

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

**< Long-Term Management Plan >**

Q. How is the progress towards achieving ROE and ROA targets? What are the strategies for achieving these targets in the future?

A. The progress is in line with expectations. We are aiming to achieve KPI targets not only through profit growth in highly efficient businesses, such as capital recycling business and non-asset business, but also by controlling balance sheet.

Q. Is there a possibility of revising the property sale strategy to improve ROE and ROA?

A. Regarding assets in Marunouchi area, in some cases, assets with high book value and low efficiency are sold in the long-term business plan, as we had sold part of ownership in the Otemachi Park Building in the past. In addition, as for properties held outside Marunouchi area in the medium term, such as Central St. Giles in London, we sold it in the last fiscal year after holding it for more than 10 years. We would like to consider selling those properties while monitoring market trends.

Q. Theoretically speaking, higher returns may be expected as interest rates rise. Is there a possibility of revising ROE target?

A. We realize that the rise in interest rates has both positive and negative aspects. We would like to handle the situation by engaging in risk hedging through long-term and fixed-rate borrowings and pursuing profit growth by incorporating inflation. We currently focus on achieving KPI targets, not in consideration of revising those at this point.

Q. How do you see the short-term profit growth projection will go for the next few years?

A. As a prospect, we would say that overseas capital gain can grow depending on the recovery of the market. In addition, in the domestic office market, as attendance rate rises, demand for office buildings with excellent location and specifications is increasing so that each company can recruit talented employees. Leveraging the strength of Marunouchi area with overwhelming transportation convenience, we would like to take initiatives to improve rent in the area.

Q. How do you plan to improve NAV discount?

A. We take the current situation of NAV discount seriously, and we would like to work towards improvement by making progress of KPIs.

**< Shareholders Return >**

Q. How do you evaluate share buybacks executions thus far? Are you considering increasing the payout ratio?

A. We recognize that the previous share buybacks have achieved certain results, such as significant contribution to KPI growth. We are also aware of the requests for stable shareholders return. Therefore, we are currently discussing our future direction while reflecting on the past capital policy and shareholders return.

**< Office Building Business >**

Q. Do you have any specific strategies for increasing rents in Marunouchi area?

A. We introduced flexible offices with high quality services to increase rent in Marunouchi, in addition to rent negotiations with existing tenants. We are aiming to achieve rental growth by enhancing the attractiveness of the city and appealing various additional values.

**< Retail Properties and Hotels >**

Q. What is the status for current recovery of retail properties and hotels? What is the future investment strategy for hotels?

A. Retail properties have almost recovered to pre-COVID levels. For hotels, although the impact of labor shortages may cause slightly difficult situations to increase occupancy rates, we believe ADR can continue to grow in light of the current weakness of the yen. We plan to take advantage of inbound recovery in the operational business. Whereas in the development business, we will make appropriate investment decisions based on the progress of ongoing projects and other factors.

**< International Business >**

Q. What is the background behind announcing the intention to achieve targets in the Long-Term Management Plan ahead of schedule at this timing?

A. As a mid-to-long term intention in the International Business, we announced the early achievement of the target since investments have been progressing beyond our initial expectations particularly in Europe and the United States and have generated returns more than we anticipated.

Q. What are the strengths and future business strategies in each area?

A. United States: Leveraging know-how of our local subsidiaries, we continue to invest in assets with strong demand, mainly on logistics facilities and rental apartments, even under a soft market.

Europe: We have accumulated track records of development and organized a system for easy onsite information gathering. We are currently progressing with investments in rental apartments and other assets.

Australia: Through collaborations with local top developers, investments are in progress in prime areas particularly centered around Sydney, and we plan to continue promoting investments.

Asia: While condominiums in Thailand are well-performing, there are cases taking a long time for development permits and approvals. We promote investments in carefully selected areas and assets.

< Non-asset Business >

Q. Are there any possibilities for new M&A in Investment Management Business?

A. We already have the global platform of investment management companies, so we are not assuming business expansion through M&A at this point.

Q. Considering the possibility of weakened demand for real estate investment due to rising interest rates, how do you plan to expand AuM in the future?

A. The main growth driver is in the United States at the moment. We got inquiries from companies that have not made many investments in the U.S. yet, and we are currently considering launching new funds. As for AuM in Europe and Asia, we are expecting these to expand gradually in the future.

Q. Aiming for achieving targets in the Long-Term Management Plan, what is the outlook for growth of other businesses in the Non-asset Business?

A. We aim to achieve targets by accumulating revenues from various businesses, including fee income in joint business and real estate services such as brokerage as well as the flexible office business of Regus Japan Holdings Co., Ltd., a recently acquired subsidiary.

**< Construction Costs >**

- Q. What is the impact caused by increasing construction costs, and what is the prospect for the future?
- A. At this time, signs of construction costs settling down have not yet been seen. We plan to achieve profit growth, including that of existing tenants in Marunouchi area by appealing the premium qualities of location and specifications, so we can enhance profitability.

(End)