

**Nomura Real Estate Holdings, Inc.**  
**Briefing session of the FY25/3 1Q financial results (held on July 25, 2024)**  
**Q&A Summary**

Date and time : Thursday, July 25, 2024, 5:00 p.m. - 6:00 p.m.  
Attendees : Toshihide Tsukasaki, Executive Officer, Group CFO  
Hidehiro Sasaki, General Manager, Corporate Communications Dept.

**[Residential Development Business Unit]**

**Q. What is the gross profit ratio forecast for the housing sales business for FY25/3 and FY26/3? The gross profit ratio for the first quarter was 27.1%, but will it drop to the 25% range in the full-year forecast? Also, please tell us the sales equivalent amount for the 2,773 units disclosed as the number of units contracted but not recorded as housing sales.**

A. In the first quarter, the gross profit ratio was 27.1% due to the recording of properties with relatively high gross profit ratio. For the full year, we expect the gross profit ratio to be in the 25% range, which is sufficiently high compared to our criteria of roughly 20% when acquiring land. From FY26/3 onward, we expect the gross profit ratio to be in the 20-21% range due to the impact of higher construction costs. (Tsukasaki, CFO)

The sales equivalent amount of contracted but not recorded as housing sales to be recorded from the second quarter of FY25/3 onward is approximately 250 billion yen. (Sasaki, General Manager, Corporate Communications Dept.)

**Q. If the gross profit ratio in the housing sales business is expected to decline from FY26/3 onward, will you increase the number of housings sold in order to secure the amount of profit?**

A. Compared to FY25/3, there is potential that the number of housings sold in FY26/3 will be increased. (Tsukasaki, CFO)

**Q. Although the gross profit ratio is expected to decrease due to rising construction costs, are you able to acquire land on the assumption that construction costs will continue to rise?**

A. We are acquiring land based on incorporating the assumption of rising construction costs. We are acquiring land that can secure profits on the assumption that construction costs will continue to rise by setting aside this increase as a reserve fund in our planning. (Tsukasaki, CFO)

**Q. Looking at the most recent statistical data on newly built condominiums for sale, the contract ratio is below 70%, and sales prices are falling, likely due to a reactionary decline from the supply of high-priced properties in the previous year. Is there any change in the strong sales situation for your condominium sales?**

A. The favorable sales environment continues. While supply remains low, with data indicating that the supply of newly built condominiums for sale in the Tokyo metropolitan area will not reach 10,000 units from January to June 2024, demand has not weakened. In addition, household incomes are increasing as the trend toward both spouses working progresses, and interest in housing continues to rise after the COVID-19 pandemic. We understand that there is some concern about the impact on demand from rising housing loan rates, but we recognize that customer sentiment has not changed significantly under the current circumstances. As for rising interest rates, amid the possibility of a gradual increase over time and the trend of rising wages, we believe that the burden of housing loan repayments associated with rising interest rates is well within the acceptable range. (Tsukasaki, CFO)

[Commercial Real Estate Business Unit]

**Q. Regarding office leasing, I have heard that about 70% of S Tower of BLUE FRONT SHIBAURA had been contracted or tentatively decided as of the end of FY24/3, but I would like to know any updates on the leasing situation if there are any. Also, please tell us about tenant needs and rent trends for the Nihonbashi 1-chome central district and PMO.**

A. We have heard from our client tenant companies that the number of people coming to work at the office has increased after the end of COVID-19 pandemic, and further, that the number of people hired has increased as corporate earnings have expanded. Also, in an environment where human capital management is becoming more important, which is attracting more attention recently, there are growing calls for an enhanced office environment for their employees.

There is no change from the approximately 70% acceptance rate of S Tower of BLUE FRONT SHIBAURA. We do not take the stance of hurriedly acquiring tenants by lowering rents, but rather seek to attract tenant clients who appreciate the characteristics of the property. Regarding Nihonbashi 1-chome central district, we are not disclosing the status of specific contracts signed, but we have heard from the field that leasing is responding well. Demand is strong, especially from startup companies, for small- and medium-scale offices such as PMO and H<sup>1</sup>O, and contracts are being signed at rents on par with or even above plan. (Tsukasaki, CFO)  
(See the [PMO official website](#) and [H1O official website](#))

**Q. S Tower of BLUE FRONT SHIBAURA will be completed in FY25/3, but I would like to know when it will contribute to earnings. With corporate relocation costs rising due to inflation, I believe it is necessary to grant free rent to some extent, but wouldn't free rent push back the timing of the earnings contribution?**

A. After construction is completed in February 2025, since tenants will move into the building in stages, the building is expected to start making a genuine contribution to earnings from FY27/3. In our accounting treatment, rent income is recorded using the average over the entire lease contract period, including the free rent period. Therefore, the presence or absence of free rent does not affect the timing of the contribution to earnings. (Tsukasaki, CFO)

**Q. In the first quarter, there seems to have been almost no progress in the property sales, but is that expected to be concentrated from the second quarter onward? Long-term interest rates have risen further from April to June, but has there been any change in demand on the part of buyers such as funds?**

A. Profit recognition in the first quarter was limited, but this is only due to the uneven timing of sales. Some properties have already been contracted for recording from the second quarter onward, and as of the end of the second quarter, we expect to be able to record roughly half of the gross profit planned for the full year. There are no major concerns about achieving the full-year sales plan. The impact of rising interest rates has not been directly reflected in cap rates, and real estate continues to be viewed as an investment target where a certain spread can be expected, resulting in a solid inflow of funds into the real estate market. (Tsukasaki, CFO)

