

Q&A from IR Presentation (IR Meeting for FY2023-2Q)

< Capital Policy >

- Q. Why did you decide 100 billion yen share buyback at this timing? What's your future direction?
- A. We are giving due consideration at all times to share buybacks, including its scale. At this time, we have made a comprehensive judgement by evaluating factors, such as progress of carefully selected investments in both domestic and international businesses, prospects for return, stock price level, and financial stability. We appreciate you understand for our intention of showing our stance that share buybacks could be executed when it's possible even in the first half of the Long-Term Management Plan with careful consideration on external environmental changes. We plan to continue advancing shareholders return based on steady profit growth in order to achieve KPI targets in the Long-Term Management Plan.
- Q. The total payout ratio has been over 60% level on average since FY 2020. Is it a factor in the decision? How do you plan to enhance recognition of high shareholder's return?
- A. No, we are not making judgments based on the total payout ratio. A certain large amount of share buybacks is included in KPI targets in the Long-Term Management Plan. Therefore, we will continue to execute share buybacks at the appropriate timing by monitoring various external factors. In regards to the enhancement of shareholders returns through flexible share buybacks, we'd like to make sure to provide information on our well-established track records thus far.
- Q. How do you see reactions to stock price after announcing share buybacks? Could you also explain conditions for the future share buybacks and any possibilities for additional share buybacks after FY 2024?
- A. In regards to stock price, I think changes in the mid-to-long term are more important than in short-term. We don't define specific conditions for share buybacks, however, as we value shareholders returns, we'd like to make a flexible judgement by considering factors, such as profit growth, prospects for investment and return, and financial stability, in a comprehensive manner.

< Long-Term Management Plan & Financial Stability >

- Q. Do you plan to revise upwards KPI targets in the Long-Term Management Plan in light of steady profit growth?
- A. We recognize that KPI targets in the Long-Term Management Plan are challenging, so achieving these targets come first. Even though uncertainty in external environment has been growing since the formulation of the goals of the Long-Term Management Plan, it's important for us to move

forward by increasing both social value and shareholder value along with appropriate evaluations of such external environment.

Q. In response to profit growth at the moment, do you plan to update the target of business profits (350 ~ 400 billion yen) or disclose mid-term target?

A. We are not expecting to do those as of now, however, carefully selected investments are in progress both in domestic and international businesses aiming for profit growth. On the other hand, recent external environmental changes are still highly unpredictable. Therefore, we would like to discuss various measurements, not limited to profit growth but to achieve KPI targets in the Long-Term Management Plan.

Q. It seems that you can still afford to increase leverage when unrealized gains are taken into account. Do you plan to take advantage of leverage more as a way to improve ROE?

A. We recognize that unrealized gain is one of our stable strengths. In order for flexible investments and share buyback, we are making use of debts by evaluating return prospects over the next few years. As a result, financial leverage may increase. However, it is important to maintain financial soundness when external environmental changes are taken into account.

< Domestic Office Market >

Q. How do you see the recent office market? Have you seen any moves among major companies for revising their office strategies?

A. We've noticed many companies came to recognize the value of real offices by experiencing COVID-19 crisis. In particular, we once again feel the advantage of offices in prime locations, including Marunouchi area, which helps our tenant companies to secure human resources. Each tenant company is seeking for the role of offices to inspire employees to work. As a result, a large scale tenant leasing is gradually under way by following an example of consolidated transfer with higher transportation convenience in Marunouchi area.

Q. Vacancy rates have been increasing in office market compared to pre-COVID-19. Has your company's portfolio been negatively impacted?

A. While decision-makings on office strategies among large tenant companies have been progressing rather slowly, there have been new demands from companies with expanded business operations. The number of contracts has been on an upward trend too. Therefore, there is no change in estimated vacancy rates: approximately 3.5% for Japan (all uses) and 3% Marunouchi (offices)

< International Business >

- Q. In regard to real estate market in International Business, what are the status of each region? How do you foresee the ability to generate capital gains from the next fiscal year onward?
- A. The status of market slightly differs according to regions and assets. However, in our portfolio, assets in a wide range of regions and asset types have been accumulated steadily, such as logistics facilities and rental apartment in the U.S. and large-scale mixed-use development projects in Australia. In addition, many assets in operations also have been increasing. By considering these, I can say that we have enough stock of assets to continuously generate stable capital gains in the middle of external environmental changes. We aim to achieve profit growth steadily by optimally allocating adequately distributed portfolio.

< Capital Gains >

- Q. Do you plan to increase capital gains from the next fiscal year onward?
- A. Considering the buildup of the project lineup, there is room to accumulate capital gains. However, we need to make decisions based on factors, such as trends in real estate market and changes in external environment. What we need to emphasize is to deliver sustainable profit growth and KPI improvement in order to achieve the goals of the Long-Term Management Plan.

< Macroeconomic >

- Q. Given the concerns about future increases in domestic interest rates, do you expect any impacts on your portfolio?
- A. While macroeconomic, including interest rates, has been facing uncertain conditions, our portfolio, such as logistics facilities and rental apartment, is relatively strong with a stable cashflow through selective investments. We continue to focus on improving business feasibility by acquiring various fees through share-out.

< Others >

- Q. How do you think about the images of personnel who are responsible for the next generation of management?
- A. It's important to elect appropriate personnel from a broad perspective regardless of their career backgrounds. As a Company with Nominating Committee, etc., we have a system in place to elect executive teams based on a third-party perspective, including opinions from independent outside directors.

(End)