



**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. (“NMF” or the “Fund”) announces the decision made today by Nomura Real Estate Asset Management Co., Ltd., a licensed asset management company retained by the Fund to provide asset management services, to acquire or dispose of a property (the “Acquisition” or the “Disposition” or collectively the “Transaction”), as described below.

### 1. Summary of Assets to Be Acquired/Disposed of

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

| Property Name                             | Use         | Date of Purchase and Sale Agreement | Scheduled Date of Acquisition | Seller               | Anticipated Acquisition Price (million) (Note 1) |
|---|-------------|-------------------------------------|-------------------------------|----------------------|--|
| PRIME URBAN Higashi Nakano Court (Note 2) | Residential | March 8, 2022                       | March 15, 2022                | Undisclosed (Note 3) | 7,020  |

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

(Note 2) The name of the property is scheduled to be changed to “PRIME URBAN Higashi Nakano Court” from the present name of “ACOLT Shinjuku Ochiai” after the Fund’s acquisition of the property.

(Note 3) Undisclosed, since a consent has not been obtained from the seller.

(Note 4) There is no brokerage involved in the acquisition of the asset to be Acquired.

The above property is referred to hereinafter as the “Asset to be Acquired.”

#### (2) Summary of Asset to Be Disposed of

| Property Name                   | Use    | Scheduled Date of Agreement | Scheduled Date of Disposition                     | Transferee           | Scheduled Transfer Price (¥ million) | Book Value (¥ million) (Note 3) | Difference (¥ million) (Note 4) |
|---------------------------------|--------|-----------------------------|---|----------------------|--------------------------------------|---------------------------------|---------------------------------|
| NRE Higashi-nihonbashi Building | Office | March 8, 2022               | September 15, 2022<br>(Quasi co-ownership of 50%) | Undisclosed (Note 2) | 2,260                                | 1,835                           | 424                             |
|                                 |        |                             | March 15, 2023<br>(Quasi co-ownership of 50%)     |                      | 2,260                                | 1,822                           | 437                             |

(Note 1) The amounts stated exclude adjustment amounts of both property taxes and city planning taxes, as well as consumption taxes



and local consumption tax, etc.

(Note 2) Undisclosed, since a consent has not obtained from the transferee. Note that the purchaser is the same as the seller of the Asset to be acquired.

(Note 3) Anticipated book value at the date of disposition.

(Note 4) This is only a reference value which is the difference between the scheduled transfer price and the anticipated book value, therefore, it is different from gain or loss on sale.

(Note 5) There is no brokerage involved in the disposition of the asset to be Disposed of.

(Note 6) As of the date of this document, the asset to be Disposed of is an actual real estate, however, through consultation with the transferee, NMF will conclude the trust agreement on the same date of the scheduled date of disposition and transfer the asset to be Disposed of as a trust beneficiary right. The same shall be applied throughout this document.

The above property is referred to hereinafter as the “Asset to be Disposed of.” The Asset to be Acquired and Asset to be Disposed of may be separately referred to as the “Asset.”

## 2. Reasons for the Transaction

The Fund determined that the Transaction would help secure stable income and steady growth of the Fund's portfolio over the medium to long term, in line with the asset management objectives and policies specified in the Fund's Articles of Incorporation. The Transaction is a replacement transaction by mutual trading with a business company and is a crossover deal that crosses over sectors, taking advantage of the strengths of a diversified type REIT. The property to be acquired is very rare because it is located in a good area and is a large-scale residential facility with a substantial number of large units (two-bedroom and three-bedroom units, etc.), demand for which is rising further due to the COVID-19 pandemic. In addition, there is no significant future concern about the Asset to be Disposed of being a candidate for sale through replacement in an external growth strategy. The Fund judged that investors' interests can be improved by replacing it with an excellent residential facility and securing profits on sale, and determined the Asset to be Disposed of as a result of negotiation with the Counterparty. The Transaction was realized by a solid relationship between the Fund as a comprehensive developer group company and the business company, and will also improve the portfolio quality mentioned below through asset replacement with the Transaction. Please refer to 3. Summary of Assets to Be Acquired/Disposed of below for details of the reasons for Assets to be Acquired and the reasons for Assets to be Disposed of.

