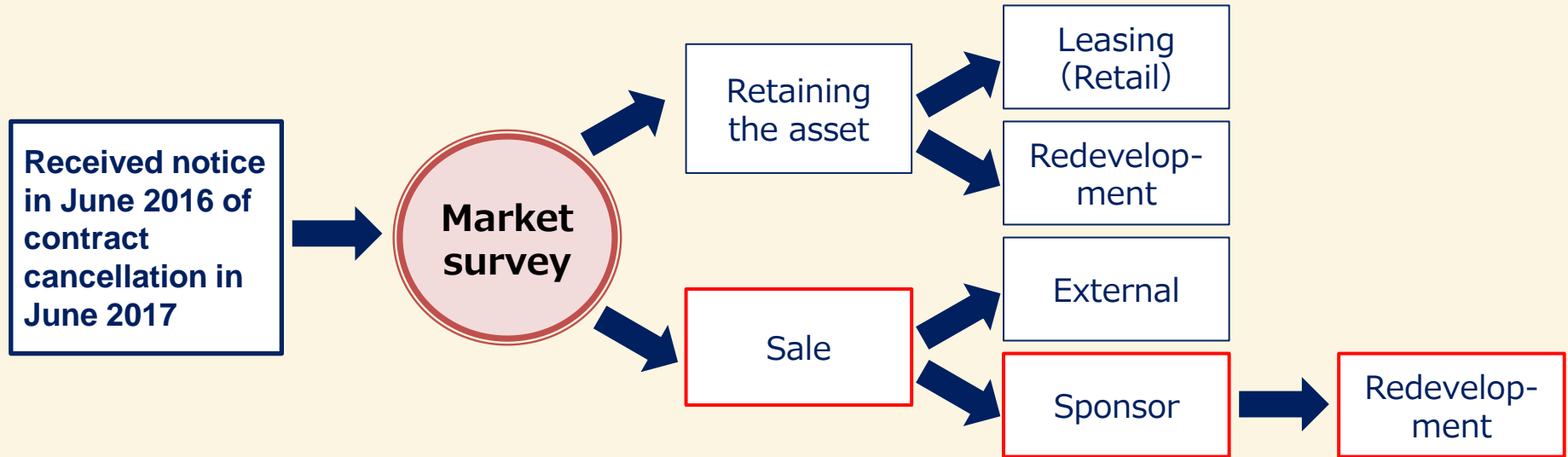




Supplement Documentation for Press Release “Disposition of the Assets” dated today

December 20, 2016

Since receiving notice of the cancellation of the lease contract in June 2016, we have considered a wide range of options with regard to the management of this property.



After studying each option as detailed below, Nomura Master Fund has determined the optimal approach is to **sell** the property to its **sponsor** on the condition that the property is **redeveloped**.

Study Results

The sale of the property to the sponsor predicated on redevelopment...

- ✓ **will enable redevelopment that fully unleashes the property's potential.**
 - With a floor space index (as defined by the Building Standards Act) of 200% and 134% of that being used, the property harbors great potential for increased revenue following redevelopment.
 - NMF expects the property to be redeveloped into a distribution facility likely to have competitive advantages, including its transportation infrastructure.
- ✓ **will secure external growth opportunities in the near future.**
 - By selling the property while retaining the right of first refusal, NMF secures opportunities to acquire premium properties safe from bidding competition.

NMF believes other options harbor the potential risks listed below.

Leasing (Retaining the asset)

- ✓ **As a retail facility, stable operation is a concern.**
 - Limited number of prospective retail tenant businesses
 - Lowered competitiveness due to proximity of a number of competing stores
 - Lowered revenue between leases and during renovations

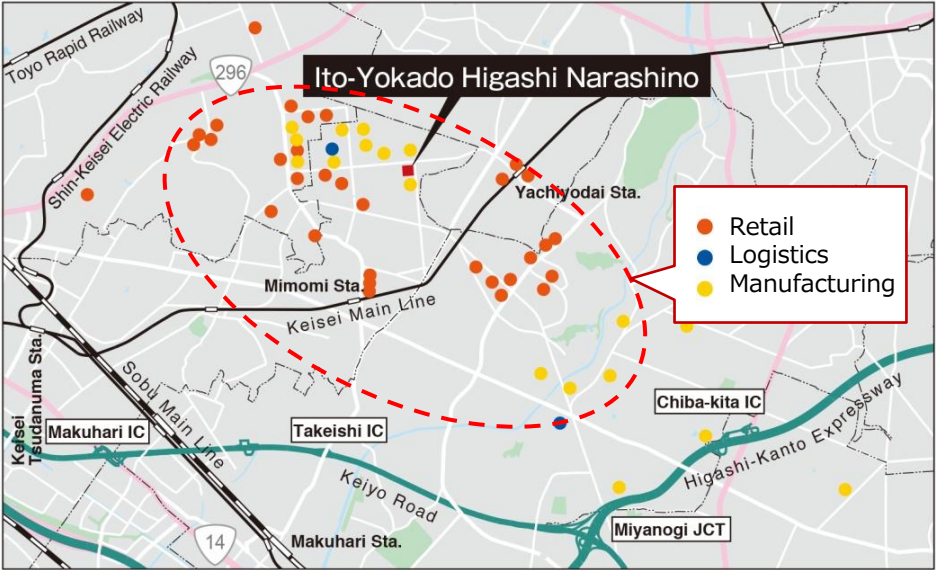
Redevelopment (Retaining the asset)

- ✓ **Lowered revenue could impact dividends.**
 - Construction delays and extended leases may negatively impact development.

