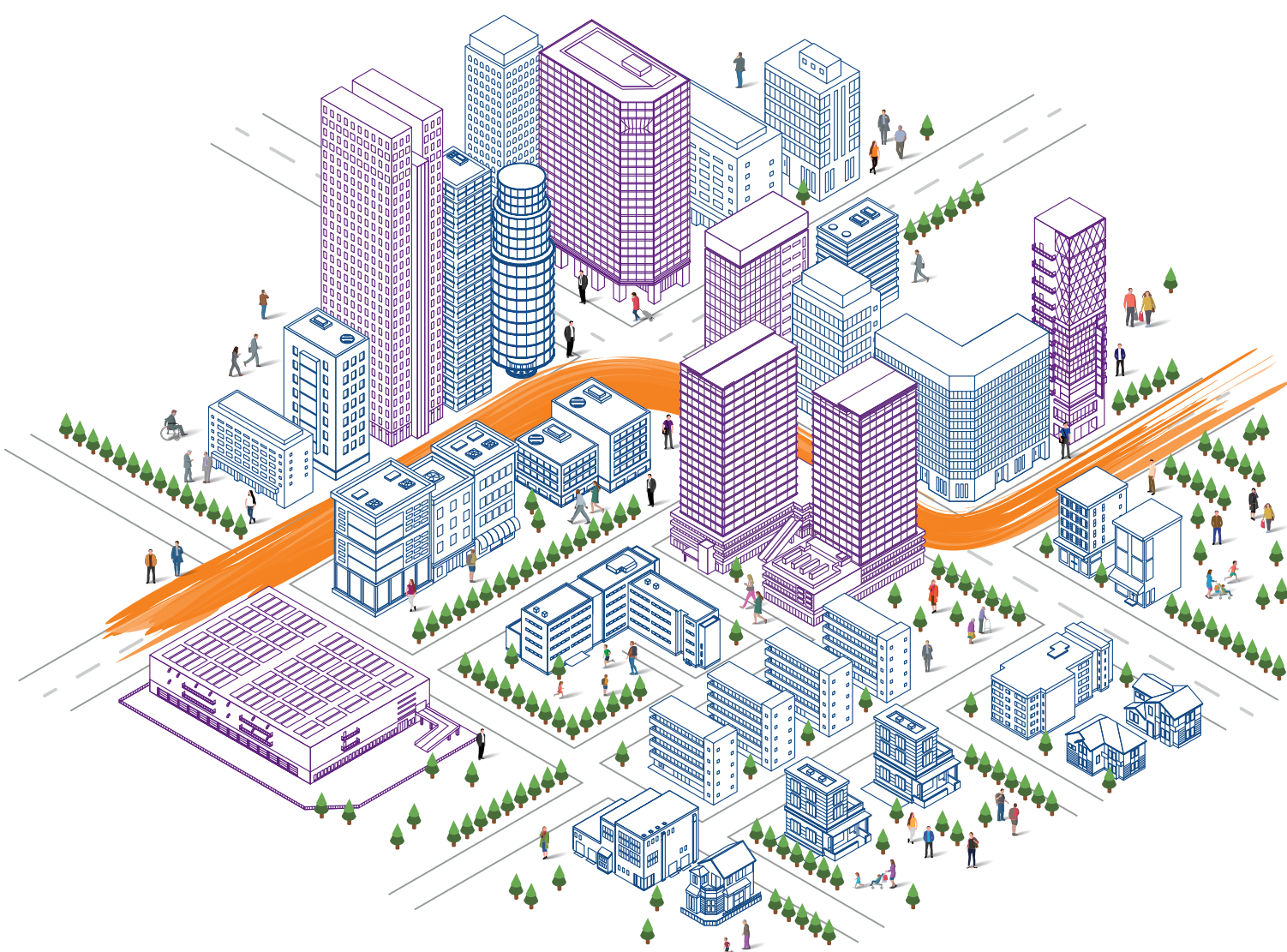


New Value, Real Value

Integrated Report 2020



Our Group Vision “New Value, Real Value”

New Value, Real Value

Integrating all that is precious to people and communities,
we build cities—dynamic stages that connect today with tomorrow’s possibilities,
and embrace every moment of life’s pursuits.