Note that, in line with the sale of NRE Higashi-nihonbashi Building, profits on sale of 398 million yen and 414 million yen are expected to be realized in the fiscal periods ending February 28, 2023 (September 1, 2022 to February 28, 2023) and August 31, 2023 (March 1, 2023 to August 31, 2023), respectively. The profits on sale will be directed to internal reserves, with the intention of raising the distribution level or stabilizing future distributions, while considering the future management status of the existing portfolio.

Reference: The portfolio indicators of the properties

|                               | NRE Higashi-nihonbashi Building<br>(Asset to be Disposed of) | PRIME URBAN Higashi Nakano Court<br>(Asset to be Acquired) |
|-------------------------------|--|--|
| NOI yield                     | 4.1% <sup>(Note 1)</sup>                                     | 4.4% <sup>(Note 2)</sup>                                   |
| NOI yield after depreciation  | 3.0% <sup>(Note 3)</sup>                                     | 3.7% <sup>(Note 4)</sup>                                   |
| Asset age <sup>(Note 5)</sup> | 32.4 years   | 12.9 years   |

(Note 1) The value entered is calculated by dividing the total NOI, for the 11th fiscal period ended February 28, 2021 and 12th fiscal period ended August 31, 2021, by the Anticipated Disposition Price. The value is rounded to the first decimal place.

(Note 2) The value entered is calculated by dividing the NOI based on the direct capitalization approach recorded in the appraisal summary by the anticipated acquisition price. In addition, the value is rounded to the first decimal place.

(Note 3) The value entered is calculated by dividing the total NOI after depreciation, for the 11th fiscal period ended February 28, 2021 and 12th fiscal period ended August 31, 2021, by the Anticipated Disposition Price. The value is rounded to the first decimal place.

(Note 4) The value entered is calculated by deducting the estimated depreciation value, calculated by the asset management company, from the NOI based on the direct capitalization approach recorded in the appraisal summary, and then dividing by the Anticipated



Acquisition Price. The value is rounded to the first decimal place.

(Note 5) The asset age entered is as of the scheduled transfer date for the Asset to be Disposed of and as of the scheduled date of Acquisition for the Asset to be Acquired.

|                    | January 27, 2022<br>After asset replacement already<br>announced | After asset replacement<br>announced this time |
|--------------------|--|--|
| Greater Tokyo Area | 83.7%  | 83.8%  |

### 3. Summary of Assets to Be Acquired/Disposed of

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

PRIME URBAN Higashi Nakano Court

< Reasons for the Acquisition >

The main strengths of the Asset to be Acquired are as follows.

- The Asset is an eight-minute walk from Higashi-Nakano Station on the JR Chuo and Sobu Lines, a twelve-minute walk from Higashi-Nakano Station on the Toei Oedo Line and an eight-minute walk from Ochiai Station on the Tokyo Metro Tozai Line. Accordingly, with access to three stations on several lines, the Asset is excellent for convenient transportation to business and commercial areas such as Shinjuku, Roppongi, Iidabashi and Otemachi.
- The Asset is highly convenient for daily living because there are supermarkets and other stores in the surrounding area and various retail facilities near Higashi-Nakano and Ochiai Stations.
- The unit plan of the Asset consists of a studio or studio with kitchenette type (25.24 to 27.67 m<sup>2</sup>), a one-bedroom type (44.31 to 46.42 m<sup>2</sup>), a two-bedroom type (55.41 to 68.83 m<sup>2</sup>) and a three-bedroom type (82.92 to 104.54 m<sup>2</sup>). Therefore, stable demand can be expected from single person, DINKs and family households who commute to major business areas in Tokyo.

#### < Summary of the Asset to be Acquired >

|                            |            |  |
|----------------------------|------------|--|
| Property Name              |            | PRIME URBAN Higashi Nakano Court   |
| Type of Asset              |            | Real estate  |
| Location<br>(Note 1)       | Registry   | 4-9-5, 4-9-4 Kita-Shinjuku, Shinjuku Ward, Tokyo   |
|                            | Street     | 4-9-12 Kita-Shinjuku, Shinjuku Ward, Tokyo   |
| Access                     |            | 8-minute walk from Higashi-Nakano Station on the JR Chuo and Sobu Lines<br>12-minute walk from Higashi-Nakano Station on the Toei Oedo Line<br>8-minute walk from Ochiai Station on the Tokyo Metro Tozai Line |
| Completion Date (Note 1)   |            | April 20, 2009   |
| Use (Note 1)               |            | Apartment  |
| Structure (Note 1)         |            | Ten-floor steel reinforced concrete structure with flat roof   |
| Leasable Unit              |            | 173  |
| Architect                  |            | Kume Sekkei Co., Ltd.  |
| Builder                    |            | Consortium of Toda Corporation and Keio Construction Co., Ltd.   |
| Building Inspection Agency |            | The Building Center of Japan   |
| Area (Note 1)              | Land       | 3,025.78 m <sup>2</sup>  |
|                            | Floor Area | 9,235.40 m <sup>2</sup>  |
| Type of Ownership          | Land       | Ownership  |
|                            | Building   | Ownership  |



