

**Nomura Real Estate Holdings, Inc.**

**Briefing session of the FY22/3 financial results and Mid- to Long-term Business Plan**

**held on April 26th, 2022**

**Q&A Summary**

**Q. In the Mid- to Long-Term Business Plan, the Residential Development Business Unit shows the strategy to stably supply 4,000–5,000 housing units annually. What is your outlook for the market supply in the Tokyo Metropolitan area and your company's product lineup, including OHANA?**

A. We expect the Tokyo Metropolitan area's condominium supply to be in the 33,000–34,000 units range in 2022. Though we are facing declining birthrate and aging population, the number of households is increasing, so we do not expect the supply volume will significantly decline in the mid- to long-term. As for product lineup, PROUD is going to be the mainstay. In terms of OHANA, it is getting difficult to ensure profit ratio, due to the rise of construction costs, however we will do business if there are business opportunities.

**Q. In the Mid- to Long-Term Business Plan, as for housing sales business, do you expect the sales volume will decrease for some time? If so, are you going to maintain profit by selling rental housings?**

A. In this planned period, in addition to ordinary projects, we expect redevelopment and rebuilding projects to be recorded to sales, therefore we do not anticipate a significant revenue decrease. As for rental housing, our plan is to record stable annual gross profit from sales of approximately ¥2.0–3.0 billion.

**Q. In the Commercial Real Estate Business Unit, your plan is to grow the business profit from ¥38.5 billion in FY22/3 to ¥55.0 billion in FY25/3. How are you going to increase it? In addition to the profit from property sales, is leasing profit from new development properties going to contribute?**

A. As for profit from property sales, we expect to increase approximately ¥10.0 billion compared to FY22/3, by combining property development and strategic asset replacement based on the leasing assets portfolio strategy. We also expect to increase the profit by billions of yen with the business recovery from COVID-19 impacts, such as fitness, retail facility and hotel. Moreover,

we expect a profit contribution from H<sup>1</sup>T and others. (see Attachment "Reference Material 1"). The leasing profit of large-scale mix development projects, including redevelopment of Nihonbashi 1-chome central district and Shibaura 1-chome project, is expected to contribute from Phase II

**Q. What is the volume of properties you transferred from fixed asset to inventories at the end of FY22/3?**

A. At the end of FY22/3, we transferred approximately ¥15.0–20.0 billion in a total of fixed asset to inventory, based on our leasing asset portfolio strategy.

**Q. How will you set and control the leasing profit ratio of the company's overall business profit in the Mid- to Long-term?**

A. Leasing Business can earn stable revenue, while ROA will decline if we hold too many leasing properties. In the Mid- to Long-Term Business Plan, our strategy is to manage at a level that we can maintain ROA of 5% by combining Leasing Business and highly efficient Service Management Sector that can earn stable revenue.

**Q. In the Mid- to Long-Term Business Plan, what is your forecast for CAP rate in the real estate transaction market?**

A. We do not expect a significant change in CAP rate.

**Q. What is your outlook of the office leasing market?**

A. As for the demand for medium to small office floors, including PMO and H<sup>1</sup>O, the current leasing is favorable. While, in terms of large office floors, we regard it as a difficult phase for tenants to move with factors such as the Ukraine situation, rising prices, and the economic outlook. We will continue observing the situation.

**Q. As for the Overseas Business Unit, business profit for FY23/3 forecast is ¥5.5 billion. Can you give a breakdown for that? Also, what is your investment plan for overseas business in the Mid- to Long-term Business Plan?**

A. Overseas business will start contributing to profits from FY23/3. For the next few years, residential development projects in Vietnam will make a large contribution to profits. In the latter

half of the Mid- to Long-Term Business Plan, the Philippines projects are expected to start contributing to the profits. As for commercial property development business, in developed countries including the UK, we expect them to monetize from Phase II.

**Q. From Phase II onwards in the Mid- to Long-term Business Plan, the payout ratio is set at 40% level as a shareholders returns policy. Are you not going to consider an acquisition of treasury shares?**

A. Our plan is to gradually increase the payout ratio in the range of the total return ratio of 40-50% in Phase I, from the payout ratio of 31.7% in FY22/3 to 40% level in Phase II. From Phase II onwards, there is a possibility of carrying out an acquisition of treasury shares considering investment opportunities and share price. However, it depends on the future environment, so we are not incorporating it into the plan at this stage.

**Q. From Phase II onwards in the Mid- to Long-term Business Plan, it is planned to increase new investments. Can you ensure financial soundness?**

A. By achieving the profit growth of 8%, we think we can realize both growth investment and shareholder returns, while ensuring financial soundness.

**Q. Can you tell me specifically about the synergies with the Nomura Group as mentioned in the presentation material of the Mid- to Long-Term Business Plan?**

A. In the Property Brokerage & CRE Business Unit, we plan to promote personnel exchanges with the Nomura Group and strengthen its approach to corporate clients with proposals for land utilization needs. In the Investment Management Business Unit, we are considering future initiatives to generate synergies, between the Nomura Group's investor network and our expertise in the real estate business. We also believe that there is a possibility to demonstrate synergies in collaboration with overseas asset management companies.

**Q. Is there any impact on housing sales business and other business in the Mid- to Long-term Business Plan due to the rise of construction materials prices?**

A. As for housing sales business, we have completed contracts with general contractors for housings to be sold till FY24/3, so we expect there is no impact. While, there is a possibility of impact for housings to be sold in part of FY25/3 and FY26/3. As for the gross profit ratio for FY25/3 and FY26/3 onward, we are seeing it conservatively, so there is room to absorb and mitigate impacts.

