

A photograph of a sailboat on the ocean. The boat is white with a dark blue stripe along the hull. The sails are white and partially visible. The water is a deep blue, and the sky is light blue with some clouds. A dark blue banner with a thin yellow stripe above it is overlaid on the top half of the image.

Investment Principles Presentation Material

NOMURA MASTER FUND

November 9, 2015

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NOMURA REAL ESTATE MASTER FUND, INC.

November 9, 2015



Overview of the Merger

The Merger of 3 REITs

October 1, 2015

Diversified type REIT

Incorporation of Nomura Real Estate Master Fund through consolidation merger

Ticker Code
3462

Number of properties **257**

(First place out of all J-REITs)^(※1)

Total Assets **784,988 mil**^(※2)



NOMURA
Office Fund

Specialized in Office

Nomura Real Estate Office Fund



Office

Number of Properties : **55**

Total assets : **¥ 356,868 mln.**

(※2)



NOMURA
MASTER
FUND

Specialized in Logistics & Retail

Nomura Real Estate Master Fund



Logistics

Number of Properties : **19**

Total assets : **¥ 132,810 mln.**

(※2)



NOMURA
Residential Fund

Specialized in Residence

Nomura Real Estate Residential Fund



Residence

Number of Properties : **146**

Total assets : **¥ 162,547 mln.**

(※2)



Retail

Number of Properties : **37**

Total assets : **¥ 132,763 mln.**

(※2)

*1: The ranking is as of October 1, 2015. Scheduled acquisitions aren't included in the calculation.

*2: Acquisition price indicates the acquisition price for the former Nomura Real Estate Master Fund, Inc. (the "Former NMF"), and the valuation as at the end of the most recent fiscal period for Nomura Real Estate Office Fund, Inc. ("NOF") and Nomura Real Estate Residential Fund, Inc. ("NRF"). Scheduled acquisitions aren't included in the calculation.

Concepts of the Merger

Diversified type strategy (Transformation of investment strategy)

Realize sustainable growth by transformation from “Specialized type REIT” into “Diversified REIT”

Larger scale strategy (One of the largest Diversified type REITs in Japan)

Strengthen stability and enhance growth strategy through expansion of asset size

Sponsor support (“Leasing business Value Chain”)

Accelerate mutual growth with Nomura Real Estate Group by establishment of “Leasing business Value Chain”

◀◀◀ Background of the merger

- Intensified acquisition competition in real estate market
- Polarization in size of REIT (Top 10 REITs’ asset size accounts around 40% out of 53 REITs) (※)
- Tax reform in 2015 enables the inclusion in expenses of the distribution in excess of net income equivalent to the amortization costs of goodwill

※ Based on the numbers disclosed by each REIT as of September 30, 2015.

Forecast

	First Fiscal Period (October 1, 2015 to February 29, 2016)	Second Fiscal Period (March 1, 2016 to August 31, 2016)
Operating Revenues	¥ 24,288 mln.	¥ 29,723 mln.
Operating Income	¥ 6,273 mln.	¥ 10,801 mln.
Ordinary Income	¥ 3,636 mln.	¥ 8,178 mln.
Net Income	¥ 3,635 mln.	¥ 8,177 mln.
Net Income per unit	¥ 976	¥ 2,197
Distribution in Excess of Net Income Per Unit	¥ 1,124	¥ 513
Cash Distribution Per Unit (Including Distribution in Excess of Net Income)	¥ 2,100	¥ 2,710
Total Assets	¥ 929,031 mln.	¥ 944,342 mln.
Liabilities	¥ 403,664 mln.	¥ 418,271 mln.
Goodwill	¥ 74,792 mln.	¥ 72,882 mln.
LTV	43.5 %	44.3 %
Proposed Acquisition Price	¥ 794,018 mln.	¥ 808,098 mln.

※1 5 months for the First Fiscal Period

※2 Based on "Notice Concerning Revision to Forecasts of Financial Results for the Fiscal Period Ending February 29, 2016 and the Fiscal Period Ending August 31, 2016" dated October 2, 2015



Investment principles of “New REIT”

Basic Principles

Mid-to Long-term
Stable Management



Asset size

Fund Brand

➔ Aware of risk tolerance and market capitalization

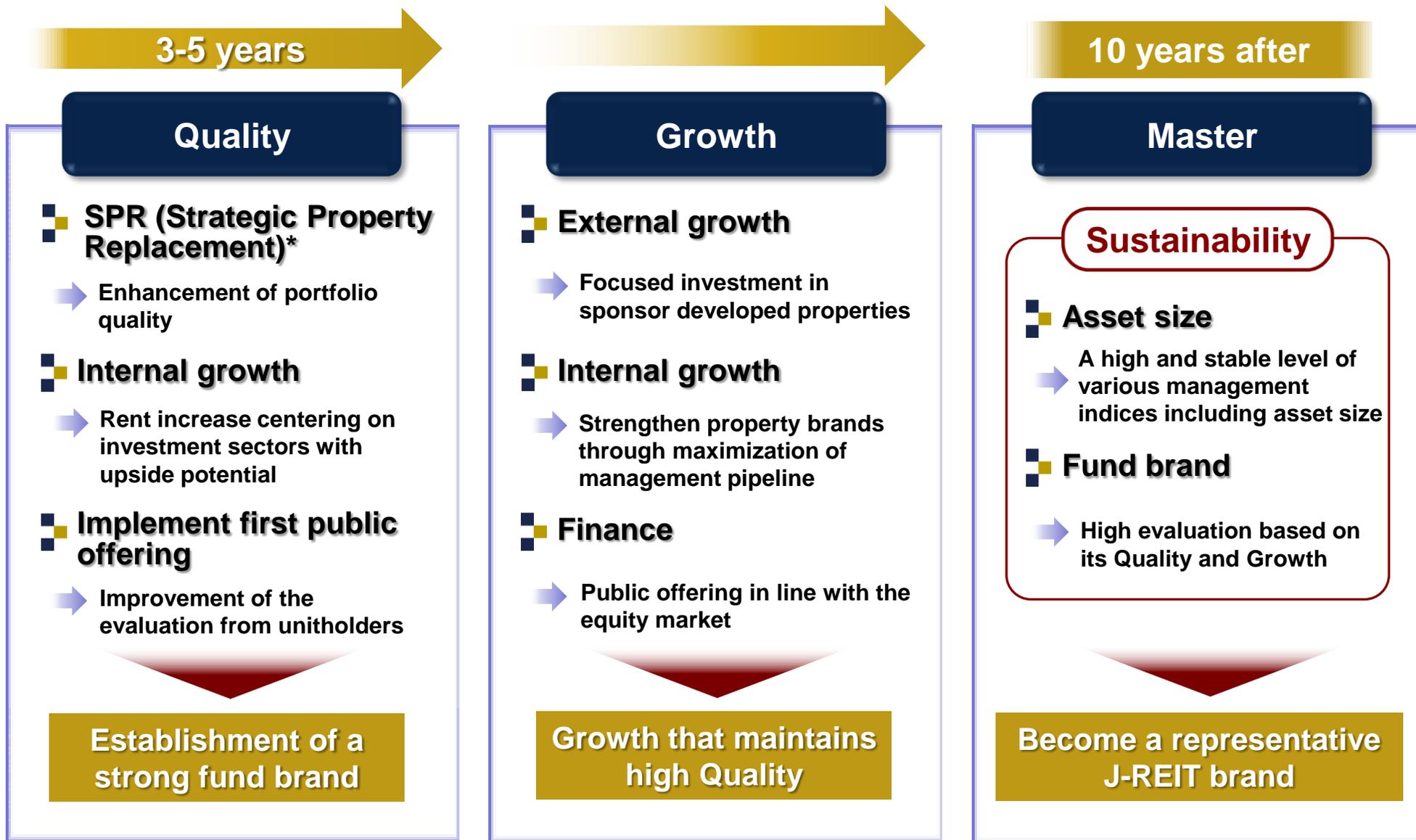
➔ Share detailed strategies and the implementations

Leasing business value chain

Property Acquisition Pipeline

Management Pipeline

Overview of Mid-to Long-term Management Strategy I - Quality & Growth -



* SPR means Strategic Property Replacement. Details are described in pages 13 to 14.