|   |   |              |              |              |              |
|---|---|--------------|--------------|--------------|--------------|
| Building Coverage Ratio                           | 80% (Note 2)  |              |              |              |              |
| Floor Area Ratio                                  | 316.4%(Note 3)  |              |              |              |              |
| Collateral  | None  |              |              |              |              |
| Property Management Company (Note 4)              | Mitsui Fudosan Residential Lease Co., Ltd.  |              |              |              |              |
| Master Leasing Company                            | Mitsui Fudosan Residential Lease Co., Ltd.  |              |              |              |              |
| Type of Master Leasing (Note 5)                   | Pass through  |              |              |              |              |
| Seismic Risk (PML)(Note 6)                        | 5.87% (Based on the Earthquake PML Appraisal Report as of February 2022 by Sompo Risk Management Inc.)                          |              |              |              |              |
| Notes   | —   |              |              |              |              |
| Anticipated Acquisition Price                     | ¥7,020 million  |              |              |              |              |
| Appraisal Value and Method                        | ¥8,020 million (Based on the capitalization approach as of February 1, 2022) (Appraiser: Daiwa Real Estate Appraisal Co., Ltd.) |              |              |              |              |
| Appraisal NOI (Note 7)                            | ¥309 million  |              |              |              |              |
| Leasing Status (As of February 28, 2022) (Note 8) |   |              |              |              |              |
| Total Number of Tenants                           | 1   |              |              |              |              |
| Total Rental Income(Annual)                       | ¥349 million (Including common area management fee)   |              |              |              |              |
| Security Deposits                                 | ¥493 million  |              |              |              |              |
| Occupancy Rate                                    | 98.7%   |              |              |              |              |
| Total Leased Floor Space                          | 8,253.56 m <sup>2</sup>   |              |              |              |              |
| Total Leasable Floor Space                        | 8,361.15 m <sup>2</sup>   |              |              |              |              |
| Historical Occupancy Rates (Note 9)               | January 2018  | January 2019 | January 2020 | January 2021 | January 2022 |
|   | 96.4%   | 98.8%        | 97.5%        | 97.9%        | 96.5%        |

(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) Floor Area

While the building coverage ratio for the category I residential zone is 60% in principle, the applied building coverage ratio is 80% because the Asset is a certified fireproof building in a fire prevention zone and is located at a corner designated by the Specified Administrative Agency.

(Note 3) Building Coverage Ratio

The designated floor area ratio for the land of the Asset is the category I residential zone of 400%. However, a value multiplied by the ratio stipulated for each specific-use district (forty-hundredths) is applied to the road on the western side (7.91m) because it falls under road width restrictions.

(Note 4) Property Management Company

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

(Note 5) Master Lease

The master lease scheme that is scheduled to apply after the Acquisition is stated. Note that “pass-through” is a scheme where the master lease company pays the same amount as the rent based on the lease agreement with end tenants.

(Note 6) PML (Probable Maximum Loss)

PML shows the probable losses which would be caused by a maximum size earthquake (a great earthquake which is expected to occur once every 475 years, or with 10% probability of once every 50 years) during the anticipated period of use (i.e. 50 years as expected life time of a standard building), as a percentage of the expected recovery cost to the replacement cost.

(Note 7) Appraisal NOI

“Appraisal NOI” is the annual NOI (operating income - operating expenses) described in the real estate appraisal report with February 1, 2022 as the appraisal date.

(Note 8) Leasing Status

“Total Number of Tenants” is stated as “1” because, for the purpose of subleasing, all of the rooms are leased as a block, and then the lessee under such lease agreement (the master lease agreement) sub-leases each of the rooms to the end tenants.

“Total Rental Income” is the amount obtained by multiplying by 12 the monthly rent and common area charges stated in the lease agreements by the total number of end tenants as of February 28, 2022, actually leasing space in the building of the Asset (rounded down to the nearest million yen). The figure does not include any other incidental rent that may be agreed upon in connection with the said lease agreements, such as parking fees, signboard fees and warehouse fees.