We create new value, social value, and, above all, real value.

Action guideline “What We Value”

Client-first approach

We maintain our “client-first” approach as well as our attitude to ensure trust and fulfill expectations, which we have valued since the foundation of the company.

Creating new value based on original ideas

We pursue creating new value with free and out-of-the-box thinking, placing importance on anticipating future and global perspectives.

Always being a challenger

We always bear in mind that we are a challenger and take on new challenges with humility and ambition.

Acknowledging our growth with society

Ever mindful of our responsibility and pride in creating the future for people and cities, we contribute to society and continue to be a company on which it relies.

Working with vigor and achieving wellness

Recognizing that working with vigor brings growth to both the company and ourselves, we take the utmost care of our mental and physical health.

Editorial policy

This integrated report is published in order to foster understanding and serve as a tool for a deeper dialogue among shareholders, investors, and other stakeholders of the Nomura Real Estate Group. It explains the Group's approaches, strategies, and specific measures toward the creation of mid- to long-term value (social value and economic value) by giving consideration to the external environment and linking financial and non-financial information.

This report focuses on explaining the Nomura Real Estate Group's value creation process and distinctive business models and other initiatives to realize value creation. It also strives to communicate the likelihood of creating the kind of value the Group aspires to through the messages from top managements and dialogue between the Chairman of the Board of Directors and an External Director.

The editing and layout of this report follow guidelines such as the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry. In addition, feedback and requests raised during dialogues with investors have been also incorporated.

About the cover

The Nomura Real Estate Group engages in the businesses of developing real estate and providing real estate-related services. We strive to create new value by resolving social issues through "building cities—dynamic stages that connect today with tomorrow's possibilities" and "embracing every moment of life's pursuits."

By effectively utilizing our corporate colors, specifically orange (hospitality, spirit of challenge) and purple (originality, dignity), the cover of this report expresses our urban development and unfaltering commitment to the achievement of Our Group Vision.



Referenced guidelines

- Global Reporting Initiative (GRI) Standards
- ISO 26000—Guidance on Social Responsibility
- International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)
- Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry



Period covered by the report

This report covers the period from April 1, 2019 to March 31, 2020.

Parts may discuss information from times prior to this period or activities or outlooks for times following this period.

Scope of the report

Nomura Real Estate Holdings, Inc. and Nomura Real Estate Group 23 companies

Forward-looking statements

This integrated report contains forward-looking statements about the future plans, strategies, and performance of Nomura Real Estate Holdings, Inc. ("the Company") and its consolidated subsidiaries ("the Group"). These forward-looking statements are not historical facts.

Rather, they are estimates, forecasts, and projections based on information currently available to the Company and are subject to a number of risks and uncertainties, which include economic trends, intensification of competition in the real estate industry, legal and taxation systems, and other regulations. As such, actual results may differ from those projected.

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Eiji Kutsukake
President and Representative Director, Group CEO



Seiichi Miyajima
Executive Vice President and Representative Director, Group COO



Makoto Haga
Director, Group CFO

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Information disclosure on the website

Additional information can be found on our website.



Home page

 <https://www.nomura-re-hd.co.jp/english/>



Financial information

Non-financial information

Integrated report and financial report

 https://www.nomura-re-hd.co.jp/english/ir/_library/annualreport.html





Investor relations

 <https://www.nomura-re-hd.co.jp/english/ir/> →

- Management policy
- Financial information
- IR library
- Stock information
- etc.



- Company information
- Business overview
- Sustainability/ESG

 <https://www.nomura-re-hd.co.jp/english/csr/>
- CSR report PDF download
 <https://www.nomura-re-hd.co.jp/english/csr/download/>
download/
etc.



