

**Nomura Real Estate Holdings, Inc.**

**Briefing session of the FY23/3 financial results held on April 26th, 2023**

**Q&A Summary**

**Q. At the beginning of the session, CEO Arai said that the Company will always keep ourselves open to changes in the business environment, so that it can flexibly review strategies. Do you have any specific example of such a review that you would consider for the future?**

A. The business environment we face is a complicated circumstance given uncertainty about the economic situation and changes in the working environment due to COVID-19. Given the significantly changing business environment, we are considering flexibly changing investment weights among Business Units, based on the fundamental assumption that we will achieve our business profit targets as a total. We are not at a stage to immediately make such changes. We will make an assessment after the second half of FY24/3.

**Q. CEO Arai, who comes from a securities firm, has assumed the position. How will you work to improve the stock price?**

A. I continue to engage in dialogue with investors to let them better understand the Group's high capabilities of creating value.

**Q. Is there any possibility that the Company will conduct M&A in the future?**

A. For the Group to grow, we should consider M&A. As we acquired an equity stake in YARUKI Switch Group Holdings in FY23/3, we intend to seek M&A opportunities going forward.

**Q. In terms of real estate investment, primarily overseas investors are changing their investment stances. I am concerned that it will be more difficult for you to sell properties in the future. Do you expect to change the Company's strategy?**

A. Although long-term interest rates in Japan have risen to a certain level, real estate in Japan still has yield spreads. Institutional investors still have strong needs to invest in real estate. As funds are flowing into private REIT and private funds, we believe there is no need to immediately change our strategy. On the other hand, the real estate market overseas is changing under

uncertain financial environment. We may have a chance to capture undervalued investment opportunities in the future.

**Q. Why is it that the negative amount of Adjustments of Business profit for FY23/3 was smaller than the initial forecast?**

A. For FY23/3, we had anticipated -10.5 billion yen, factoring investment in digital transformation (DX) based on the Mid- to Long-Term Business Plan, costs of relocating our office to Shibaura Project and a certain amount of costs of rebuilding. Eventually, part of the costs of rebuilding were recorded as extraordinary losses, and the Adjustments were approximately -6.9 billion yen.

**Q. Aren't you considering setting a progressive dividend policy?**

A. We plan to raise the dividend payout ratio to 40% level and continue to increase dividends through profit growth toward Phase II of the Mid- to Long-Term Business Plan. Although we cannot promise now that we will not decrease dividends if financial results deteriorate, we will keep working on shareholder returns with stable dividend payment in mind.

**Q. Regarding OUKAS, senior rental housing, do you plan to sell properties? What is the current occupancy status?**

A. Each facility is performing well, including Funabashi, which opened in 2017. We are positively considering realizing a sale as property for sales in the near future.

**Q. As for property for sales business in Residential Development Business Unit and Commercial Real Estate Business Unit, what is the expected amount of sales in FY24/3 and the prospect for long-term interest rates?**

A. In Commercial Real Estate Business Unit, we expect sales of about 140 billion yen and a gross profit in the upper range of 30-40 billion yen. We will primarily sell office buildings and logistics facilities to private REIT and private funds. We are also planning sales of retail facility. At present, about one-third of the planned gross profit of property for sales has already been contractually agreed for. In Residential Development Business Unit, we expect sales of about 20 billion yen and a gross profit in a range of 4-5 billion yen. We expect long-term interest rates to rise moderately.

**Q. I learned that you expect gross profit of property for sales to surpass 40 billion yen per year in the medium term. How will you achieve stable sales at that level?**

A. The stock of property for sales has exceeded 800 billion yen. Moreover, we plan to continue transferring properties from fixed assets to inventories. We have secured sufficient stock to realize gross profit in a range of 40-50 billion yen in a stable manner.

**Q. What is the status of leasing PMO?**

A. Although some of the most recently completed properties are still in the process of leasing activities, we have been getting more tenant inquiries since the latter half of last year. Properties that are several years old have low vacancy rates and their floors are almost fully occupied. We understand that customers continue to give high ratings. We have no major concerns for properties that are in leasing activities.

**Q. What is the status of land acquisition for logistics facility?**

A. Competition for acquiring land is becoming more intense, but we do not acquire projects without regard to profitability. We are proceeding with acquisitions taking into account some buffers in anticipation of future market fluctuations, utilizing medium-/long-term undertakings and joint businesses.

**Q. I understand that profits in Overseas Business Unit can fluctuate depending on the period. Are you expecting steady growth during the Mid- to Long-Term Business Plan?**

A. Mainly in the housing sales business, we plan to gradually increase profits in Phase I and II of the Mid- to Long-Term Business Plan.

**Q. What is the size of assets and investors targeted by Nomura Real Asset Investment?**

A. That company will manage various types of funds for domestic and foreign institutional investors and wealthy domestic individual investors, aiming to establish 700 to 1,000 billion yen assets under management in the future. They are planning to expand the areas of investment beyond the traditional sectors of office building and logistics facility.