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



“Occupancy Rate” is calculated by dividing Total Leased Floor Space as of February 28, 2022, by Total Leasable Floor Space.

“Total Leased Floor Space” indicates the total floor space leased to end tenants as of February 28, 2022.

“Total Leasable Floor Space” is the total floor space of offices, retail facilities, logistics facilities, residential facilities, hotels, etc. within the Asset that can be leased as of February 28, 2022 (if the common area, etc. is leased, the floor space thereof is included).

(Note 9) Historical Occupancy Rates

The historical occupancy rates are based on the information from the seller.

## (2) Summary of Asset to Be Disposed of

NRE Higashi-nihonbashi Building

### < Reasons for the Disposition >

In addition to the acquisition of an excellent property through mutual trading, the Fund decided on the Disposition because it judged that securing profits on sale and improving the portfolio quality with the Disposition will contribute to investors’ interests over the medium to long term.

### < Summary of the Asset to be Disposed of >

|  |            |  |
|--|------------|--|
| Property Name                          |            | NRE Higashi-nihonbashi Building  |
| Type of Asset                          |            | Real estate  |
| Location<br>(Note 1)                   | Registry   | 1-118-1 Higashi-nihonbashi, Chuo-ku, Tokyo   |
|  | Street     | 1-1-7 Higashi-nihonbashi, Chuo-ku, Tokyo   |
| Access                                 |            | 2-minute walk from Higashi-nihonbashi Station on the Toei Asakusa Line<br>3-minute walk from Bakuro-yokoyama Station on the Toei Shinjuku Line<br>8-minute walk from Bakurocho Station on the JR Sobu Line   |
| Completion Date (Note 1)               |            | September 28, 1990   |
| Use (Note 1)                           |            | Office and warehouse   |
| Structure (Note 1)                     |            | Nine-floor steel framed steel reinforced concrete structure with flat roof and one underground level   |
| Area (Note 1)                          | Land       | 918.56 m <sup>2</sup> (Note 2)   |
|  | Floor Area | 6,704.53 m <sup>2</sup>  |
| Type of Ownership                      | Land       | Ownership  |
|  | Building   | Ownership  |
| Building Coverage Ratio                |            | 100% (Note 3)  |
| Floor Area Ratio                       |            | 700%   |
| Collateral                             |            | None   |
| Property Management Company            |            | Nomura Real Estate Development Co., Ltd.   |
| Master Leasing Company                 |            | -  |
| Type of Master Leasing                 |            | -  |
| Seismic Risk (PML) <sup>(Note 4)</sup> |            | 4.95% (Based on the Earthquake PML Appraisal Report as of September 2021 by Sompo Risk Management Inc.)  |
| Notes                                  |            | <ul style="list-style-type: none"> <li>The property management companies, Nomura Real Estate Development Co., Ltd., is considered a related party under Investment Trust Act.</li> <li>Tokyo has a sectional surface right on a portion of the land of the Asset as the superficiary for the purpose of owning subway facilities.</li> </ul> |
| Acquisition Price                      |            | ¥3,570 million   |
| Scheduled Transfer Price               |            | ¥4,520 million   |
| Book Value <sup>(Note 5)</sup>         |            | ¥3,657 million   |
| Difference                             |            | ¥862 million   |



|  |  |              |              |              |              |
|--|--|--------------|--------------|--------------|--------------|
| Appraisal Value and Method                               | ¥4,350 million (Based on the capitalization approach as of August 31, 2021) (Appraiser: Japan Real Estate Institute) |              |              |              |              |
| Appraisal NOI <sup>(Note 6)</sup>                        | ¥193 million   |              |              |              |              |
| Leasing Status (As of March 8, 2022) <sup>(Note 7)</sup> |  |              |              |              |              |
| Total Number of Tenants                                  | 8  |              |              |              |              |
| Total Rental Income(Annual)                              | ¥269 million (Including common area management fee)  |              |              |              |              |
| Security Deposits  | ¥227 million   |              |              |              |              |
| Occupancy Rate   | 100.0%   |              |              |              |              |
| Total Leased Floor Space                                 | 4,554.98 m <sup>2</sup>  |              |              |              |              |
| Total Leasable Floor Space                               | 4,554.98 m <sup>2</sup>  |              |              |              |              |
| Historical Occupancy Rates<br><sup>(Note 9)</sup>        | January 2018   | January 2019 | January 2020 | January 2021 | January 2022 |
|  | 100.0%   | 100.0%       | 100.0%       | 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) Currently, approx. 57.92 sq. meters along the southern border of the Property site is being used as a passageway.