Overview of Mid-to Long-term Management Strategy II

Asset size



LTV



Cash distribution



3 – 5 years

Quality

Growth

*1: Assumed acquisition price including 7 properties such as NRE Kichijoji Building. *2: SPR means Strategic Property Replacement. Details are described in pages 13 to 14.

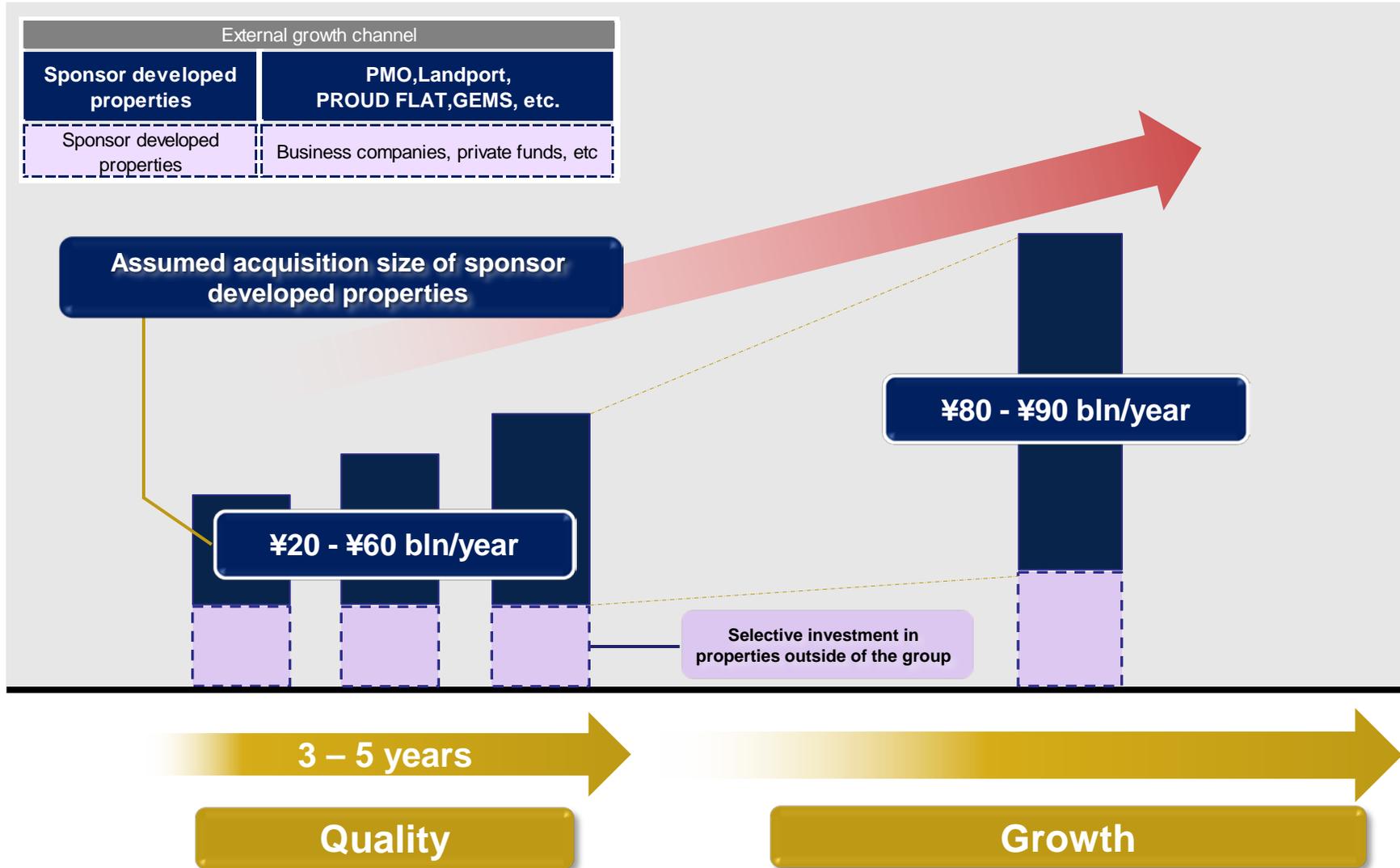


Specific Management Policy



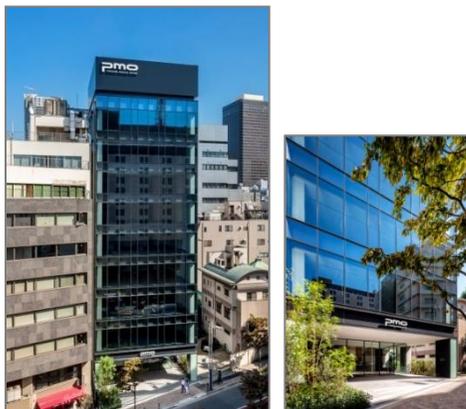
Overview of External Growth Strategy – Collaboration with Sponsor -

- Focused investment in sponsor developed properties × Selective investment in properties outside of the group



Main Property Development Status of the Sponsor - Office, Residence -

Office



PMO Shiba Daimon



PMO Hirakawacho PJ.

Name	Location	Completion (plan) period
PMO Shibadaimon	Minato-ku, Tokyo	Operating
PMO Hirakawacho PJ.	Chiyoda-ku, Tokyo	Jan.2016
PMO Nihonbashi Mitsukoshimae PJ.	Chuo-ku, Tokyo	May.2016
PMO Nihonbashi Edo-dori PJ. (*1)	Chuo-ku, Tokyo	Jun.2016
PMO Nihonbashi Kabutocho PJ.	Chuo-ku, Tokyo	Oct.2016
PMO Shin-Nihonbashi PJ.	Chuo-ku, Tokyo	Nov.2016
PMO Iwamotocho II PJ.	Chiyoda-ku, Tokyo	Dec.2016
PMO Nishi-Shinbashi PJ.	Minato-ku, Tokyo	Feb.2017
PMO Shibuya Itchome PJ.	Shibuya-ku, Tokyo	May.2017
PMO Tamachi II PJ.	Minato-ku, Tokyo	Jan.2018
PMO Uchi-kanda PJ.	Chiyoda-ku, Tokyo	Feb.2018
PMO Higashi-Shinbashi Nichome PJ.	Minato-ku, Tokyo	Jun.2018
PMO Kita-Otemachi PJ.	Chiyoda-ku, Tokyo	Jul.2018
PMO Ochyanomizu PJ.	Chiyoda-ku, Tokyo	Jun.2019

*1: Joint Venture PJ.

*2: NMF is not scheduled to acquire the properties stated above as of today

Residence



Proud Flat Sangenjaya II



Proud Flat Omori III

Name	Location	Completion (plan) period
Proud Flat Sangenjaya II	Setagaya-ku, Tokyo	Operating
Proud Flat Omori III	Shinagawa-ku, Tokyo	Operating
Proud Flat Kinshicho	Sumida-ku, Tokyo	Operating
Proud Flat Higashi-Nakano	Nakano-ku, Tokyo	Operating
Proud Flat Kagurazaka III	Shinjuku-ku, Tokyo	Operating
Proud Flat Higashi-Kanda	Chiyoda-ku, Tokyo	Operating
Proud Flat Gakugei Daigaku II	Meguro-ku, Tokyo	Operating
Proud Flat Mitsukoshi-mae	Chuo-ku, Tokyo	Operating
Proud Flat Sugamo III	Toshima-ku, Tokyo	Nov.2015
Proud Flat Yoyogi Hachiman	Shibuya-ku, Tokyo	Jan.2016
Proud Flat Ochyanomizu	Chiyoda-ku, Tokyo	May 2016
Proud Flat Noborito	Kawasaki-shi, Kanagawa	May 2016
Proud Flat Nakaochiai	Shinjuku-ku, Tokyo	Dec.2016
Proud Flat Asakusabashi	Taito-ku, Tokyo	Feb.2017

Main Property Development Status of the Sponsor - Logistics, Retail -

Logistics

Landport



Landport Iwatsuki PJ.