The Nomura Real Estate Group's history of challenge

We have continued to take on challenges amid these changing times while anticipating the needs of customers and society. Our past initiatives created the current and future values.

1957–1990

High economic growth period—Bubble economy

Social situation

1964 Tokyo Olympics held
1985 Plaza Accord
1989 Nikkei Stock Average
recorded all-time high

Social issues

- Shortage of high-quality housing to address population growth and inflow occurred in urban areas
- Development of urban infrastructure accompanying rapid economic growth

The Group at the time

- Nomura Real Estate Development established (1957)
- Transferred from Nomura Securities' asset management company to real estate developer
- Started large-scale residential land lot development and condominium sales



1957

Spun off from Nomura Securities and launched real estate business focused on leasing and management of office buildings

Initiatives at the time

Entered into the residential development business

In 1957, the Company was established as a company to hold and manage Nomura Securities's new head office building. Subsequently, the Company took its first step in entering the residential development business by developing the Kajiwarayama residential area (Kanagawa Pref.) in 1961, to solve the housing shortage during the postwar reconstruction boom. In 1963, the Company advanced into the condominium development business and firmly established its position as a major private developer. In addition, when only short-term loans were available for housing, we established a housing trust system that pioneered the current housing loans and set the possible installment period for 10 years. The Company's market-in approach, which promotes thinking from the customers' perspective, has been cultivated ever since.



1961

Launched real estate development business with development of Kajiwarayama residential area in Kanagawa



1963

Launched condominium development business with construction of Co-op Takenomaru in Kanagawa

Developed the Shinjuku Nomura Building, a skyscraper integrating the latest technologies

The office building business is the origin of the Group, starting from the construction of the new building for Nomura Securities, and has steadily expanded, including the completion of the Nomura Real Estate Edobashi Building (currently Dai-ni Edobashi Building) in 1973. Later, construction of high-rise buildings was facilitated by the revision of the Building Standards Act. In 1978, the Shinjuku Nomura Building was completed, a cutting-edge skyscraper featuring the latest disaster prevention equipment and resource conservation. Through this construction together with the Group-wide activities, including leasing tenants, valuable expertise was accumulated, which contributed to the subsequent expansion of the office building business.



1978

Completed construction of the Shinjuku Nomura Building. Head Office was moved from Nihonbashi to the building

Now and toward the future

Build residences that can maintain high quality over the years ahead

An array of residences developed by emphasizing the market-in approach and the commitment to quality since its foundation have maintained their beautiful townscapes and residential quality, which constitute the Group's DNA. In addition, the large-scale repair works by the Property & Facility Management Business Unit and the brokerage business for condominiums and detached housings by the Property Brokerage & CRE Business Unit have continually generated value.



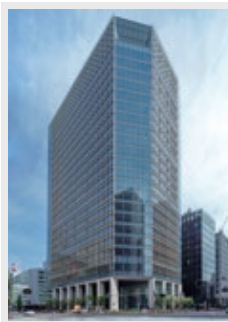
The Kajiwarayama residential area in Kanagawa that maintains its beautiful townscape



Co-op Takenomaru that maintains high quality even after 50 years of construction

Expand the mixed-use development business

In 2020, the construction of TOKYO TORANOMON GLOBAL SQUARE was completed to facilitate the convenience and comfort of working people. Meanwhile, the Nihonbashi 1-Chome Central District Redevelopment, including Nomura Securities's former headquarters the Dai-ni Edobashi Building, showcases the Group's business performance in the past, present, and future.



2020

Completed construction of TOKYO TORANOMON GLOBAL SQUARE



2026

Nihonbashi 1-Chome Central District Redevelopment Project scheduled to be completed

1991–2002

Bubble burst—Recession in the 1990's/Lost decade

Social situation

1991–1993 Economic stagnation due to bubble burst
1995 Great Hanshin-Awaji Earthquake
1997– Financial crisis (Bankruptcy of Yamaichi Securities, etc.)