(Note 3) Building Coverage Ratio

The Asset is located in a commercial zone where the building coverage ratio is 80% in principle. However, because the Asset is a certified fireproof building in a fire prevention zone, the applied coverage ratio is 100%.

(Note 4) PML (Probable Maximum Loss)

PML shows the probable losses which would be caused by a maximum size earthquake (a great earthquake which is expected to occur once every 475 years, or with 10% probability of once every 50 years) during the anticipated period of use (i.e. 50 years as expected life time of a standard building), as a percentage of the expected recovery cost to the replacement cost.

(Note 5) Book Value

Anticipated book value at the date of disposition.

(Note 6) Appraisal NOI

“Appraisal NOI” is the annual NOI (operating income - operating expenses) described in the real estate appraisal report with August 31, 2021 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.

“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.

“Total Leasable Floor Space” is the total floor space of offices, retail facilities, logistics facilities, residential facilities, hotels, etc. within the Asset that can be leased as of today (if the common area, etc. is leased, the floor space thereof is included).



#### 4. Summary of the Seller of the Asset to be Acquired and the Purchaser of the Asset to be Disposed of

The seller of the Asset to be acquired and the purchaser of the Asset to be disposed of (collectively the “Counterparty”) is a public limited company in Japan, and the details are undisclosed because a consent has not been obtained from the company. Note that, as of today, neither the Fund nor the Asset Management Company has any notable capital, personnel or transactional relationship with the Counterparty and the Counterparty is not a related party of the Fund or the Asset Management Company.

#### 5. Status of Owner of the Asset to be Acquired

The Asset is not acquired by any party having a relationship of special interest with the Fund or the Asset Management Company.

#### 6. Transactions with Related Parties

There are no transactions with related parties.

#### 7. Form of Payment, etc.

Regarding the Acquisition, the Fund will complete settlement by a lump sum payment on the date of acquisition by paying the agreed price for the property in full to the seller using cash on hand.

In addition, regarding the Disposition, on each scheduled sale date, the Fund will receive from the transferee the purchase price according to the quasi co-ownership of the property to be sold. The Fund plans to use the cash obtained through the sale of the property for portfolio management, including the repayment of borrowings and the acquisition of properties.

#### 8. Schedule for the Transaction

|                    |  |
|--------------------|--|
| March 8, 2022      | Conclusion of purchase and sale agreements for the acquisition of the Asset<br>Conclusion of purchase and sale agreements for the disposition of the Asset |
| March 15, 2022     | Acquisition of the Asset to be Acquired  |
| September 15, 2022 | Disposition of the Asset to be Disposed of (quasi co-ownership of 50%)   |
| March 15, 2023     | Disposition of the Asset to be Disposed of (quasi co-ownership of 50%)   |

#### 9. Outlook

There is currently no revision to the forecast for the fiscal period ending August 31, 2022 (March 1, 2022 to August 31, 2022) because the impact of the Transaction on the management status of the entire portfolio is minimal. Furthermore, a profit on sale is expected to be realized in the fiscal periods ending February 28, 2023 (September 1, 2022 to February 28, 2023) and August 31, 2023 (March 1, 2023 to August 31, 2023). The profit on sale will be directed to dividends as part of distributions or internal reserves, in consideration of stabilizing distributions over the medium to long term.



## 10. Appraisal Summary

### (1) Asset to Be Acquired

|                 |                                       |
|-----------------|---------------------------------------|
| Property Name   | PRIME URBAN Higashi Nakano Court      |
| Appraisal Value | ¥8,020,000,000                        |
| Appraiser       | Daiwa Real Estate Appraisal Co., Ltd. |
| Appraisal Date  | February 1, 2022                      |