Landport Hachioji II PJ.

Name	Location	Completion (plan) period
Landport Kashiwa Shyonan I PJ.	Kashiwa-shi, Chiba	Jan.2016
Landport Kashiwa Shyonan II PJ.	Kashiwa-shi, Chiba	Apr.2016
Landport Iwatsuki PJ.	Saitama-shi, Saitama	May 2016
Landport Hachioji II PJ.	Hachioji-shi, Tokyo	Sep.2016
Landport Komaki PJ. ^(*)	Komaki-shi, Aichi	Jan.2017
Landport Takatsuki PJ.	Takatsuki-shi, Osaka	Jun.2017
Landport Shinonome PJ.	Koto-ku, Tokyo	Aug.2018

Retail



GEMS Daimon PJ.



GEMS Kanda PJ.

Name	Location	Completion (plan) period
NRE Kichijoji Building	Musashino-shi, Tokyo	Operating
GEMS Daimon PJ.	Minato-ku, Tokyo	Feb.2016
GEMS Kanda PJ.	Chiyoda-ku, Tokyo	Jun.2016
GEMS Ebisu PJ.	Shibuya-ku, Tokyo	Aug.2017
GEMS Jingu-mae PJ.	Shibuya-ku, Tokyo	Planning
GEMS Tamachi PJ.	Minato-ku, Tokyo	Planning
GEMS Nishi-Shinjyuku PJ.	Shinjyuku-ku, Tokyo	Planning

*: Join Venture PJ.

*2: NMF is not scheduled to acquire the properties stated above as of today

SPR (Strategic Property Replacement) I

Points of SPR

- ✓ Crossover deals
- ✓ Optimization of sector timing
- ✓ Utilization of the sponsor pipeline
- ✓ Management of cash distribution (disposition profit & loss and periodic profit)
- ✓ Improvement of portfolio quality



SPR (Strategic Property Replacement) II

Image of the portfolio's average building age

Currently
19 years old

Effect of reducing average building age

- ✓ Strengthen competitiveness in the market
- ✓ Effective utilization of depreciation
- ✓ Decrease repair expenses

Target
15 years old

3 – 5 years

Quality

Growth

Internal Growth Strategy I – Management Pipeline -

Initiative examples at respective brands

P M O

Realize PMO quality

EVENT

Holding events to expand relationships among tenant companies and providing CSR support programs

PMO futsal



PMO seminar



CSR support program



SAFETY

Establishment of “N-FORT,” a BCP integrated response center

SERVICE

Holding “PMO seminars” targeting tenants that receive training classes, etc., providing interview venues and other services

LINK

PMO Workers’ Website: Offering information on various discounts and introducing PROUD FLAT

G E M S

Tie-up with a buzz marketing website “Retty”

Established a special page “GEMS × Retty” in collaboration with “Retty,” a top buzz marketing service on gourmet under real name policy, in order to improve the brand recognition



SHIBUYA

×





Example of the special page

PROUD FLAT

Provision of tenant-only “Chintai Confort Support”

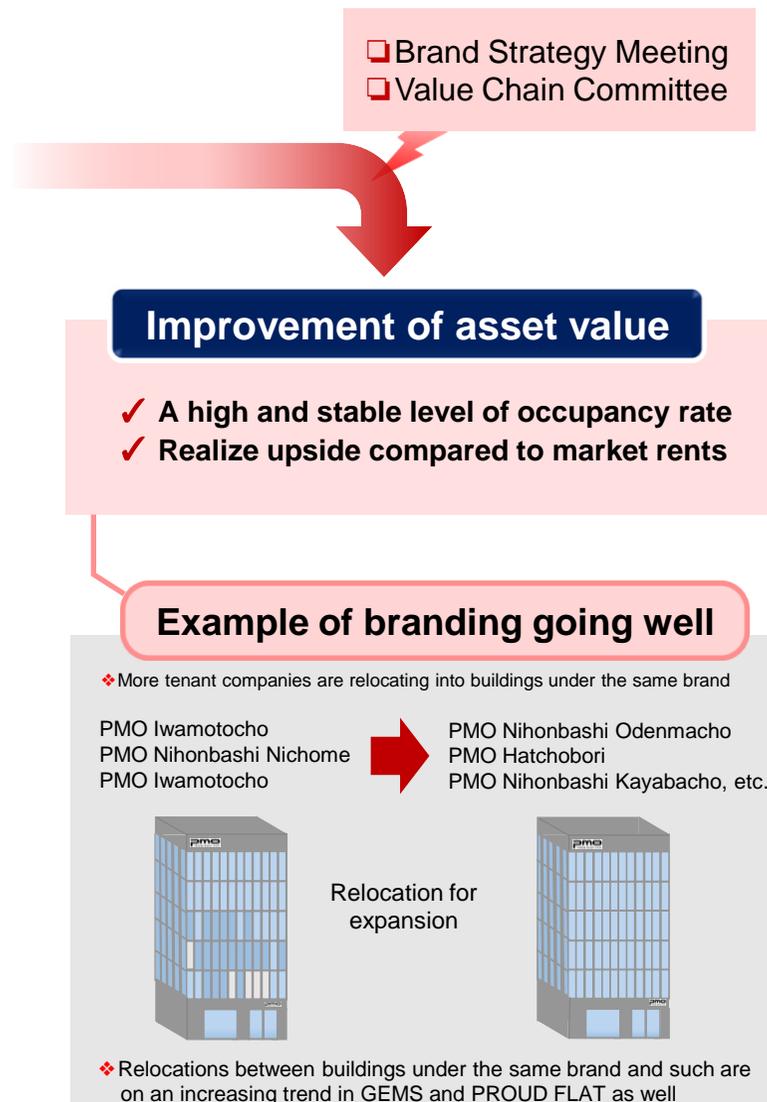
Provide various supports limited to the tenants