Social issues

- Increasing demand for residences with higher quality, safety, and security, taking into account of the necessity for higher seismic adequacy in consideration of the damage caused by the Great Hanshin-Awaji Earthquake
- Accelerated population inflow toward urban centers, buying motivation of those with actual demand due to falling land prices in urban centers increased

The Group at the time

- Recovered from sluggish trends in profit caused by the economic crisis
- Downsized balance sheets and reinforced the financial soundness

Initiatives at the time

Concentrated business resources into the residential development business and generated the PROUD

When the bubble burst, the economy and the real estate market conditions rapidly deteriorated. Under the harsh environment, the Group grasped the residential needs that were returning to urban centers due to falling land prices and concentrated its business resources on the condominium business. In 2002, the Group announced its unified residential brand, PROUD. With proactive advancement centered on the brand strategy, the Group refined its characteristics of the integrated development, sales, and management system.



2002
Announced PROUD as the unified residential brand of products and services
Completed construction of PROUD Kugayama (2003)

Started asset management and property development for sales business

Since the dawn that took place in the latter half of the 1990s, the Group focused on the future potential of the real estate securitization business and entered in the asset management business utilizing external funds. As we continued to accumulate expertise through the structuring of real estate funds, we started the property development for sales business. In 2001, the retail facility Fab Minami-Osawa, developed on the premise of selling to investors, was completed.



2001
Completed construction of Fab Minami-Osawa, a retail facility developed using the real estate securitization scheme

Made use of IT in the real estate brokerage business ahead of competitors

Noticing the potential for the use of IT systems supported by rapid improvement of the Internet infrastructure ahead of competitors, the Group launched nomu.com, its real estate information website, in 1999. Because nomu.com functioned as a point of contact with customers, it became possible to grasp their needs via both real stores and the Internet, which facilitated the growth of the real estate brokerage business.



1999
Launched the real estate information website nomu.com

Now and toward the future

Make use of high-quality real estate stock: "re:Premium"

Condominiums that the Group has continued to supply have become high-quality real estate stock and contribute to the growth of the Property Brokerage & CRE Business Unit and Property & Facility Management Business Unit. To enable the reduction of buildings' life-cycle cost, the Property & Facility Management Business Unit developed "re:Premium" as an initiative for long-term, large-scale repair works for many properties of PROUD that undergo the first large-scale repair works because approximately 20 years have passed since the announcement of PROUD. Aiming to provide housing where people can always live with comfort and safety/security, the Group will continue to offer better services.



2015
Announced "re:Premium," the large-scale repair work for condominiums to realize the long-term guarantee exceeding the industry standard

Expand asset management business

Leveraging the expertise accumulated over years of operations in the asset management business, the Group has managed Nomura Real Estate Master Fund, which is one of the largest J-REITs, and Nomura Real Estate Private REIT, which is the first private REIT in Japan. Including the real estate investment manager Lothbury in the UK, which joined the Group in 2018, the assets under management (AUM) amount to approximately ¥1.8 trillion. Through the acceleration of the initiatives for environment, social, and governance (ESG) and other measures, we have continued to be a leading company in the industry.



nomu.com, the top real estate company website (brokerage)

There are approximately 220,000 nomu.com members since its launch more than 20 years ago, and it is the top* real estate company website (brokerage) in terms of access and users. It has made great contributions because many inquiries about sales transactions for the retail brokerage business came from nomu.com. Advanced services have been introduced by using AI and VR, among others, to facilitate transactions for customers.



*In February 2020, the number of users of Nielsen NetView (excluding access/apps from computers at home or in the office) was approximately 926,000 and the number of users from smartphones of Nielsen Mobile NetView (including access/apps from iOS or Android) was approximately 1,683,000 (the top in terms of the monthly number of users in the real estate company (brokerage) section). The total number of PCs and smartphones is estimated in-house based on Nielsen Digital data. The comparison target between the real estate agency and the real estate portal site is selected by the Company.

