

Teleconference Date:
October 15, 2020 (Thu.)

Nomura Real Estate Master Fund, Inc.
Questions and Answers Teleconference for the 10th Fiscal Period Ended August 31, 2020

Summary of Questions and Answers

The Q&A summary at the teleconference is as follows.

Q.1

Concerning the direct impact of COVID-19, it seems that rent reduction/exemption had relatively small impact. On the other hand, how do you project the feasibility of collection of rent for which you allowed deferment of payment?

A.1

We allowed deferment of rent payment to support tenants because we believe that avoiding tenant move-out or bankruptcy is important for securement of unitholders' interest over the medium to long term and stable cash flow. When allowing deferment, we judged the probability of rent collection by taking into account the amount of security deposits, sales status before the COVID-19 pandemic, possibility of sales recovery after the pandemic, and so on.

Q.2

With regard to future external growth strategy, do you intend to further increase the investment ratio for logistics facilities in order to secure stability of the portfolio?

A.2

Logistics facilities saw almost no impact from COVID-19, and since current negotiations for rent revision are going smoothly, we now regard them as even more attractive investment targets upon reaffirming their stability and growth potential.

Q.3

Concerning the internal growth strategy for offices, do you intend to aim for higher occupancy rates, etc. by incorporating shared offices and satellite offices, which the sponsor has been proactively engaged in, as part of PMO?

A.3

Shared offices and satellite offices seem to have become more familiar in line with the spread of COVID-19 and increase in remote work. Therefore, there is no doubt that these types of offices could be an option when soliciting tenants going forward. That said, however, we will continue to make comprehensive judgments based on the premise that cash flow be maximized.

Q.4

The presentation gave me the impression that you are relatively optimistic about the future office leasing market. Is such view for the general office market or for the properties owned by NMF? Could you elaborate on that?

A.4

Although there is a certain degree of impact of COVID-19 on the office market, we do not think the market will deteriorate significantly since the background is different from the time of the 2008 global financial crisis, etc. In addition, as the PMO series and other properties owned by NMF are relatively high in quality, they are less likely to be affected by COVID-19. However, we should continue to pay attention to corporate earnings and such going forward.

Q.5

It is said that, given the current level of the investment unit price and such, for the time being, you will be considering external growth that does not involve capital increase. Under what conditions, then, would you be able to realize growth that does involve capital increase? Is it correct to understand that capital increase or property acquisition will not take place just for the benefit of the sponsor?

A.5

Sponsor-developed properties are high in quality and attractive as investment targets. On the other hand, we believe that selecting the means of fund procurement is also very important. When we acquire properties accompanying capital increase, we make such judgements comprehensively, taking into account per-unit distribution, LTV, status of portfolio, NAV level, and other factors.

For this, we believe it is indispensable to gain higher evaluation from investors through meticulous IR activities and improve the investment unit price while working on stable management.