Rush-over service

Special benefit service

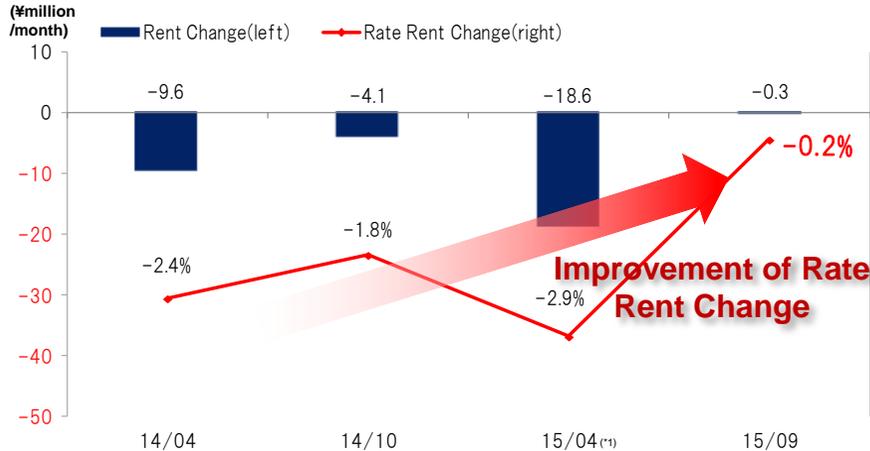
Disaster prevention support

Visiting support



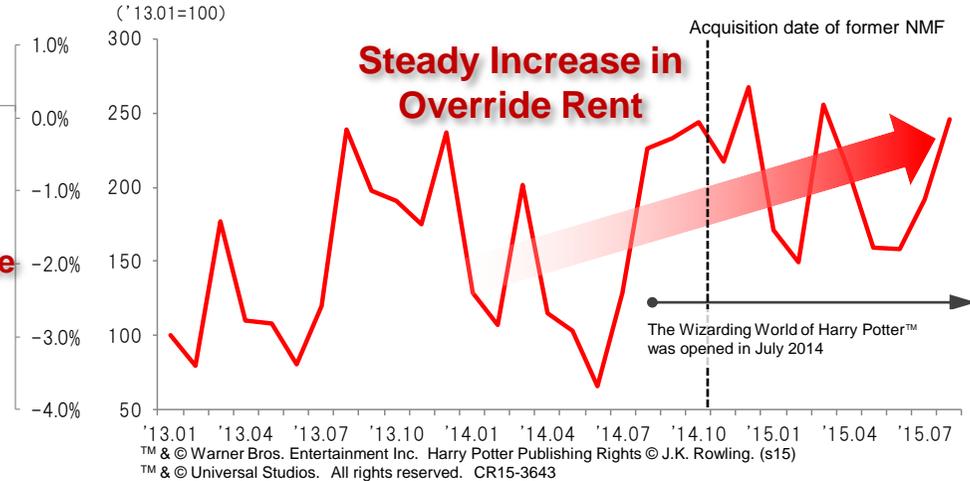
Internal Growth Strategy II

Office sector: Contract Renewals (Monthly Rent Before and After)

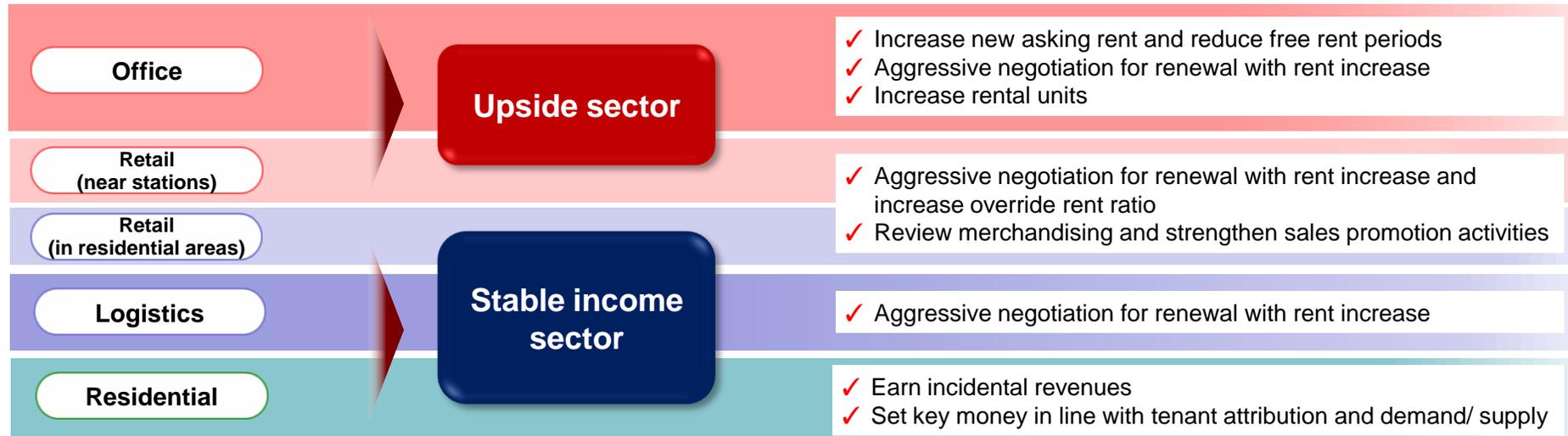


*1: Improvement of 0.1% with removal of Japan Airlines Co., Ltd. at Nomura Real Estate Tennozu building.

Retail sector: Override Rent (Universal CityWalk Osaka™)



Points of growth measures



Finance

Interest – bearing liabilities (*1)

Total Interest-bearing liabilities	LTV (loan-to-value)
¥404 billion	43.3%(47.1%)
Average remaining duration	Average interest rate
3.9 years	1.14%

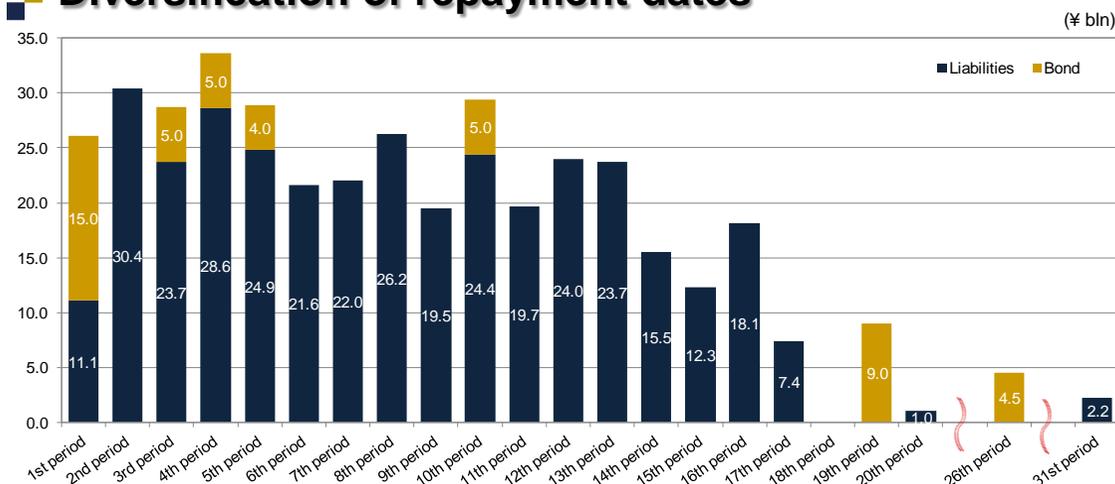
Credit ratings

Rating agency	LT issuer rating	Outlook	Remark
Japan Credit Rating Agency	Long-term Issuer Rating AA	Stable	Upgrade (*3)
Rating and Investment Information, Inc.	Issuer Rating A+	Stable	Maintain (*4)
Standard & Poor's Ratings Services	Long-term corporate credit ratings A	Stable	Maintain (*5)



Eligible for BOJ purchase program

Diversification of repayment dates



Inclusion to the index after the Merger

Index Name	Type	Remarks
MSCI Global Standard Indexes	Stock Indices	Newly incorporated after the market closed on September 25 Only 7 J-REITs are incorporated including NMF
FTSE EPRA/NAREIT Global Real Estate Index	Real Estate/REIT Indices	Weight changed after the market closed on October 13

*1: Figures are assumptions as of today.

*2: The figure in brackets is an assumption after deducting positive goodwill.

*3: Comparison with the rating granted to former Nomura Real Master Fund, Inc.

*4: Comparison with the rating granted to former Nomura Real Estate Office Fund, Inc.

*5: Comparison with the rating granted to former Nomura Real Estate Residential Fund, Inc.

