

Nomura Real Estate Holdings, Inc.  
Briefing session of FY20/3 2Q financial results,  
held on October 30th, 2019

Q&A Summary

- Q. In the new mid-to long-term business plan, Residential Development Business Unit's target for business profit in the FY2022/3 is 30 billion yen. What are the prospects for achieving this in the severe land acquisition environment? Also as for Commercial Real Estate Business Unit, the business profit target of 33 billion yen for the FY2022/3 is lower than the FY2020/3 forecast. What is the reason for this?
- A. In Residential Development Business Unit, in addition to housing sales in Japan, overseas housing sales and rental housing sales will contribute to achieving the target. For Commercial Real Estate Business Unit, we conservatively estimate the revenues from property sales.
- Q. In terms of the announcement of the acquisition of treasury shares, do you think the company's current share price is still undervalued? When the stock price rises, would you change your current total shareholders' return target of between 40% to 50%?
- A. We decide the acquisition of treasury shares by comprehensively assessing the share price, investment environment and financial soundness. When our share price rises enough, we could increase the fund to business investment or prioritize the payment of cash dividend over the acquisition of treasury shares.
- Q. Concerning your housing sales business, what is your outlook for the sales price, land acquisition cost, construction cost and the gross margin ratio?
- A. The current sales price will stay flat as supply is limited in the market. According to market data, price looks still rising, but this is mainly due to the fact that the supply is concentrated in central Tokyo. Currently, the land acquisition cost is on the rise and construction cost is still high, while construction cost may have room to negotiate in some projects. We regard that we can maintain our company's expected gross margin ratio.
- Q. How is the sales progress of condominiums in Kichijoji, Hiyoshi, Shinonome and others?
- A. Sales are progressing as in line with the schedule of each property.

Q. What is the prospect of profit contribution in overseas housing sales business?

A. The overseas housing sales business will significantly contribute to the company's profit from Phase 2 of our mid- to long-time business plan onward. In order to fulfill the target of achieving an overseas profit ratio of 15-20%, we consider that it is necessary to expand our business not only in Thailand, where we are currently focusing on, but also in Vietnam, China, the Philippines and other countries.

Q. According to a media report, the condominium market in Thailand seems slowing down. Will the company continue to expand its housing sales business in Thailand?

A. New department has been established to monitor overseas businesses including the relationship with local partners. It assesses comprehensive risks of political, economic, and regulatory in each country including Thailand. We will continue to actively choose and engage in profitable projects not only in Thailand but also in other countries with appropriate risk consideration.

Q. In case other Business Units fail to meet the profit forecasts, is there a possibility to increase the volume of property sales in Commercial Real Estate Business Unit in order to make up for the shortage of the profit as a whole company?

A. The main purpose of property sales is not to build earnings for a single fiscal year. We consider that it is important to realize the unrealized profit of leasing assets in a longer business model such as a decade. We will optimize the leasing asset portfolio by taking a holistic view including the market environment with an eye toward Shibaura 1-chome project and other large-scale development project's completion.

Q. What is the outlook for the property development business if land prices continue to rise?

A. Even if land prices rise further, our company will be able to maintain the projects at a level where it can earn development margin by creating added value using our development expertise.

Q. What is the outlook for the development of logistics facility and hotel in Commercial Real Estate Business Unit?

A. As for the logistics facility, there is room for property development as there are still not many cutting edge properties in the market. Also, there will be an increased tenant demand as e-commerce expands. With regard to the hotel business, we will expand our business as leasing business by offering high value-added services in both NOHGA HOTEL, which is our directly managed hotel, and HOTEL NIWA, which recently joined our group.

Q. What was behind the launch of H'O and how did it differentiate itself from other companies?

A. We identified the needs for smaller office spaces compared to PMO from startup companies and branches offices of large companies and started this business. We differentiate itself by offering small but well-secured office spaces, comfortable lounges and concierge services. We will develop various office properties including our new shared office brand of H'T, based on the concept of "Human First" which puts the happiness of workers first.

Q. What are the factors behind Investment Management Business Unit 's expansion in private funds and overseas business?

A. The growing demands for alternative investments by institutional investors in a low interest rate environment have led to the expansion of private funds. In addition, through the partnership with Lothbury Investment Management since November 2018, the overseas business expanded year on year.

Q. Recently, there have been some cases of takeover bids in the real estate industry. What is your view for this movement?

A. One of the reasons for these cases is that their stock prices are undervalued relative to their Net Asset Value. We think that it is important to resolve the situation where our stock price is also undervalued relative to the NAV. As indicated in our new mid- to long-term business plan, our company aims to realize the unrealized profit of leasing assets and return them to the investors.