Nomura Real Estate Holdings, Inc.
Briefing session of FY20/3 financial results,
held on May 12th, 2020

Q&A Summary

Q. What is your view of the impact of the COVID-19 on overall management (business performance and shareholder returns)?

A. We are examining carefully the impact of the COVID-19. The situation is quite different from the financial crisis, but the impact on the economy is expected to be severe. Once we have assessed the impact, we will decide on our earnings forecasts, and total return to stakeholders and investment policies for the future.

Q. Your company business model is characterized by its ability to generate sustainable development profits over the medium to long term. Therefore, I assume your company would be possible to maintain a certain level of shareholder return even if profits fluctuate in a single fiscal year. In addition, I would like to ask your policy of the acquisition of treasury shares in FY21/3, although the cash dividend for FY21/3 was announced to be unchanged. Is it possible to consider an acquisition of treasury shares based on financial stability, including shareholders' equity ratio and other factors?

A. Our business model is to generate value through development and realize profits by selling them. Therefore, we can generate profits in the medium to long term and maintain shareholder returns while growing our business. The amount of total shareholder returns including the acquisition of treasury shares is determined by the amount of profit, not by the mechanical calculation based on shareholder’s equity. However, as we indicated in our dividend forecast for FY21/3, our policy is to keep shareholder returns stable even if profits fluctuate in the short term.

Q. If housing sales were to suspend operations for several months due to the COVID-19, would it be possible to achieve the annual contract plan? Are there any changes in the sales situation through the website?

A. Approximately 2,000 units had been contracted as of the beginning of this fiscal year that will be recorded in FY21/3. Before the impact of the COVID-19 appeared, we had expected to sell approximately 4,000 units in FY 21/3. There is a good chance that we can make up for the delay even if we suspend operations for two to three months. The responses to web advertising were the same as the previous year.

Q. Has the impact of the COVID-19 affected sales activities in housing sales? Are there any effects from the suspension of construction work by general contractors?
A. Before we voluntarily stopped sales activities in April, sales of newly supplied housings, especially highly convenient ones were strong in March. As for the risk of construction, the completion schedule is not delayed at this time.

Q. I would like to know about the price outlook for new condominiums.
A. The decline in stock prices has affected the prices of some high-priced housings. If the price of secondhand condominiums were to decline, that would have an impact on new condominiums. At present, both new and secondhand condominiums are at high prices, therefore the price is balanced.

Q. Is the demand for new condominiums getting smaller in suburban areas and larger in urban areas?
A: In general, you can view it that way. However, since real estate is highly individualized, it cannot be categorically stated. For example, the condominium we developed in Kichijoji in FY20/3 is in suburban Tokyo area, which requires bus commuting to access the station. Although, the sales were strong due to the higher customer evaluation for the convenience of mixed-use development. There is still a strong demand for convenient housings, including those located in the center of the city or near train stations. However, as more and more people look for ways to work from home, there may be additional demands such as a larger floor plan and a private room suitable for working from home. We would like to consider our future strategy, including such matters.

Q. What is your policy on acquiring land for condominiums in the future?
A. Since we have not been able to operate land purchase activity as usual, since April, we don’t think it is appropriate timing to inform our future policy yet.

During the financial crisis, the number of land buyers decreased and prices fell, so we aggressively acquired lands. We would be willing to buy lands aggressively if the situation is similar this time around, but we haven't caught any sign of the situation change yet.

Q. What is your medium to long term outlook for the prices of property developed for sales?

A. It is difficult to describe the medium to long term trend at this point, but the impact of the COVID-19 on hotels and retail facilities is currently significant. On the other hand, office and logistic facilities remain firm. One of the important indicators is the degree of economic recovery in the Post-Corona Phase. Another is the stock market situation including REIT, which has an impact on our sales. During the financial crisis, financial instability led to long-term concerns, but the current market fluctuations were not caused by financial instability. We will keep a close watch on the market, recognizing that the situation is different from the past.

Q. What are your plans for property development for sales in FY21/3? Also, were there fewer properties reclassified from non-current assets to inventories at the end of FY20/3 compared to the end of FY19/3?

A. We will carefully examine the situation of each property, including the CAP rate and price due to the impact of the COVID-19, and determine our policy. The amount reclassified from non-current assets to inventories at the end of FY20/3 was less than at the end of FY19/3. However, we did not sell all the properties that were reclassified at the end of FY19/3. The amount of property for sales on our balance sheet at the end of FY20/3 is worth approximately 150 billion yen for the properties which have been completed and worth approximately 150 billion yen for the properties under development.

Q. What is the status of your company’s leasing office properties, including the leasing status of TOKYO TORANOMON GLOBAL SQUARE and whether there has been a request for a reduction of the rent due to the COVID-19?

A. The contract for TOKYO TORANOMON GLOBAL SQUARE is on track to its completion of construction in June of this year. In office buildings, there has been no significant movement to reduce the rent. In retail facilities, we are reducing or exempting rent and deferring payments at facilities that have voluntarily suspended operations in response to a request for voluntary restraint by prefectures based on the national declaration of a state of emergency.

Q. Will the impact of the COVID-19 change the needs of the office building in the future?

A. The demand for large buildings remains strong. Looking ahead, we will closely monitor the changes in demand in office caused by the impact on the economy and employment. In addition to large buildings, we will respond to the need of customers through the development of offices that can meet a variety of work styles, including medium-sized PMO, $H^{1}O$ for service offices, and $H^{1}T$ for shared offices.

Q. What is the impact of the COVID-19 on Lothbury's business environment and earnings?

A. Lothbury mainly manages open-end funds, which are expected to generate stable income.

Q. Are there any signs of increased M & A activity due to market disruption caused by the COVID-19? Do you strongly aim to grow through alliances with other companies?

A. First of all, we think it is important to solidify our business strategy for this fiscal year. At the same time, we are always exploring various possibilities for strategic M & A. We are fully prepared for the opportunity ahead. After assessing the impact of the new coronavirus infection, we will closely examine the business fields that will grow in the future.