medium to long term by the capitalization rate.
(1) Operating Income (a)-(b)	103,717,409	
(a) Gross Rental Income	106,234,344	Calculated based on the expected medium- to long-term stable rent.
(b) Losses due to Vacancies, etc.	2,516,935	Calculated based on medium- and long-term occupancy rates.
(2) Operating Expenses	42,814,351	
Maintenance	8,723,400	Calculated based on evaluations of rates at similar properties and maintenance fees stipulated in the planned contract.
Utilities Costs	19,319,664	Calculated based on utilities costs in previous years and the occupancy rate of the leased portion of the Property.
Repair Costs	468,583	Calculated based on the 12-year average repair cost in the engineering report provided by the client.
Property Management Fees	2,481,043	Calculated based on the fee rates in the planned contract and the rates for similar properties.
Advertisement for Leasing, etc.	598,571	Calculated as an annualized amount based on assumed tenant turnover rates.
Taxes	5,114,800	Based on the 2017 tax year results.
Insurance Premium	68,000	Calculated based on evaluations of insurance rates for similar properties and insurance premium quotes provided by the client.
Other Expenses	6,040,290	Calculated as sales promotion expenses, supply expenses and others based on evaluations referencing the expenses of similar properties.
(3) Net Operating Income from Leasing Business (NOI=(1)-(2))	60,903,058	
(4) Profit through Management of Temporary Deposits, etc.	598,571	Estimated profit based on an investment yield of 1%.
(5) Capital Expenditure Reserve	922,037	Calculated based on the assumption of average allocations each period, with reference to capital expenditure levels at similar properties, by deducting the repair costs listed above from repair and renewal costs estimated from a medium- to long-term perspective.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	60,579,592	
(7) Capitalization Rate	4.0%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.
Price Calculated by the Discounted Cash Flow Approach	1,540,000,000	
Discount Rate	3.8%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.
Terminal Capitalization Rate	4.2%	Calculated based on a comprehensive consideration of such factors as the yield on investment of similar buildings, the probable future movement of the yield on investment, risks of the Property as an investment, general forecasts of the economic growth rate and price trends in real estate and rents.
Cost Approach Price	1,360,000,000	

	Ratio of Land	73.2%	
	Ratio of Building	26.8%	
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value	<p>The Property is a building of restaurants and is located near Shin-Nihombashi Station on the JR Sobu Line and Kanda Station on multiple JR and Tokyo Metro lines. Surrounded by large office districts, the area in which the property is located enjoys firm restaurant demand, mainly from office workers. Furthermore, as the Property has a wide variety of tenants, it is expected to enjoy demand from a broad customer base and to perform stably well into the future. The Property is expected to be in demand among investors seeking to acquire it in order to secure profit.</p> <p>In view of the above factors, the appraisal value was determined with an emphasis on the capitalization approach price, in which the investment value was appropriately reflected.</p>		

Property Name	GEMS Daimon
Appraisal Vale	¥2,110,000,000
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Date	September 1, 2017

(Yen)

Item	Amount or Percentage	Grounds
Capitalization Approach Price	2,110,000,000	The income-based value calculated using the discounted cash flow approach was used as the baseline and evaluated using the income-based amount calculated using the direct capitalization approach.
Price Calculated by the Direct Capitalization Approach	2,120,000,000	Calculated by reducing the expected level of stable net revenue over the medium to long term by the capitalization rate.
(1) Operating Income (a)-(b)	133,807,893	
(a) Gross Rental Income	137,027,840	Calculated based on the expected medium- to long-term stable rent.
(b) Losses due to Vacancies, etc.	3,219,947	Calculated based on medium- and long-term occupancy rates.
(2) Operating Expenses	51,187,413	
Maintenance	9,927,000	Calculated based on evaluations of rates at similar properties and maintenance fees stipulated in the planned contract.
Utilities Costs	23,463,660	Calculated based on utilities costs in previous years and the occupancy rate of the leased portion of the Property.
Repair Costs	1,171,917	Calculated based on the 12-year average repair cost in the engineering report provided by the client.
Property Management Fees	3,273,016	Calculated based on the fee rates in the planned contract and the rates for similar properties.
Advertisement for Leasing, etc.	805,093	Calculated as an annualized amount based on assumed tenant turnover rates.
Taxes	6,393,500	Based on the 2017 tax year results.
Insurance Premium	86,697	Calculated based on evaluations made using insurance rates for similar properties and insurance premium quotes provided by the client.
Other Expenses	6,066,530	Calculated as sales promotion expenses, supply expenses and others based on evaluations referencing expenses of similar properties.
(3) Net Operating Income from Leasing Business (NOI=(1)-(2))	82,620,480	
(4) Profit through Management of Temporary Deposits, etc.	770,415	Estimated profit based on an investment yield of 1%.
(5) Capital Expenditure Reserve	636,603	Calculated based on the assumption of average allocations each period, with reference to capital expenditure levels at similar properties, by deducting the repair costs listed above from repair and renewal costs estimated from a medium- to long-term perspective.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	82,754,292	
(7) Capitalization Rate	3.9%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.
Price Calculated by the Discounted Cash Flow Approach	2,100,000,000	
Discount Rate	3.7%	Calculated based on a comprehensive consideration of such factors as the yield on investment in similar properties and the Property's specific characteristics.

