

Investor presentation held on:
April 17, 2019 (Wed.)

Nomura Real Estate Master Fund, Inc.
Investor Presentation for the 7th Fiscal Period Ended February 28, 2019

Summary of Questions and Answers

The Q&A summary at the investor presentation is as follows.

Q. 1

As to property sectors in which NMF will seek acquisition going forward, will the properties primarily be residential and logistics properties when considering the acquisitions performed at the second public offering were mostly for offices and retail facilities where upside could be expected?

A. 1

It is not decided whether subsequent acquisitions will be mainly from the residential and logistics sectors. We intend to perform acquisitions emphasizing appropriate balance of the portfolio as necessary.

Q. 2

My understanding is that NMF has completed its property replacement phase and intends to expand asset size going forward. However, NMF implemented property replacement in the 7th fiscal period by disposing five residential properties while acquiring residential properties of equal scale. Is it correct to assume NMF will continue proactive promotion of property disposition in the future?

A. 2

Our stance is to dispose properties that we want to dispose proactively. Going forward, we intend to conduct property replacement as necessary to improve portfolio quality, while taking into account the properties we acquire.

Q. 3

When Top REIT was managing Harumi Triton, the leasing market was rather weak with falling occupancy rates and rents and such. The recent replacement seems to demonstrate solidness in the leasing market. I would like to know how you view the current strong leasing market and particularly whether you have sensed any signs of slowdown.

A. 3

We see no slowdown in the current office leasing market and feel the strong lease demand will continue. Harumi Triton as a whole, including sections held by other owners, had cancellation for approximately 30,000 tsubo along with the relocation of Sumitomo Corporation and its subsidiaries, but most of this space is likely to be refilled. Cases such as this show how strong the leasing market is against the backdrop of strong demand.

Q. 4

As for Landport Urayasu and Landport Iwatsuki, both are relatively new yet experienced cancellation at a relatively early stage from tenants who had occupied large areas. Were these cancellations due to circumstances unique to the respective tenants?

A. 4

We cannot disclose details on the reasoning, but the cancellations were due to circumstances unique to the respective tenants. For Iwatsuki, the cancellation came considerably earlier than we had expected. However, the fact that we are receiving a given number of inquiries during leasing activities for new tenants proves that the cancellations were due to the tenants' own reasons.

Q. 5

In the rental apartment market, what is the background to the current successful rent increase? If the market is to turn around in the future, what would be the cause?

A. 5

Among various possible factors, we believe a net population inflow and increase in the number of households in the greater Tokyo area in particular are playing a major role. The rent level of newly constructed properties could also be a factor for pushing up the rent of portfolio properties. The current market situation is expected to continue for the time being, but were it to turn around, it would be due to changes in economic conditions and the like.

Q. 6

Against the background of the deteriorating condominium business, the principal business of Nomura Real Estate Development, there seems to be a growing importance of the business of developing profit-generating properties. In light of such, can we expect any change in the stance of the sponsor or in the sponsor's relationship with NMF going forward?

Also, what do you expect the weighted average NOI yield to be for properties NMF will be acquiring from the sponsor in the future?

A. 6

As I mentioned in the presentation, we intend to maintain the relationship based on the leasing value chain agreement.

NMF has selectively acquired properties under various brands which capitalize on product-planning capability to reflect users' needs, and will maintain such attitude going forward.

As for yields of properties to be acquired, we will take notice of implied cap rates as a guideline.

Q. 7

The acquisition of Summit Store Honamanuma seems to have been a deal with favorable terms for NMF. Was that due to any special reasons such as a change in power relationship with the sponsor? Will the acquisition of properties in Tomigaya and Narashino, which were sold to the sponsor in the past, also be accompanied by favorable terms similar to the case of Summit Store Honamanuma?

A. 7

As to the acquisition of the Summit Store, we too think it was an advantageous acquisition. In a redevelopment-type strategic property replacement such as this, the key to success was holding talks with the sponsor in advance concerning the acquisition price.

Regarding the properties in Tomigaya and Narashino, we also disposed them with preferential negotiation rights and believe they will contribute to improvement of portfolio quality.

Q. 8

Although the office sector saw rent increase by around 8 million yen through rent revisions, the amount of increase seems rather small considering the asset size, which is around 450 billion yen. Are there any particular reasons for this?

A. 8

No, there are no particular reasons. Rent increase through revision depends on the rent gap of each tenant and can be greater when tenants with a large rent gap face revision.

Q. 9

Concerning the asset management status for the retail sector, I would like to know the status of the 14.6% of tenants whose lease terms end in the fiscal period ending August 2019, as shown in the graph "Retail located in residential areas: Lease term diversification (rent basis)" on the upper right of page 49.

A. 9

Since we are currently in negotiations, details cannot be disclosed. However, we are aiming for long-term stability in the management of retail facilities located in residential areas.

Q. 10

Concerning the asset management status for the logistics sector, I would like to know the progress of negotiations with DIC Corporation at Landport Kasukabe shown in the graph “Rent renewals” at the bottom of page 50.

A. 10

Since we are currently in negotiations, details cannot be disclosed. Our management of logistics facilities, however, also aims for long-term stability.