Design Management Strategy that Utilize Research Function

Design management strategy based on market analysis

Design mid-to long-term management strategy based on detailed market analysis by an independent research team

Market outlook

Japanese real estate market is currently on a path to solid recovery cycle backed by maintained capital investment intention of corporations and improved employment environment

Solid implementation

Management cycle based on strategy

Market analysis

Review management strategy

Continuous monitoring by the research team

Global economy

Japanese economy

Japanese real estate market

Research team

Risk analysis
Future forecasts

Management by management planning team

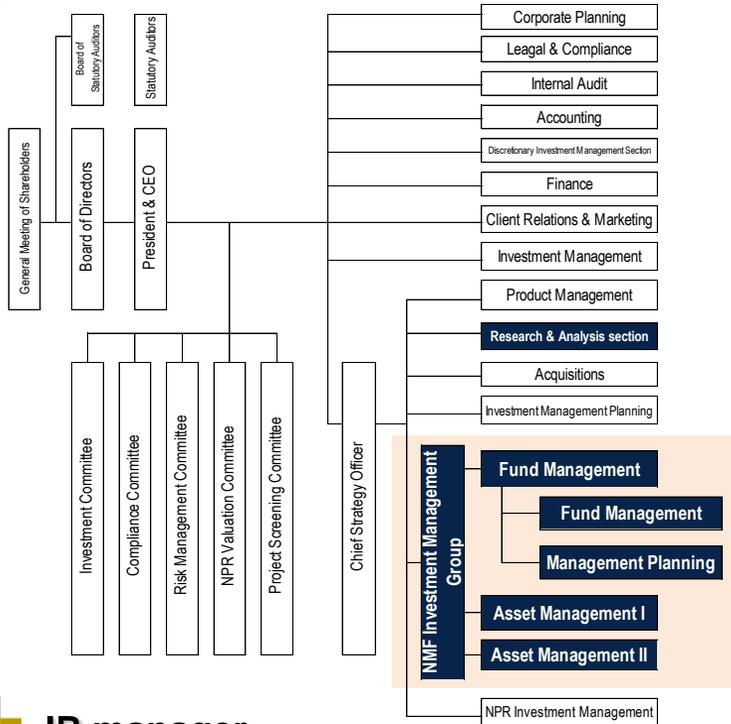
Management planning team

Restructure management strategy based on scenario analysis

Prepare sub-scenario taking risks in mind

Summary of Asset Management Company

Organization



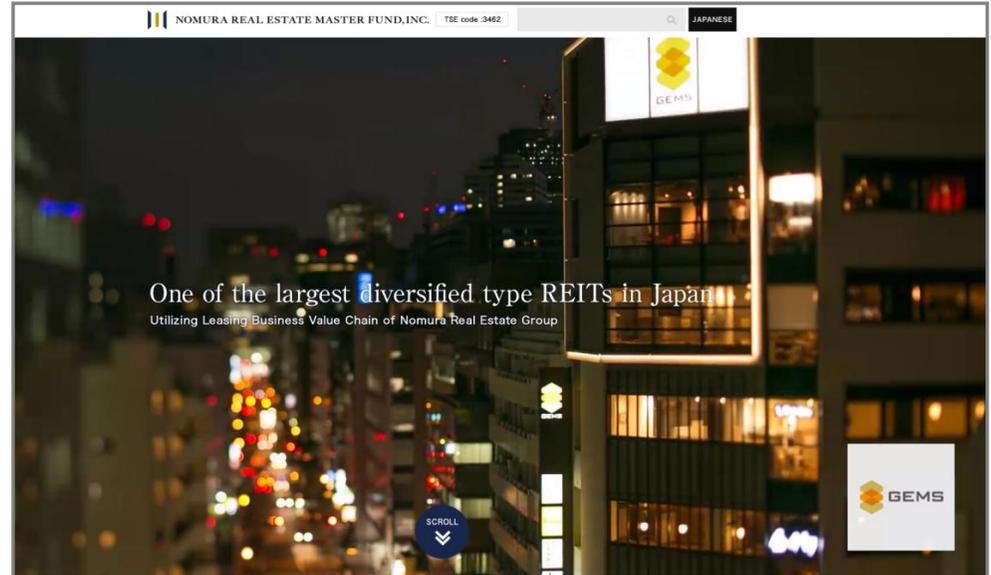
IR manager



(Fund Management / IR Manager: (from left) Mr. Kitayama, Mr. Endo, Mr. Iwata and Ms. Kurosaki)

Official Home Page

❖ Renewed to a top page with a time lapse video

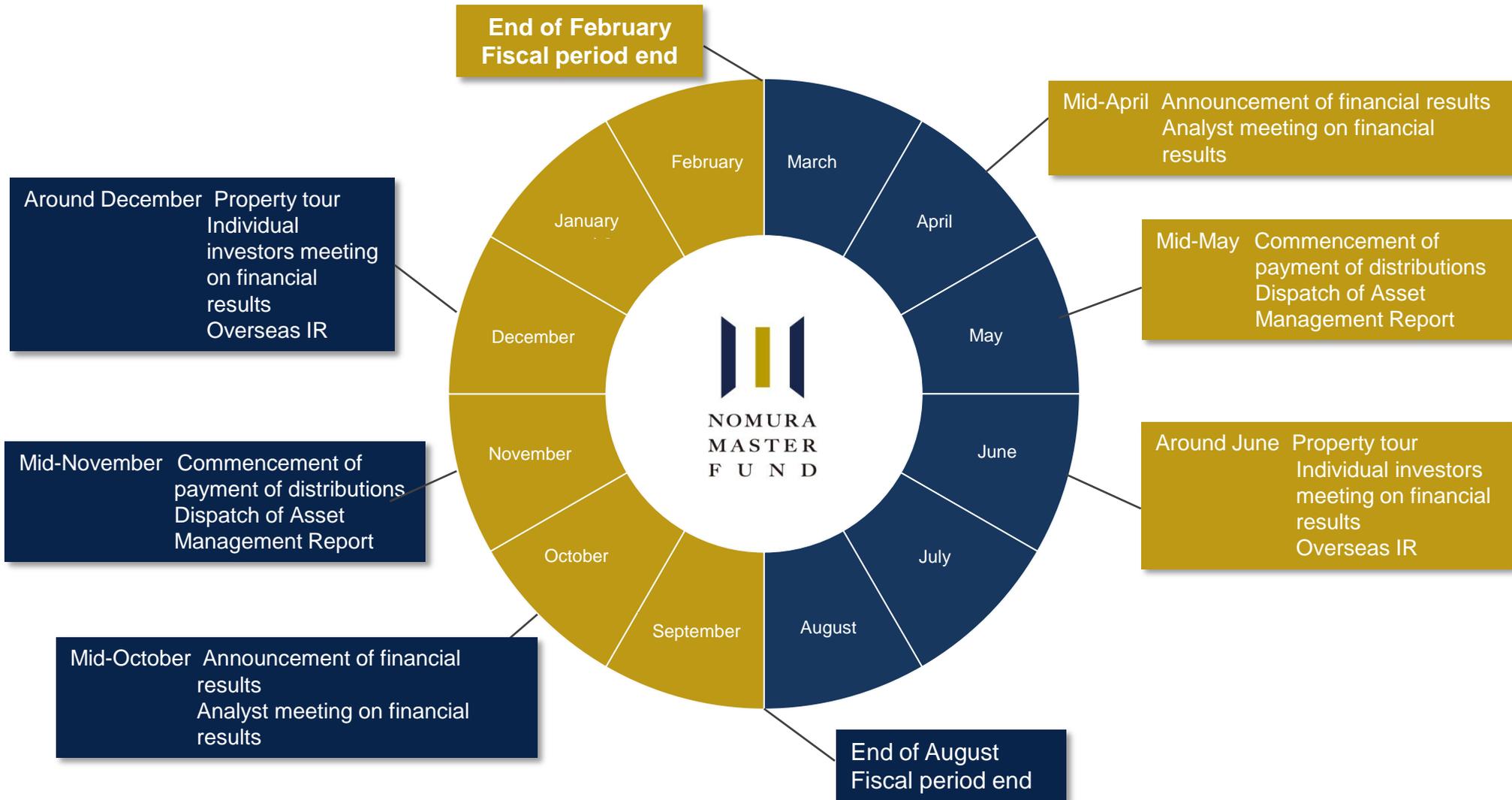


(Photo) J-REIT Fair daited October 4, 2015



Financial Results and IR Calendar

IR Calendar





APPENDIX

Introduction of 4 Brands that bear the Core of Leasing Value Chain I



- Bring power of office to growth capacity -

PMO (Premium Midsize Office) are a new category of office buildings that accommodate businesses styles that are diversifying with time, as well as featuring the same functions and design standards as large-scale buildings despite being medium-scaled.