		Terminal Capitalization Rate	4.1%	Calculated based on a comprehensive consideration of such factors as the yield on investment of similar buildings, the probable future movement of the yield on investment, risks of the Property as an investment, general forecasts of the economic growth rate and price trends in real estate and rents.
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value		Cost Approach Price	1,550,000,000	
		Ratio of Land	70.5%	
		Ratio of Building	29.5%	
		<p>The Property is a building of restaurants located near Daimon Station on the Toei Asakusa and Oedo lines and Hamamatsucho Station on the JR Yamanote and Keihin-Tohoku lines and Tokyo Monorail. Surrounded by large office districts, the area in which the property is located enjoys firm restaurant demand, mainly from office workers. Furthermore, as the Property commands a strong presence as a restaurant building and its tenants are relatively upscale, it is expected to perform stably well into the future. The Property is expected to be in demand among investors seeking to acquire it in order to secure profit.</p> <p>In view of the above factors, the appraisal value was determined with an emphasis on the capitalization approach price, in which the investment value was appropriately reflected.</p>		

(2) Property to Be Sold

Property Name	Morisia Tsudanuma
Appraisal Vale	¥17,500,000,000
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Appraisal Date	August 31, 2017

(Yen)

Item	Amount or Percentage	Grounds
Capitalization Approach Price	17,500,000,000	An income-based value was calculated using the capitalization approach by using the value calculated using the discounted cash flow approach as the baseline and evaluating it using the income-based approach.
Price Calculated by the Direct Capitalization Approach	17,100,000,000	Calculated based on standard net cash flows reduced by the capitalization rate.
(1) Operating Income (a)-(b)	2,154,059,917	
(a) Gross Rental Income	2,187,488,208	Calculated based in part on market rent levels.
(b) Losses due to Vacancies, etc.	33,428,291	Calculated based on the standard medium- to long-term vacancy rate.
(2) Operating Expenses	1,113,137,779	
Maintenance	328,561,164	Calculated based on results in previous years.
Utilities Costs	385,702,236	Calculated based on results in previous years.
Repair Costs	18,694,583	Calculated based on the engineering report, building age and performance at similar properties.
Property Management Fees	120,240,000	Calculated based on the property management contract.
Advertisement for Leasing, etc.	8,689,096	Calculated based on the current contract.
Taxes	132,484,100	Calculated based on 2017 tax-year rents
Insurance Premium	3,715,600	Calculated based on insurance premium rate tables.
Other Expenses	115,051,000	Calculated based on past expenses.
(3) Net Operating Income from Leasing Business (NOI=(1)-(2))	1,040,922,138	
(4) Profit through Management of Temporary Deposits, etc.	9,214,565	Estimated profit based on an investment yield of 1%.
(5) Capital Expenditure Reserve	195,146,000	Calculated as capital expenditures estimated based on the engineering report, building age and performance at similar properties.
(6) Net Cash Flow (NCF = (3)+(4)-(5))	854,990,703	
(7) Capitalization Rate	5.0%	Calculated based mainly on the yield on investment of buildings that have similar uses with reference to the characteristics of the area surrounding the Property, the Property's particular characteristics and other factors.
Price Calculated by the Discounted Cash Flow Approach	17,700,000,000	Calculated by adding the cash flows for each year of the period analyzed and the present value of the terminal value.
Discount Rate	4.8%	Calculated with reference to the characteristics of the area surrounding the Property, the Property's particular characteristics and other factors.
Terminal Capitalization Rate	5.2%	Calculated based on the capitalization rate with consideration given to future unpredictability and uncertainty.

Cost Approach Price		15,500,000,000	Calculated using the cost approach by marking down the Property's replacement cost at the appraisal date, with consideration given to the marketability of the land and building together.
	Ratio of Land	82.0%	
	Ratio of Building	18.0%	
Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value	—		

## **Exhibits**

Exhibit 1 Overview of the Portfolio after the Transaction

Exhibit 2 Photos of the Four Properties to Be Acquired

Exhibit 3 Maps of the Four Properties to Be Acquired

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

## Overview of the Portfolio after the Transaction

(¥ million)

Sector \ Area	Greater Tokyo Area <sup>(Note 1)</sup>	Other Areas	(Scheduled) Total Acquisition Price (by Sector)	Percentage of Total <sup>(Note 2)</sup>
Office	356,180	71,930	428,110	46.4
Retail	95,327	59,356	154,683	16.8
Logistics	146,930	3,460	150,390	16.3
Residential	151,518	32,527	184,045	20.0
Others	4,900	—	4,900	0.5
(Scheduled) Total Acquisition Price (by Area)	754,855	167,273	922,128	100.0
Percentage of Total <sup>(Note 2)</sup>	81.9	18.1	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%.



