

Nomura Real Estate Holdings, Inc.

Briefing session of the FY22/3 2Q financial results held on October 28th, 2021

Q&A Summary

Q. Under the current Mid- to Long-term Business Plan, you set targets of 100.0 billion yen and 120.0 billion to 140.0 billion yen in business profit for FY25/3 and FY28/3, respectively, and ROE of 10% or more. Will you maintain these targets in the new Mid- to Long-term Business Plan currently under discussion? In addition, which business do you expect is the most growing area in the future?

A. We are reviewing our performance and past Mid- to Long-term Business Plans to analyze issues and new business opportunities. Also, we are discussing how to achieve a higher growth rate and asset efficiency than ever before. As for the new Mid- to Long-term Business Plan, it is important to show how to increase business profit. We will present our growth strategy that can generate added value, by combining the growth in the Residential Development Business Unit and the Commercial Real Estate Business Unit, as well as the Service & Management Sector, Overseas Business and digital transformation.

Q. In FY22/3, the total return ratio is expected to be 41.3%, including the acquisition of treasury shares up to 5.0 billion yen, which was announced this time. What is the background of the decision on the treasury share acquisition?

A. The decision was made in comprehensive consideration of shareholders' equity ratio, investment opportunities, stock price, and financial results.

Q. As for the gross profit ratio of housing sales for FY22/3, you stated that it is expected to be the same level as in FY21/3. What is the outlook for FY23/3 and onwards?

A. For the full year of FY22/3, the gross profit ratio is expected to be at the level of 22.5% to 23.0%. For many properties to be sold by around FY25/3, the lands were acquired before the COVID-19 pandemic. Therefore, we assume that the current gross profit ratio, from 20% to 22% level, can be maintained unless large economic fluctuations occur. The gross profit ratio for FY26/3 and onwards will depend on the conditions of land acquisition going forward.

Q. It seems that many customers have decided to purchase condominiums due to the COVID-19 impact. The future demand seems to have been brought forward. Is this the reason for the robust performance of housing sales?

A. This is mainly because the new demand has been generated and the demand has been diversified due to the COVID-19. Specifically, the increase in working from home has caused demand for large rooms and suburban properties to expand.

Q. How much is the price difference between environmentally friendly condominiums, such as PROUD Takadanobaba, and ordinary condominiums?

A. We cannot clearly inform you of a quantitative difference in price at present. However, we will continue to focus on environmentally friendly condominiums that we regard the customer's preference for such properties will expand.

Q. The gross profit ratio of housing sales is 23.9% as of 2Q. What is the background behind this high gross profit ratio?

A. This is mainly because we have sold housings in a higher price than the projected price when we acquired lands, with the current market environment.

Q. In terms of the FY22/3 business profit of the Commercial Real Estate Business Unit, what is the reason for the upward revision of 1.5 billion yen?

A. This is mainly because of an increase in the expected profit of property sales in light of the steady market environment.

Q. What are your future expectations for the volume of acquisition and sales of property for sales? Will you continue to expand the stock for properties for sales?

A. We will expand our business focusing on our PMO office buildings and Landport logistics facilities. I would like to inform you that we do not accept the ROA level to decrease even if we expand the land stocks. We will make active investments in property for sales business, as well as set the investment criteria for each project to ensure profits. Through these, we will grow our business by maintaining both the asset efficiency and the profit ratio.

Q. Could you share the details of the delays in construction in the overseas business?

A. In Vietnam, the government implemented lockdowns and other strict restrictions. That caused delays in construction for about three months, but these restrictions have been gradually eased since October 1. Sales timing of most properties that were planned to be sold in FY22/3 is changed to FY23/3 and onwards.

Q. Is there any decline in demand in the overseas housing business?

A. As the demands for residences remain strong in each city, we expect that the demand will not change even if there is a change in schedule due to COVID-19.