

Nomura Real Estate Holdings, Inc.

Briefing session of FY21/3 2Q financial results, held on October 30th, 2020

Q&A Summary

Q. What is your view of the COVID-19 impact on the business environment?

A. As overall trends, diversification in lifestyles and work styles are progressing. The residential development business is robust due to the strong customer demand, the continued low-interest-rate environment, and the stable bank's lending stance for mortgage loans. In the office leasing market, tenants are accelerating to optimize office-use style such as utilizing teleworking and satellite offices, not reducing their office space simply. Hence the demand decline has not been remarkable. As for hotel and fitness clubs, they are recovering from the COVID-19 impact, but we will still need to continue to monitor these markets.

Q. With the diversified housing demand, what factors will you focus on in terms of product development and areas for residential development?

A. The demand for housing is rapidly changing due to the border line between working and living is getting blurred as working from home is increasing. As for product development, we will respond to diversified demands for space and floor plans, as well as growing needs for workspace in the housing. In terms of areas, we will also promote business in regional core cities, in addition to the Tokyo metropolitan area, Osaka, Nagoya, and other major cities.

Q. Some foreign asset managers and GPIF are reportedly planning to expand their real estate investments in Japan. Is there a possibility that you will respond to this trend and increase the properties for sales?

A. As of the 2Q, the sales of properties were in line with our initial forecast for the FY21/3. Investors' demand for real estate in Japan is quite strong, and we are closely monitoring the trends of major players such as foreign asset managers and the GPIF.

Q. What is your stance on land acquisition for properties for sales by asset type? Will you continue to actively acquire land for logistics facilities in particular?

A. Cash flow from logistics facilities remain stable in the current market situation, therefore we intend to continue acquiring development site for them actively. However, with the intensifying market condition, land acquisitions for logistics are competitive. As for office, the acquisition environment is stabilized due to the decline in the development demand of hotels, which had been competing with us for land acquisition. In terms of retail facility, we are unwilling to acquire lands in the short term.

Q. What is your outlook for the sales of properties in FY22/3 compared to FY21/3?

A. We are more conservative about the sales of properties in FY22/3 than FY21/3. This is mainly due to the uncertain outlook for the retail facility transaction market.

Q. Are changes in work styles affecting the office business? Compared with other offices, is there a relatively significant impact on PMO which is a middle size office building and has a relatively high rent level?

A. We steadily gain new tenants at our office properties, while there have been a certain number of cancellations. We regard that PMO can quickly attract new tenants. The vacancy rates are rising both in the market and at our properties, however we do not regard that this trend will accelerate continuously. Demand for office is diversifying, and we have a lineup of properties to respond to various office demands.

Q. Office rents are on a downward trend. Will the property prices follow the same trend?

A. Office prices are expected to remain neutral. However, if the economy continues to deteriorate in the future, this could have an impact on rents and trading prices.

Q. What is the specific strengths in leasing with the various office lineups?

A. One of our advantages is that we can offer offices by combining H¹O and H¹T in addition to large buildings and PMO as middle size, in the diversified work style environment.

Q. To counteract the COVID-19, is it necessary to change office layouts and air conditioning systems in redevelopment projects? Due to the changes, is there a possibility of delays in the completion of the construction of redevelopment projects?

A. In new developments including redevelopment projects, we are executing measures to combat COVID-19, such as air conditioning and ventilation. However, we are not expecting these measures to have a significant impact on the construction schedule.

Q. As for overseas business, is there any impact of COVID-19?

A. In China, it is recovering from the COVID-19 impact and is selling well. In Vietnam, it is also doing well. In Thailand, there were concerns about a decline in demand from Chinese customers, but sales are progressing steadily. In the Philippines, sales are steady but construction periods may slightly delay.

Q. What is the outlook of profits from overseas businesses for FY22/3?

A. Overseas business has not gained profit until FY21/3 due to upfront project cost, but we expect it to become profitable from FY22/3.

Q. There was no announcement of the treasury share acquisition. What is the background of it?

A. We left the annual dividend forecast unchanged. Because we value the stability of cash dividends amid the EPS is expected to decline. We will continue to consider the acquisition of treasury shares based on the profit and share price, etc.