(Yen)

| Item   | Amount or Percentage | Grounds  |
|--|----------------------|--|
| Capitalization Approach Price                                | 8,020,000,000        | 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 direct capitalization approach. |
| Price Calculated by the Direct Capitalization Approach       | 8,230,000,000        | Calculated by reducing a standard level of net cash flow by the capitalization rate.   |
| (1) Operating Income (a)-(b)                                 | 381,230,576          |  |
| (a) Gross Rental Income                                      | 405,948,114          | Calculated based in part on market rent levels.  |
| (b) Losses due to Vacancies, etc.                            | 24,717,538           | Calculated based on the standard stable medium- to long-term vacancy rate.   |
| (2) Operating Expenses                                       | 72,076,224           |  |
| Maintenance Costs  | 18,084,756           | Calculated based in part on the management bylaw and the management agreement.   |
| Utilities Costs  | 3,337,699            | Calculated based on the balance results, etc.  |
| Repair Costs   | 7,926,385            | Including restoration costs and building improvement fees calculated with consideration given to building age and similar cases, etc., by referencing the Engineering Report (ER).                                       |
| Property Management Fees                                     | 13,087,732           | Calculated based on the PM/BM service term sheet.  |
| Advertisement for Leasing Costs, etc.                        | 8,687,052            | Calculated based on the PM/BM service term sheet.  |
| Taxes  | 20,087,400           | Calculated based on materials for fiscal 2021.   |
| Insurance Premium  | 561,800              | Calculated based on relevant insurance premium rate tables.  |
| Other Expenses   | 303,400              | Calculated based on the balance results, etc.  |
| (3) Net Operating Income from Leasing Business (NOI=(1)-(2)) | 309,154,352          |  |
| (4) Profit through Management of Temporary Deposits, etc.    | 415,945              | Calculated based on an investment yield of 1.0%.   |
| (5) Capital Expenditure Reserve                              | 13,367,833           | Calculated with reference to the Engineering Report (ER), the building's age, amounts recorded at similar properties and other factors.  |
| (6) Net Cash Flow (NCF = (3)+(4)-(5))                        | 296,202,464          |  |
| (7) Capitalization Rate                                      | 3.6%                 | Calculated based mainly on the yields of similar condominiums for rent, 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        | 7,930,000,000        |  |





|   |                              |   |  |
|---|------------------------------|---|--|
|   | Discount Rate                | 3.4%  | Calculated with reference to the individual risks for the property and other factors.                                    |
|   | Terminal Capitalization Rate | 3.8%  | Calculated based on the capitalization rate, with consideration given to levels of future uncertainty and other factors. |
| Cost Approach Price   |                              | 7,830,000,000   |  |
|   | Ratio of Land                | 79.5%   |  |
|   | Ratio of Building            | 20.5%   |  |
| Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value |                              | <p>The target real estate is located approximately 610 m southeast of Ochiai Station on the Tokyo Metro Tozai Line. There are also many stores and facilities convenient for daily life around Higashi-Nakano Station on the JR Chuo and Sobu Lines. The target condominium was completed in 2009 and has been maintained in generally good condition. It is also equipped with facilities which are comparable to other competing properties recently built, and can fully meet the needs of the target tenants, namely single persons, DINKs and family households. From the above factors, the Fund judged that the target real estate has a standard level of competitiveness within the same supply and demand range in the rental market.</p> <p>Judging from the competitiveness of the target real estate in the rental market as stated above, relatively stable cash flow can be expected by properly operating and managing the property. Considering all of the above in a comprehensive manner, the Fund judged that the property has a standard level of competitiveness in the real estate trading market.</p> |  |

(2) Asset to Be Disposed of

|                 |                                 |
|-----------------|---------------------------------|
| Property Name   | NRE Higashi-nihonbashi Building |
| Appraisal Value | ¥4,350,000,000                  |
| Appraiser       | Japan Real Estate Institute     |
| Appraisal Date  | August 31, 2021                 |

(Yen)

| Item   | Amount or Percentage | Grounds  |
|--|----------------------|--|
| Capitalization Approach Price                          | 4,350,000,000        | Calculated taking into account the Capitalization Approach Price determined using both the direct capitalization approach and the discounted cash flow approach. |
| Price Calculated by the Direct Capitalization Approach | 4,420,000,000        | Calculated by reducing the stable medium- to long-term net cash flow by the capitalization rate.   |
| (1) Operating Income (a)-(b)                           | 278,644,000          |  |
| (a) Gross Rental Income                                | 295,384,000          | Calculated based on appropriate rent levels recognized as stable over the medium to long term.   |
| (b) Losses due to Vacancies, etc.                      | 16,740,000           | Calculated assuming a stable medium- to long-term occupancy rate.  |
| (2) Operating Expenses                                 | 84,911,000           |  |
| Maintenance Costs                                      | 30,000,000           | Calculated based on past actual expenses and costs at similar properties.  |
| Utilities Costs  | 16,300,000           | Calculated based on past actual expenses with consideration for the occupancy rate of the leased portion of the property.  |
| Repair Costs   | 7,844,000            | Calculated with consideration for costs based on past actual results and the average annual maintenance and renewal fees given in the engineering report.        |
| Property Management Fees                               | 5,573,000            | Calculated based on the current fee rate and fee rates for similar properties.   |
| Advertisement for Leasing Costs, etc.                  | 1,934,000            | Calculated as an annualized amount based on assumed tenant turnover rates.   |