Maintain high occupancy rate through accumulated know-how on advertisement for leasing

- ✓ Organize a team dedicated to marketing PMO and implement direct marketing
- ✓ Accumulate tenant needs by implementing marketing throughout the PMO series

Strengthen tenant relations by Nomura Real Estate Group's management and operation

- ✓ Fine-tuned maintenance to maintain beauty
- ✓ Implement events to expand relationships among tenants and provide privilege to tenants after move-in



- More pleasant and safe residence with PROUD quality -

PROUD FLAT are rental apartments that stand on location selected utilizing the information network/know-how of the development and sales business of Nomura Real Estate Group to suit urban rental apartments, and are controlled excellently and operated/managed appropriately through Nomura Real Estate's unique "design standard for housing complexes (rental apartments)," "outline for quality control inspection," etc.



Housing quality

- ✓ High crime-prevention effect by equipping security cameras at elevators and common areas within the building as a standard
- ✓ Building specifications that follow the philosophy of "PROUD," a for-sale condominium series

Total support maintenance and management

- ✓ Support system for tenants only

Disaster prevention support

Special benefit service

Visiting support

Rush over service

Introduction of 4 Brands that bear the Core of Leasing Value Chain II



- To become precious gems for people involved with the facilities -

GEMS are commercial facilities developed centering on urban areas. They are mainly comprised of various restaurants with original tastes that brighten and enrich the lives of office workers and residents in the area as well as presenting them with ideas for new lifestyles.



Restaurants that feature originality in every aspect of “taste,” “atmosphere” and “service”

- ✓ Facilities which adults can utilize casually on a daily basis
- ✓ Facilities where people can enjoy high-quality “food,” “time” and “space” in a relaxed mood

Facilities developed by exercising Nomura Real Estate Group’s know-how

- ✓ Developments that utilized Nomura Real Estate’s know-how and focused on major stations in Tokyo and areas where office workers are concentrated
- ✓ Implement branding in collaboration with a property management company Geo-Akamatsu



- Logistics revolution that aim further improvement in company revenue is here -

Landport are logistic facilities with advanced high functions realized through designs for optimization and efficiency, responding to recent changes in the logistics environment and various tenant needs.



Develop at locations appropriate for logistics in rapidly changing logistics environment

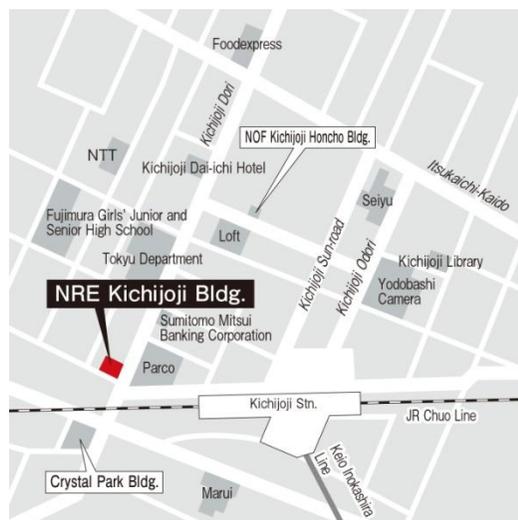
- ✓ Select locations with excellent access to mass consumption areas, export and import hub and manufacturing
- ✓ Ability to respond to readjustment projects and urbanization control areas

Logistic facilities with functionality to respond to various tenant needs

- ✓ Respond to various freight needs with drive for heavy vehicles to upper floors and flexible separation plans of the floor area
- ✓ Arrange comfortable office environment, security functions and enriched amenity space

Property overview of New Aquisitions I

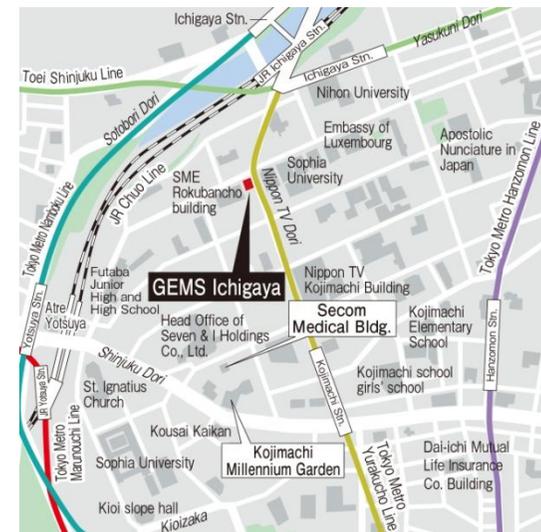
NRE Kichijoji building



Acquisition Price	¥ 5,310 mln.
Appraisal Value	¥ 5,330 mln.(as of May 1, 2015)
Address	2-2-17 Kichijoji Honcho, Musashino City, Tokyo
Gross Floor area	2,042.08 m ²
Structure	S/RC B2/7F
Completion date	Jul 10, 2014

Note) The New REIT and Nomura Real Estate Development Co., Ltd. holds quasi-co-ownership of the beneficial interest in the ratio of 51.0% and 49.0%, respectively. The land area and gross floor area are shown for the entire building.

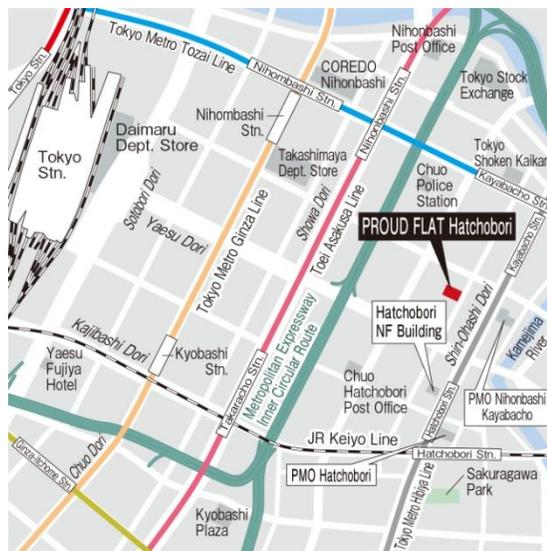
GEMS Ichigaya



Acquisition Price	¥ 2,080 mln.
Appraisal Value	¥ 2,090 mln.(as of May 1, 2015)
Address	4-3 Rokubancho, Chiyoda Ward, Tokyo
Gross Floor area	1,277.06 m ²
Structure	S/SRC B1/9F
Completion date	Oct 31, 2014

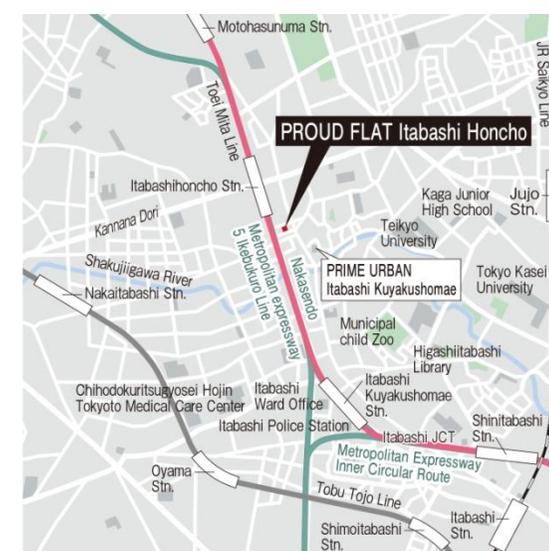
Property overview of New Aquisitions II

Proud Flat Hatchobori



Acquisition Price	¥ 920 mln.
Appraisal Value	¥ 923 mln.(as of May 1, 2015)
Address	1-8-5 Hatchobori, Chuo Ward, Tokyo
Gross Floor area	992.75m ²
Structure	RC 12F
Completion date	May 27, 2014