**Q. I would like to know how you negotiate with tenants of your office buildings in light of rent revision trends, especially inflation.**

A. Looking at the full-year of FY24/3, among the tenants who had reached the rent revision period, we were able to keep rents unchanged for about 70% and raise rents for about 30%, with only a tiny amount of reductions. There are no major changes in the situation for FY25/3. We are considering the possibility of including a rent revision clause in contracts that indexes rent to rising prices. (Tsukasaki, CFO)

**Q. I would like to know the policy for the property sales regarding BLUE FRONT SHIBAURA, whether there is a possibility of sale after the completion of construction.**

A. We do not consider non-current assets and inventories separately, and we will make appropriate decisions on what to do with the entire portfolio of leasing assets. Naturally, there is a possibility that BLUE FRONT SHIBAURA may be sold. However, whether or not to sell it, and if so, when and how, will be determined based on our portfolio of leasing assets and market conditions. (Tsukasaki, CFO)

**Q. Do you expect the sale of logistics facilities from the second quarter onward?**

A. As disclosed by Nomura Real Estate Master Fund, Inc., one logistics facility is scheduled to be delivered in the second quarter, and the contract has already been completed. We plan to sell other logistics facilities during the full year. (Tsukasaki, CFO)

**Q. I would like to know the status of leasing logistics facilities.**

A. Although vacancy rates are rising in some areas where there is a large supply of new properties, the prospect of the development of e-commerce remains unchanged, and demand for highly functional logistics facilities such as our Landport remains high, and leasing is progressing steadily. We aim to continue to expand our logistics facilities as the core of our property sales. (CFO Tsukazaki)  
(See the [Landport official website](#) (in Japanese))

#### [Overseas Business Unit]

**Q. While business profit increased year on year in the first quarter to 3.4 billion yen, you left the full-year plan for FY25/3 unchanged at 2 billion yen. Does this mean that you expect to record a loss from the second quarter onward due to new projects arising? Or do you expect an overshoot for the full year? Please tell us about the current situation in each country.**

A. In the first quarter, we recorded a profit as planned due to progress in the delivery of properties for which construction was delayed in the previous period. From the second quarter onward, we plan to record housing sales projects in Vietnam and Thailand, while expecting to record various expenses, so we do not anticipate a large overshoot in our full-year profit level. In Vietnam and Thailand, the overall market has been weak due to rising interest rates. Although interest rates have started to turn downward from FY24/3, they have yet to move in a dynamic way. We will continue sales as planned. (Tsukasaki, CFO)

**Q. I would like to know the status of overseas housing sales projects by property in addition to the macro environment.**

A. Regarding the macro environment, the current situation is that we are past the worst period but have not yet returned to the point where we can say the situation is favorable. In Vietnam, the situation varies by city. Sales in Hanoi are recovering steadily, but the pace of recovery in Ho Chi Minh City is relatively slow. In Thailand, the situation varies from property to property. Properties near train stations, commercial facilities, and educational institutions such as universities are doing well, while properties in the higher price ranges are still slow to recover. In the Philippines, a general recovery can also be confirmed, but it is uneven from property to property. High-priced properties in urban areas are firm, but recovery of real demand properties for sale is slow while interest rates remain high. (Tsukasaki, CFO)

**Q. I found the commencement of construction of a logistics facility for Fast Retailing in the Philippines to be an interesting initiative. In the case of a project like this with a Japanese company, I would like to know how you acquire their needs and the background of the project.**

A. For this project, we captured the demand for logistics facilities in the Philippines through our relationship with Fast Retailing. At the same time, we found a suitable site for development in a project undertaken by our local JV company, FNG, and began development of a dedicated logistics facility to meet the needs of Fast Retailing. We believe that Japanese companies will continue to have logistics needs overseas going forward, and we would like to continue to materialize such business opportunities in the future. (Tsukasaki, CFO)

(See the press release by FNG: [“FNG Announces UNIQLO Logistics Facility with Fast Retailing Philippines at Riverpark North Cavite”](#))

#### **[Property Brokerage & CRE Business Unit]**

**Q. Your financial results continue to be strong. What is the background for this? While demand for used houses is expanding, how do you see the future in an uncertain business environment, such as the possibility of higher housing loan rates?**

A. In the retail sector of Property Brokerage & CRE Business Unit, we have pursued a strategy of opening stores mainly in the 23 wards of Tokyo. The favorable transactions of high-value properties in central Tokyo have matched our store development. In addition, as the number of high-net-worth individuals increases, partly due to the rising stock market, the expansion of various real estate needs among these wealthy clients, such as inheritance tax planning, investment, and personal residence, has led to brokerage transactions. In order to respond to these needs, we established a specialized department for high-net-worth clients several years ago, and we have been promoting cooperation with financial institutions such as Nomura Securities, and we have been actively involved in real estate transactions through these partners. We believe that these efforts have contributed to our current strong performance. (Tsukasaki, CFO)

#### **[Shareholder returns]**

**Q. While you have a policy of a 40-50% total return ratio for FY25/3, the share price has been lagging due to overseas business performance, etc. for FY24/3. Will you implement purchases of treasury shares in the future?**

A. Depending on the progress of our financial results going forward, we will make decisions on additional shareholder returns as appropriate. (Tsukasaki, CFO)