|   |  |               |  |
|---|--|---------------|--|
|   | Taxes  | 22,757,000    | Calculated based on standard taxable values in the 2021 tax year.  |
|   | Insurance Premium  | 303,000       | Calculated with reference to the premium based on the insurance contract and the premium rates of similar properties.  |
|   | Other Expenses   | 200,000       | Calculated the residents' association membership fees, etc. as other expenses,   |
|   | (3) Net Operating Income from Leasing Business (NOI=(1)-(2))   | 193,733,000   |  |
|   | (4) Profit through Management of Temporary Deposits, etc.  | 2,178,000     | Calculated based on an investment yield of 1.0%.   |
|   | (5) Capital Expenditure Reserve  | 19,220,000    | Calculated based on the assumption of average allocations each period, 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))  | 176,691,000   |  |
|   | (7) Capitalization Rate  | 4.0%          |  |
|   | Price Calculated by the Discounted Cash Flow Approach  | 4,280,000,000 |  |
|   | 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 in 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  | 3,880,000,000 |  |
|   | Ratio of Land  | 86.0%         |  |
|   | Ratio of Building  | 14.0%         |  |
| Matters Noted in Reconciliation of Indicated Value and Determination of Appraisal Value | <p>The Asset is located in the area surrounding Higashi-Nihonbashi Station, which is one of the areas comprising a part of the eastern outskirts of the three central wards. Although the location is slightly inferior to the central parts of the three wards, it is in one of the areas where stable demand for offices will continue to be expected. This is because the Asset is accessible, not only from Higashi-Nihonbashi Station on the Toei Asakusa Line, but also from Bakuro-Yokoyama Station on the Toei Shinjuku Line and Bakurocho Station on the JR Sobu Line. It is in an excellent location offering convenient transportation to various places in central Tokyo. Further, there has been a textile wholesale district in the adjacent area for a long time. Direct access to both Haneda and Narita Airports is also possible from the nearest Higashi-Nihonbashi Station on the Toei Asakusa Line, meaning that the Asset possesses location characteristics with certain advantages of air travel. The property was built in 1990 and is of medium quality compared to other buildings constructed around the same time. In addition, the property has reasonable competitiveness for reasons including the renewal works conducted in 2007.</p> <p>In view of the above factors, the appraisal value was determined.</p> |               |  |



## **Exhibits**

Exhibit 1 Overview of the Portfolio after the Transaction

Exhibit 2 Photos and Maps of the Asset to be Acquired

\*Nomura Real Estate Master Fund, Inc.'s website: <https://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 | (Anticipated) Total Acquisition Price (by Sector) | Investment Ratio (%) <sup>(Note 2)</sup> |
|---|--|-------------|---|--|
| Office  | 403,585                                | 69,610      | 473,195   | 43.5                                     |
| Retail  | 109,888                                | 64,155      | 174,044   | 16.0                                     |
| Logistics                                       | 214,722                                | 3,460       | 218,182   | 20.1                                     |
| Residential                                     | 178,289                                | 33,328      | 211,617   | 19.4                                     |
| Hotels  | —                                      | 6,250       | 6,250   | 0.6                                      |
| Others  | 4,900                                  | —           | 4,900   | 0.5                                      |
| (Anticipated) Total Acquisition Price (by Area) | 911,385                                | 176,803     | 1,088,189   | 100.0                                    |
| Investment Ratio (%) <sup>(Note 2)</sup>        | 83.8                                   | 16.2        | 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 those in Greater Tokyo Area.

(Note 2) “Investment Ratio” indicates the ratio of the (anticipated) total acquisition price of properties for each use or in each area to the (anticipated) 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 and Access Map of the Asset to be Acquired  
PRIME URBAN Higashi Nakano Court

