

Nomura Real Estate Holdings, Inc.

Briefing session of the FY23/3 2Q financial results held on October 27th, 2022

Q&A Summary

Q. An acquisition of treasury shares was announced. Is the P/NAV used as the basis for determining an acquisition of treasury shares?

- A. In addition to the share price and the P/NAV, the determination of an acquisition of treasury shares is based on multiple factors, such as investment opportunities and financial soundness, etc.

Q. How will it affect property sales business in case of rising interest rates in Japan?

- A. Even if rates rise, it would not have a major impact on the amounts of interest expenses so far because we have been increasing the share of fixed and long-term loans. However, we expect some impacts on property sales business from the rises in housing loan rates and cap rates.

Q. Is the gross profit ratio of housing sales business for FY23/3 expected to be higher than FY22/3?

- A. The gross profit ratio for FY23/3 is expected to be above the same level as FY22/3.

Q. Is there any impact on your business due to the rise of construction materials prices?

- A. We have almost completed contracts with general contractors for housings to be sold till FY25/3 and for properties for sales to be sold till FY26/3 as for property sales business. We plan to increase reserve fund in business plans to prepare for potential increases in construction costs for future projects.

Q. Housing sales business seems to be robust. Do more customers rush to purchase housing before the interest rate rising?

- A. We don't think there is a rush demand from customers prompted by the anticipation of rising interest rates.

Q. In terms of land acquisition in housing sales business, what kind of area are you targeting?

A. Our target areas are mainly Tokyo metropolitan area, Osaka, Nagoya and Sendai. We also aim to acquire land in local core cities with a focus on redevelopment projects, taking care to maintain the right balance. We recognize that there is an increasing need for us to contribute to the development of highly convenient cities centered on housing.

Q. What is the background of your decision to transfer fixed assets to inventories twice annually? What is the actual amount of properties you transferred to inventories as of 2Q FY23/3?

A. In order to realize more flexible decision-making, we changed our internal policy regarding the frequency of judgment of transfer. We consider transfers every six months going forward. At the end of 2Q FY23/3, we transferred approximately 10.0 billion yen. In the Mid- to Long-term Business Plan, we have announced that we aim to realize unrealized gain and improve leasing assets portfolio through replacement of properties at appropriate timing. This is an initiative that forms part of that.

Q. What is the background of the vacancy rate rising? What are the situations of leasing of PMOs and Shibaura Project?

A. The impact was mainly due to the tenants moving out from properties under rebuilding plan. There is a large supply of large-scale office buildings in the overall market, and regarding PMOs, primarily inventory not fixed asset, due to the effect of some large-scale office buildings being leased in smaller lots, PMOs with larger single-floor are competing with those office buildings. As regards Shibaura Project, we've been negotiating with tenants of Hamamatsucho Building on relocation and have gained some traction.

Q. What is the plan for the training facility in Yokohama?

A. We decided to demolish the facility for rebuilding and booked extraordinary losses as losses on building reconstruction. We will discuss the operational plans going forward.

Q. You acquired a large amount of land for logistics facility in 2Q. How are the situations of leasing and land acquisition of logistics facility?

A. In terms of the situation of leasing, existing properties and newly developed properties are both going well. Although the competition for land acquisition remains tough, we have acquired land with enough profitability in 2Q through deals similar to one-on-one deals.

Q. What is the background of the decision to participate in the project in Portland?

- A. In the Mid- to Long-term Business Plan, we set the target of increasing the ratio of business profits from overseas business to over 15% of the total. We have steadily acquired properties mainly in residential development business in fast-growing Asian countries. To further expand our business, we have been considering entering commercial property for sales business in the United States. We decided to participate in the rental housing development business with strong demand from population growth. The project is positioned as a commercial property for sales business, we expect to sell the property.

Q. Some reports said that the real estate market in China is deteriorating. What is the local situation?

- A. It is not a tough situation for the business in China as a whole, but housing sales performance varies between properties.

Q. Will it be difficult to expand the amount of property sold unless the J-REIT market share prices go up?

- A. In addition to listed REIT, there are private REIT and private funds as buyers. We believe we will be able to proceed with property sales. We expect strong demand from domestic and overseas institutional investors, etc., for properties in Japan, and expect situations to remain favorable for property sales.