Photos of the Four Properties to Be Acquired

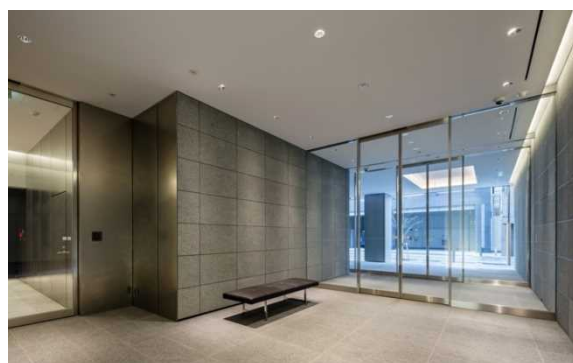
PMO Hirakawacho



(view photo)



PMO Shinnihonbashi



GEMS Kanda



GEMS Daimon



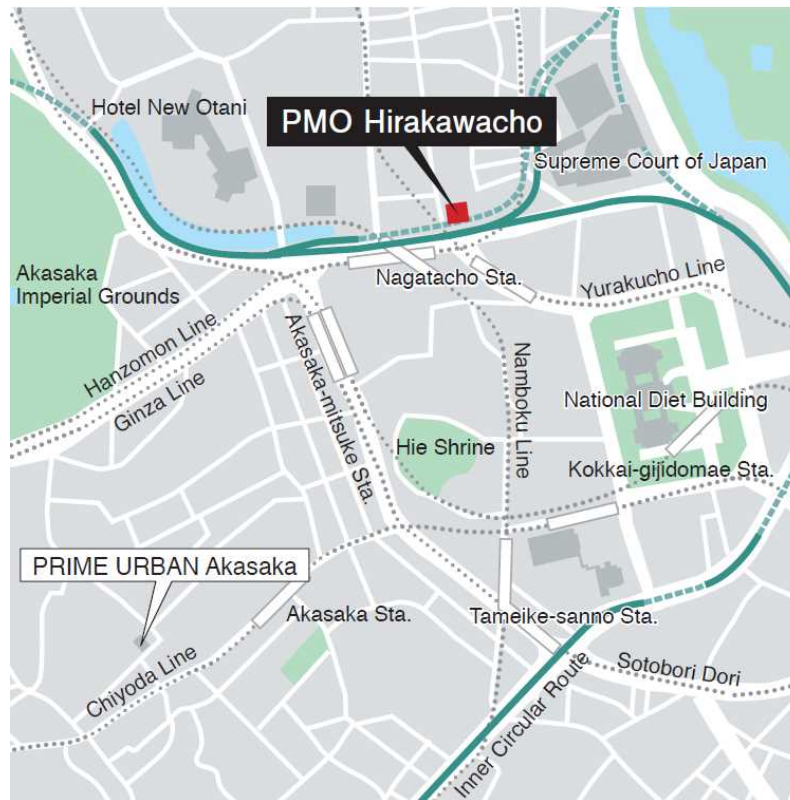


## Maps of the Four Properties to Be Acquired

## Wide area map



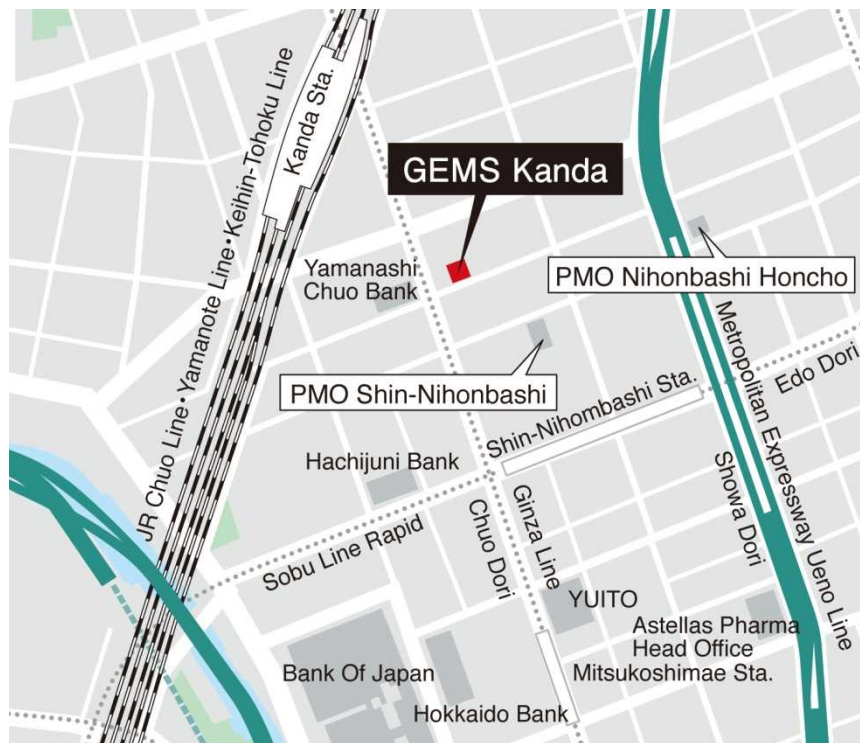
## PMO Hirakawacho



## PMO Shinnihonbashi



## GEMS Kanda



## GEMS Daimon

