

Nomura Real Estate Holdings, Inc.

Briefing session of the FY21/3 financial results held on April 27th, 2021

Q&A Summary

Q. As of the Mid- to long-term business plan, you set targets of 100 billion yen in business profit in the FY25/3, and ROE over 10% in Phase 2, the FY22/3-FY25/3. In order to achieve these goals, continuous profit growth and ROE improvement are necessary. What businesses are expected to contribute?

A. Recovery in the Residential Development Business Unit is most important. To achieve that, we will evolve our residential brand, PROUD, and develop products that meet diverse demands, and promote mixed-use development and rebuilding project, which are our strengths. In the Commercial Real Estate Business Unit, we will continue our strategic replacement of leasing assets portfolio and make the upcoming large-scale projects contribute to revenue with considering our shareholders' equity ratio. In terms of overseas business, by capturing local needs, we will promote business and grow profits.

Q. The FY21/3 financial results exceeded your forecast. How much was the cost reduction effect?

A. As for rough estimate, the cost reduction effect was approximately 3 billion yen on business profit basis.

Q. Regarding the FY22/3 forecast, to what extent do you estimate for the COVID-19 impact?

A. Concerning the FY22/3 forecast, we assume that the business environment in the second half of the FY21/3 will continue. In terms of the FY22/3 financial forecast, we estimate that the impact from COVID-19 will mainly be on hotel and fitness businesses.

Q. The dividend payout ratio based on the FY22/3 dividend forecast is 31.3%, while the Mid- to long-term business plan's target for total return ratio is 40-50% level. Could you tell me the FY22/3 shareholder return policy and the mid- to long-term policy from FY23/3?

A. In the FY22/3, the policy of combining cash dividends with the acquisition of treasury shares to achieve the target of total return ratio will remain unchanged. Concerning the acquisition of treasury shares, we will decide in a flexible and comprehensive manner. The same policy will be applied in the mid- to long-term.

Q. The contract rate against the number of housing sales is 65.3% at the beginning of the FY22/3. What are the factors for that high rate?

A. There are several factors. Our sales activities progressed steadily by appropriately capturing the demand in housings for the increase in time spent at home due to the COVID-19 impact, and the changes in the customer demographics. In addition, we started sales activities early for housings to be recorded in the FY22/3 because the number of housings sales in the FY21/3 was relatively small.

Q. What is the background of the FY22/3 business profit forecast in the Commercial Real Estate Business Unit?

A. Gross profit from property for sales business will increase, while gross profit from leasing business will decrease. This is based on our strategy that we will continue replacement of the leasing assets portfolio to improve the capital efficiency, considering the upcoming large-scale projects.

Q. In terms of property for sales business, what is your estimate of gross profit in the FY22/3?

A. We estimate gross profit from late 20.0 billion yen to nearly 30.0 billion yen.

Q. What is your mid-term plan regarding property for sales business?

A. We consider approximately 120.0 billion yen for acquisition and sales per year in the mid- to long-term.

Q. Profit from property for sales business seems to be higher in the FY22/3, compared to the Mid- to long-term business plan's assumption. Are the transfer from non-current assets to inventories, and sales of properties progressing faster than expected?

A. The progress is within the assumptions of the Mid- to long-term business plan, and the sales progress is not too fast, compared to our estimate.

Q. Unrealized gains on real estate for rent at the end of the FY21/3 were at the same level as at the end of the FY20/3. What were the factors?

A. Unrealized gains were increasing due to the construction of new properties, while we were realizing unrealized gains by selling properties. To progress realizing unrealized gains are our company's policy.

Q. What are your future prospects for the acquisition of land for housing and property for sales such as office building, retail facility, and logistic facility?

A. Under the COVID-19 situation, the competitive environment for land acquisition is severe, with the number of properties for sale has not increased. We expect that companies will accelerate to sell their assets held. With respect to land for housing sales, we already have stock for around two or three years onward. We will select highly profitable projects with the target of selling housings a little more than 4,000 to 5,000 units level per year, including redevelopment projects. Concerning land for property for sales, we will assess the demand trends for each property use.

Q. As for the three Business Units in the Service & Management Sector, what are the assumptions for the FY22/3 forecast?

A. We are carefully paying attention to the COVID-19 impact and market outlook regarding the three Business Units. In addition, we expect expenses to increase, including those related to DX and human resource investment in the Property & Brokerage & CRE Business Unit.

Q. Could you tell me about the Grand Park 2nd period project in Viet Nam, which is to be recorded in the FY22/3?

A. In this project, Vingroup, the largest real estate developer in Viet Nam, plans the grand design, and our company and Mitsubishi Corporation participate as joint venture partners. Construction is progressing speedily and monetization is expected to be relatively fast. In Viet Nam, the COVID-19 impact is limited and there is little concern for the delay of the project plan and sales activities. This project is focusing on the actual demand for housings concentrated in the urban area, and the sales activities are progressing steadily.

Q. How are you going to control the country risks of overseas business? Are there standards for the annual investment amount and returns?

A. At present, the investment amount of approximately 81.0 billion yen is determined. In the Mid-to long-term Business Plan, we estimate to invest 300.0 billion yen in 9 years. Plans are proceeding ahead of schedule that we are assuming to invest 200.0 billion yen till 2025. Concerning risk control, we consider that it is important to invest with the appropriate diversification of the countries. Even if an unforeseen event should occur when investing in one particular country, we will invest to the extent that it will not have a significant impact on our business foundation. However, rather than expanding the number of countries we invest in, we will focus on Viet Nam, Thailand, the Philippines, and China where we have already invested. Internally, we have a system in place to monitor business progress and country risks as needed based on a comprehensive assessment. In addition, maintaining a relationship of trust with our joint venture partners will be our risk control.

Q. Are you considering participating in the global environmental initiative RE100?

A. With regard to CO2 emission reduction, we have set a specific target of reducing emissions by 35% in Scope 1, 2, and 3 by the FY31/3 compared to FY20/3 and established measures. Consequently, we obtained SBT certification in November 2020. As for RE100, an initiative committed to renewable energy, we will consider participating in it after estimating how we can contribute to society as a whole.