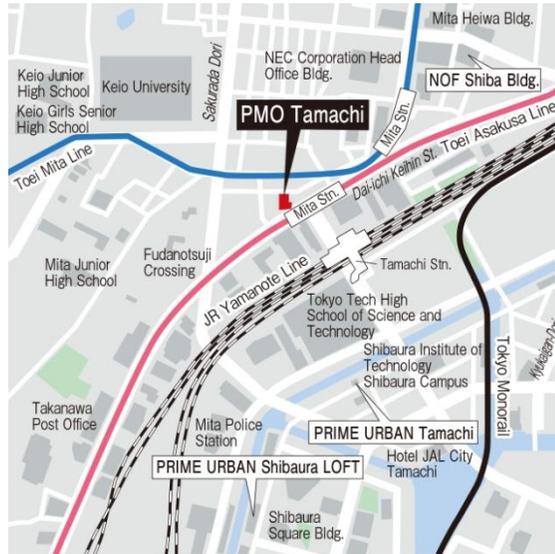
Proud Flat Itabashi Honcho



Acquisition Price	¥ 720 mln.
Appraisal Value	¥ 723 mln.(as of May 1, 2015)
Address	32-9 Honcho, Itabashi Ward, Tokyo
Gross Floor area	1,192.07m ²
Structure	RC 10F
Completion date	Jul 08, 2014

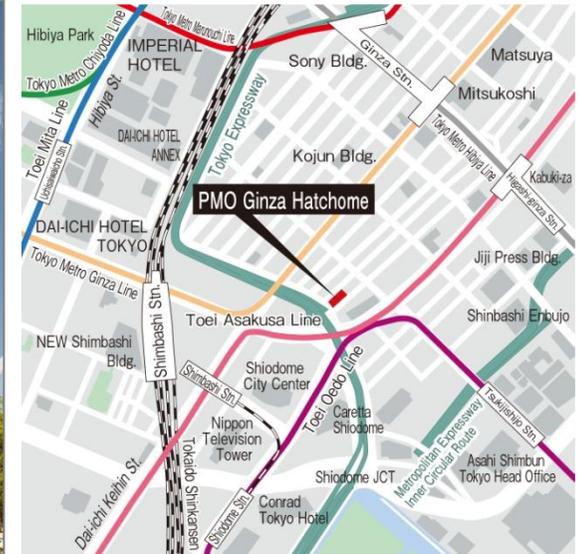
Property overview of New Acquisitions III

PMO Tamachi



Acquisition Price (scheduled)	¥6,210 mln.
Appraisal Value	¥6,400 mln.(as of May 1, 2015)
Address	5-31-17 Shiba, Minato Ward, Tokyo
Gross Floor area	4,019.84㎡
Structure	S/SRC B1/12F
Completion date	Feb 07, 2014

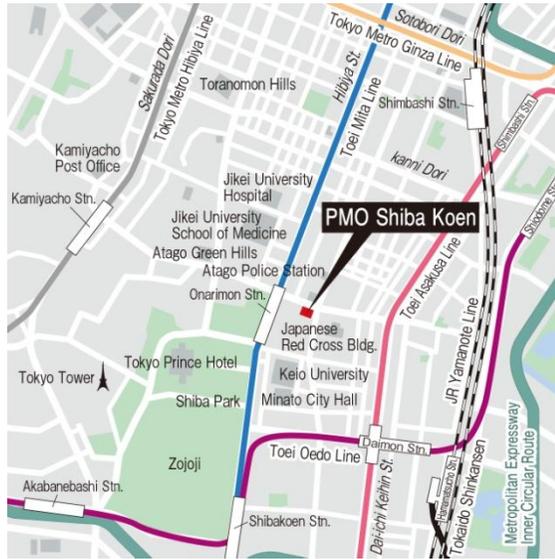
PMO Ginza Hatchome



Acquisition Price (scheduled)	¥ 3,970 mln.
Appraisal Value	¥4,130 mln.(as of May 1, 2015)
Address	8-12-8 Ginza, Chuo Ward, Tokyo
Gross Floor area	2,055.53㎡
Structure	S 10F
Completion date	Apr 25, 2014

Property overview of New Acquisitions IV

PMO Shibakoen

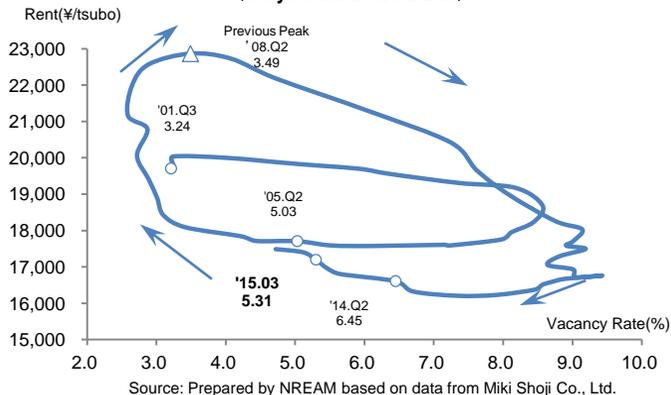


Acquisition Price (scheduled)	¥ 3,900 mln.
Appraisal Value	¥3,950 mln.(as of May 1, 2015)
Address	1-2-1 Shibakoen, Minato Ward, Tokyo
Gross Floor area	2,667.77㎡
Structure	S 8F
Completion date	Jul 31, 2014

