

Teleconference Date:  
April 15, 2021 (Thu.)

Nomura Real Estate Master Fund, Inc.

Questions and Answers Teleconference for the 11th Fiscal Period Ended February 28, 2021

Summary of Questions and Answers

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

Q.1

As to the trend of cancellation for offices, you are expecting a certain amount of cancellation space in the fiscal period ending August 2021. How long do you think this upward trend in cancellation space will continue?

A.1

Concerning the cancellation space expected in the fiscal period ending August 2021, most of the cancellations are for the purpose of reducing costs, although there are some that are for reviewing the role of offices as a result of increase in remote work. We believe that cancellation will decrease once corporate performance starts to pick up along with more vaccinations, etc. Specifically, we assume corporate performance will move toward recovery in the latter half of 2021, and although there will be a certain increase in the number of cancellations in the fiscal periods ending August 2021 and February 2022, the number will decrease from the fiscal period ending August 2022 onwards.

Q.2

As to the leasing strategy for residential properties, you said that you have shifted to a strategy focused on occupancy rates. What changes or efforts have you made specifically?

A.2

Specific contents of the leasing strategy include mainly adjustment using key money and other lump-sum payments and adjustment using advertising expenses aimed at promoting sales of brokers. Moreover, we allow for flexibility in rents for some properties when soliciting tenants, and these have resulted in overall rent increase.

Q.3

Concerning the acquisition strategy, you have said that you will carefully make judgements for retail and hotel properties. Do you have a proactive stance on acquisition of not only

logistics and residential properties, which are stable, but also offices? Do you intend to shift toward expansion of asset size when the moment is right?

A.3

We will seek opportunities to invest in a broad range of sectors as a diversified-type REIT, but intend to carefully make judgements regarding hotels and some retail facilities that have been significantly affected in the short term by COVID-19. As for offices, although there are some uncertainties in the future market trends, we would like to consider acquisition of competitive prime properties in a positive manner based on medium- to long-term profitability. Concerning the expansion of asset size, we will continue to make efforts to also improve portfolio quality through property replacement and other measures.

Q.4

You have said that you are expecting the largest number of office cancellations in the fiscal periods ending August 2021 and February 2022. Around when do you think cash flows and occupancy rates will hit the bottom? As to cancellations for the purpose of reducing costs, have properties that have high quality and gross rent, such as PMOs in particular, been impacted more severely?

A.4

The timing of cash flows hitting the bottom depends on the volume and timing of cancellations going forward and other factors. That said, however, the fiscal period following a fiscal period in which cancellation space hits the bottom would be the rough idea. We have not specifically felt that properties with higher gross rent are seeing an increase in cancellations due to the need to reduce costs.

Q.5

With regard to ESG measures, you have disclosed information based on TCFD (Task Force on Climate-related Financial Disclosures) scenario analysis. What are your thoughts on the timing of updating the information? Will you, from the standpoint of TCFD, be conducting property replacement to avoid brown discounts and such in the future?

A.5

While we aim to eventually reflect financial impact assessment based on TCFD in our property management strategies, we are aware that it is difficult at this point in time to make an assessment that is accurate enough to be reflected in management strategies. Going forward, alongside comprehensive establishment of systems with the development of laws, we intend to review our scenarios and assessment as necessary while monitoring the general

trends. Concerning property replacement, we would like to consider various approaches as needed based on close examination of financial impact.

Q.6

As to office cancellations in the fiscal period ending August 2021, what percentage does partial cancellation account for? Would you also provide a detailed definition of cancellation for cost reduction, which is one of the reasons for COVID-19-related cancellations?

A.6

In view of preventing cancellations, we have a policy of accepting the need for partial cancellations as much as possible. However, partial cancellations account for only a small portion of cancellations in the fiscal period ending August 2021. The definition of cancellation for cost reduction is cancellation due to the need to cut fixed costs in line with sluggish corporate performance. Cancellation due to both reasons of cost reduction and remote work is categorized based on the root cause of the cancellation.