In terms of property sales business in the Commercial Real Estate Business Unit, office and logistics facilities may be affected by cost increases similar to or larger than those in the housing sales. We are also seeing the gross profit ratio on property sales conservatively.

**Q. Can you tell me the certainty of business profit of ¥115.0 billion in Phase I in the Mid- to Long-term Business Plan?**

A. We have already secured enough business stocks for the Residential Development Business Unit and the Commercial Real Estate Business Unit. It depends on how far the Ukraine situation and other factors would affect the economy, but we do not regard it as a stretch target.

**Q. Can you elaborate on your business portfolio strategy?**

A. We will use our development capabilities, one of our competitive advantages, as a starting point, and grow the property sales business and leasing business, and our prime assets developed by those businesses will grow the service management business continuously. In terms of each business, we will achieve high ROA and continue to expand investments, with profitability improvement in the property sales business through reviewing investment targets for individual businesses, and with an increase in business volume through developing overseas business. In the leasing business, with a low ROA, we will attain a ROA of 5% by controlling the volume of assets held together with the service and management business of a high ROA. (see Attachment "Reference Material 2").

# 【Reference material 1 : Business Profit by Business Unit】

## Main factors for changes in Business Profit of Commercial Real Estate Business Unit for FY25/3 (compared to FY22/3)

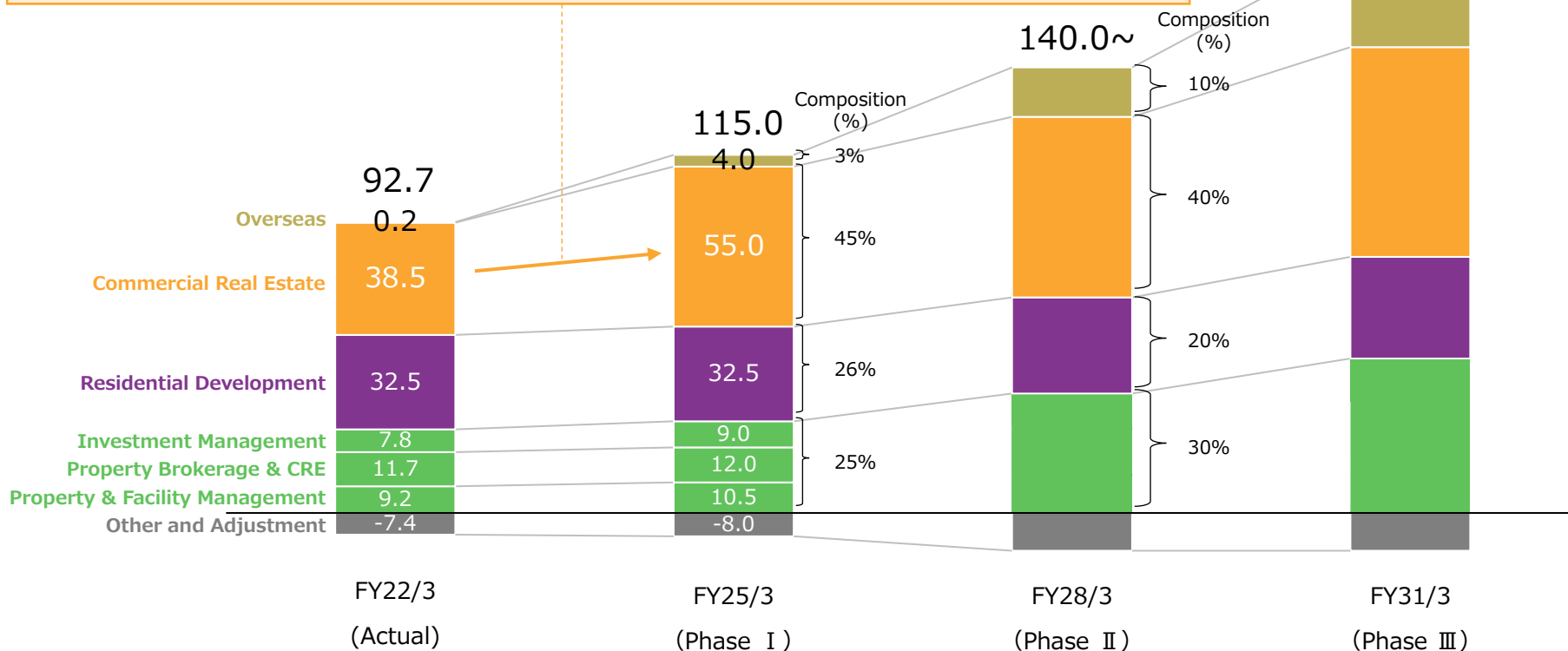
(factors of increase)

- Increase of gross profit from property sales (approx. ¥11.0-¥13.0 bn)
- Increase of gross profit from fitness business, hotel business, and H<sup>1</sup>T etc. (approx. ¥8.0 bn)

(factors of decrease)

- Decrease of gross profit from leasing business in leasing property held and property for sales (approx. ¥3.0 bn)
- Increase of cost

(¥ bn)



# 【Reference material2 : Business Profit Composition by Business Type】

	FY22/3 (Actual)
Property Sales	57%
Leasing	19%
Service Management	25%

	FY25/3 (Phase I)
Property Sales	approx. 60%
Leasing	approx. 15%
Service Management	approx. 25%

	FY28/3 (Phase II)
Property Sales	approx. 55%
Leasing	approx. 15%
Service Management	approx. 30%

	FY31/3 (Phase III)
Property Sales	approx. 55%
Leasing	approx. 15%
Service Management	approx. 30%