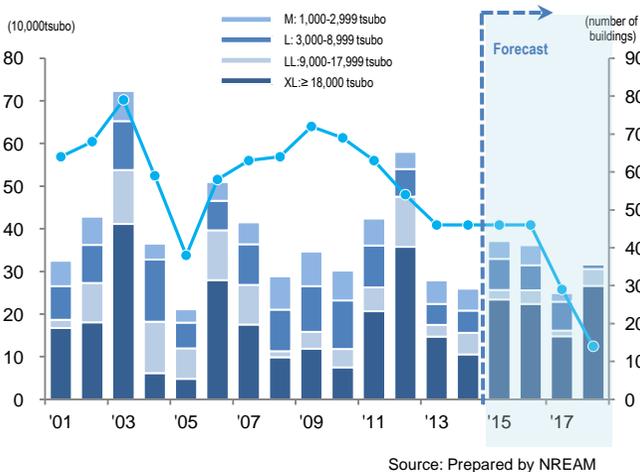
Market Review – Leasing Market -

Office

**Rent-Vacancy Rate Matrix
(Tokyo Central Five wards)**

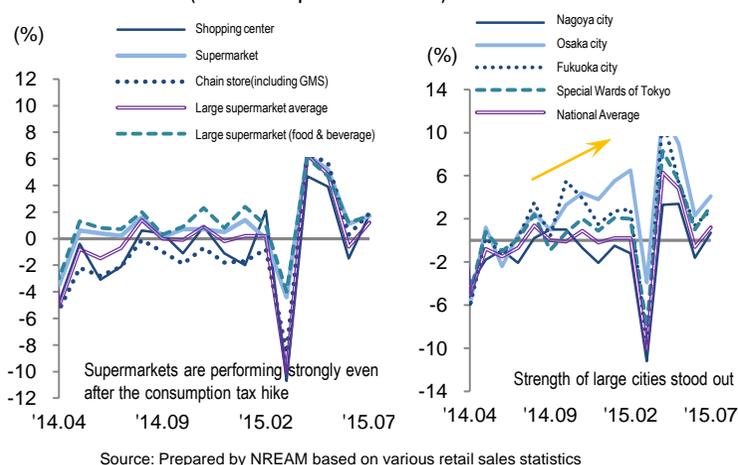


Nominal new supply of office buildings in Tokyo's 23 wards



Retail

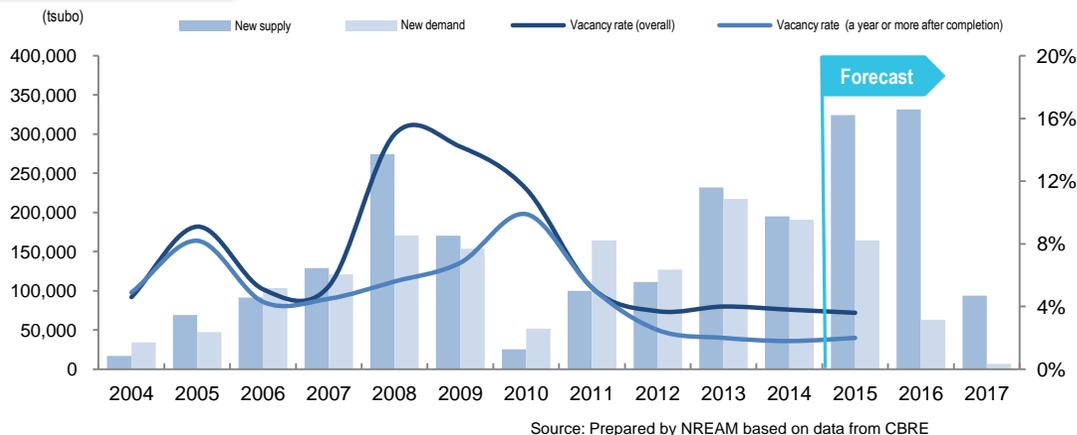
Retail Sales (based on comparable store sales)



Residential

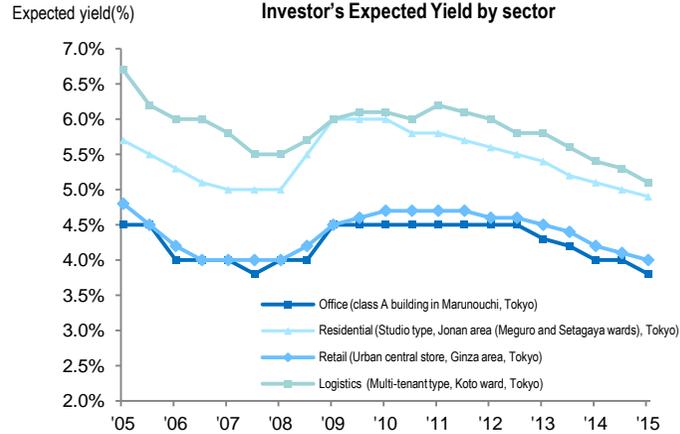
Leasing demand is expected to be solid over medium-term with contribution from increase in inflow of populations to central cities, increase in single households, etc. Rents for high quality rental apartments will remain stable due to the tightened supply-demand balance.

Logistics

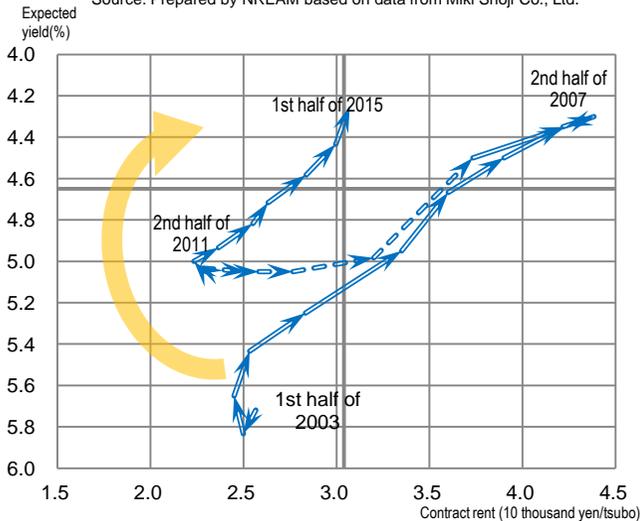


Market Review – Sales Market –

Expected Yield

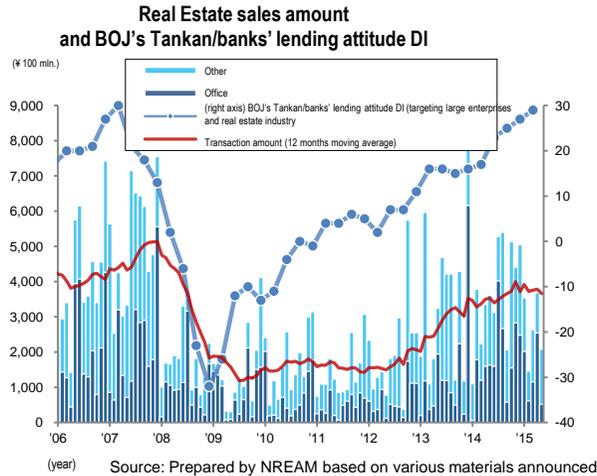


Source: Prepared by NREAM based on data from Miki Shoji Co., Ltd.



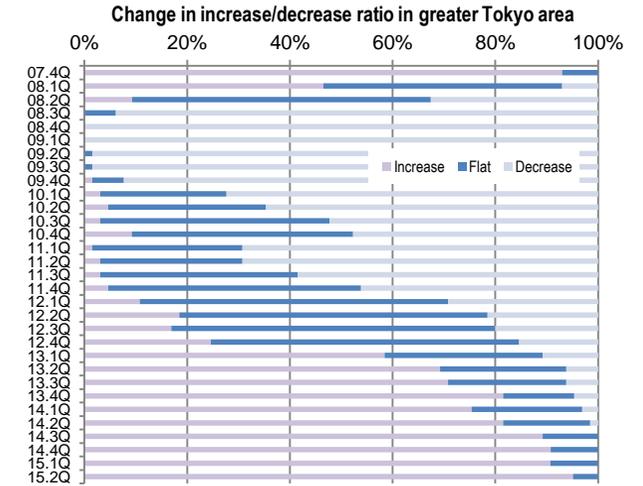
Source: Contract rent and expected yield are prepared by NREAM

Transaction Volume



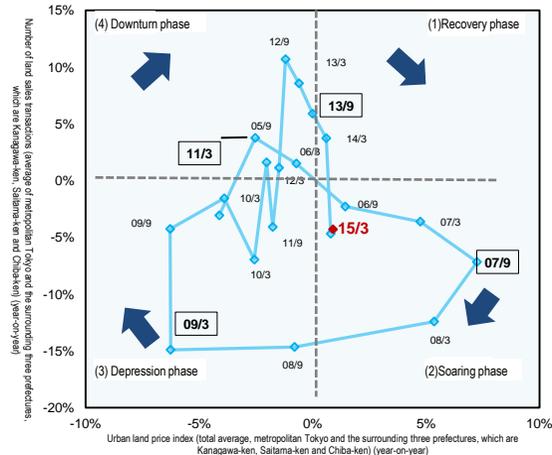
Source: Prepared by NREAM based on various materials announced

Land Price/Construction Cost



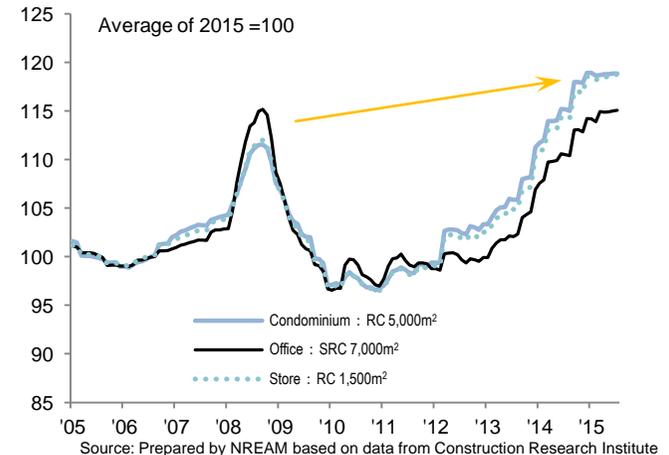
Source: Prepared by NREAM based on data from Ministry of Land, Infrastructure, Transport and Tourism

Real estate transaction/pricing cycle



Source: Prepared by NREAM based on various materials announced

Change in construction cost level by sector



Source: Prepared by NREAM based on data from Construction Research Institute



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