Sale for External

- ✓ **External growth opportunities could be lost due to the sale of an asset with untapped potential.**
 - Amid fierce competition to acquire properties, sustainable assets could be shortsightedly transferred to external parties.

Situation in this property's area



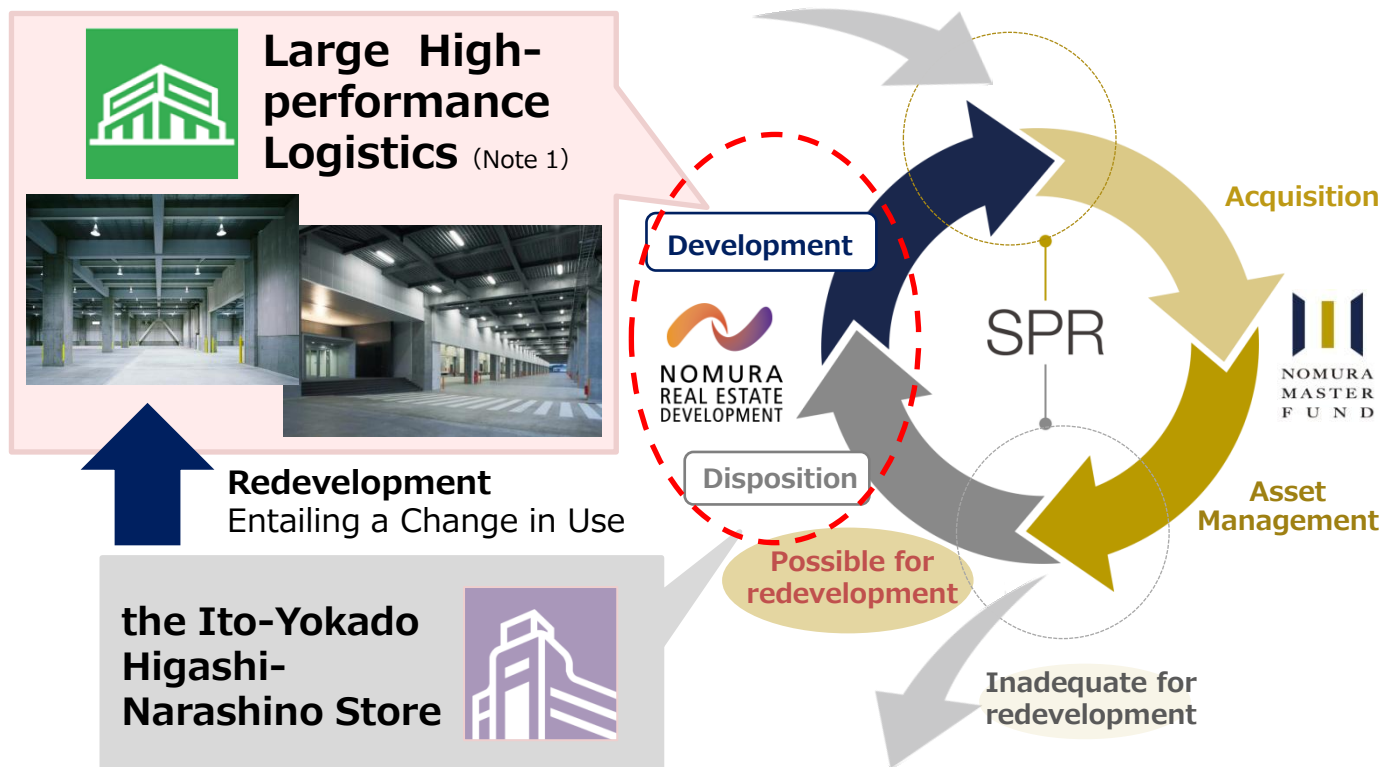
- Retail facilities are concentrated within a 1-km radius, and competition is heating up.
- Being 30 km from central Tokyo and 7.1 km from the Higashi-Kanto Expressway's Chiba Kita Interchange, the location boasts excellent transport access for a distribution center.

Main reasons NMF decided to sell the property to its sponsor on condition of redevelopment

- ① **Fully leverages the asset's potential**
- ② **Dispels risks to dividends**
- ③ **Secures medium-term growth opportunities**




- ◆ NMF, which is a diversified REIT, and Nomura Real Estate Development, which possesses diverse developmental capabilities, are **working to maximize the asset's latent value** through redevelopment that entails a change in the use of the property.
- ◆ The sales contract provides NMF with the right of first refusal following redevelopment, thus securing a **property acquisition pipeline** in the near term. (Note 1)



Transaction with the Sponsor as for 2nd fiscal period

Acquisition

Acquisition of "Landport Kashiwa Shonan II" developed by the Sponsor.



Acquisition Price : **¥10.8** bln

Disposition

Disposition of **3** properties for the Sponsor that are aging but in excellent locations.



Disposition price : **¥18.1** bln

Strategic Property Replacement (SPR)

With this property transfer, NMF has achieved a cumulative total of ¥39.7 billion in sales toward its asset replacement goal of ¥50.0 billion. (Note 2)
NMF is fast-tracking SPRs in consideration of the sales market.

(Note 1) This is the plan at present and does not guarantee the content of the relevant development plans or the acquisition by NMF.

(Note 2) In the Mid- to Long-term Management Strategy announced in November 2015, NMF has positioned the next three years as the Quality phase and has set a goal of replacing property worth a total of ¥50.0 billion during said phase.



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