The Nomura Real Estate Group's history of challenge

2003–2010

Economic recovery—Global financial crisis

Social situation

2001–2006 Structural reform by Koizumi administration
2003 Mass supply of new office buildings
2008 Global financial crisis

Social issues

- Increasing needs for the use of corporate real estate (CRE), such as idle assets and unnecessary assets, caused by changes in the industry
- Peaking of the population in Japan, moving toward a super-aging society

The Group at the time

- Nomura Real Estate Holdings became listed on the First Section of the Tokyo Stock Exchange (2006)
- Further expanded of the residential development business
- Developed the brands of property for sales (including offices, retail facilities, logistics facilities and rental housings)



2006

Nomura Real Estate Holdings became listed on the First Section of the Tokyo Stock Exchange

Initiatives at the time

Made the housing sales business grow and established the PROUD brand

The residential development business that achieved growth along with PROUD contributed to the Group's business expansion. The track record of the accumulated developments based on the market-in approach and the commitment to quality led to the established reputation of PROUD. Backed by the high evaluations of PROUD from customers, the Group began aggressive land acquisition after the global financial crisis ahead of competitors, which significantly contributed to the subsequent further business expansion.



2006

Completed construction of PROUD Minamiayama

NREG TOSHIBA BUILDING (currently Nomura Real Estate Building) joined the Group

In 2008, we conducted an M&A with NREG TOSHIBA BUILDING as the disposition of real estate held by non-real estate companies progressed due to the heightened awareness of the compression of balance sheets and capital efficiency. This company owns a large number of leasing properties, and by joining the Group, the leasing business has expanded as a stable source of income, which is a major step leading to future large-scale development.

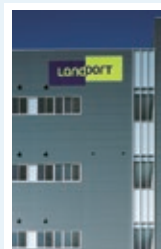


2008

NREG TOSHIBA BUILDING (currently Nomura Real Estate Building) joined the Group

Created the brands of property for sales

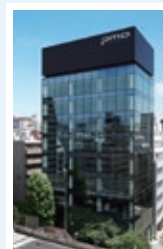
Through the market-in approach, the Group discovered the diversified needs of the tenants and people working there and created unique property brands such as PMO (offices) and Landport (logistics facilities). The Group exploited a new market of mid-sized high-grade offices by PMO, and its initiative to rebuild buildings that are aging and concerned about earthquake resistance, and then build a city that is resilient to disasters have contributed to resolving social issues.



Landport

2007

Completed construction of Landport Atsugi



PMO

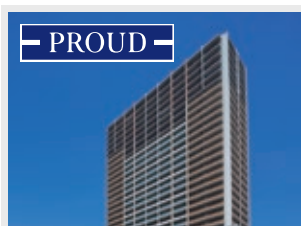
2008

Completed construction of PMO Nihonbashi Honcho

Now and toward the future

Take initiatives for the redevelopment business

In order to acquire development opportunities in highly convenient area mainly near city center and urban railway stations, it is essential to take initiatives in the redevelopment business. The high appreciation of the customers for PROUD*¹ has given the Group a large advantage in the redevelopment business. Due to the synergy effect with the expertise accumulated over many years, the number of residential redevelopment projects participated is ranked at the top of the industry.*²



2016

Completed construction of PROUD TOWER Tachikawa

Make a challenge for the largest-scale, mixed-use development project ever for the Group

The Shibaura 1-chome District Project to rebuild the Hamamatsucho Building owned by Nomura Real Estate Building into twin towers of 230m high, with 550,000m² of gross floor area is now in progress. The twin towers will become one of the largest high-quality leasing assets in the history of the Group, equipped with area management, top-class environmental functions, and consideration for safety/security, aiming for future urban development.



2021

Shibaura 1-chome District Project scheduled to start construction (scheduled for completion: S Building FY25/3, N Building FY31/3)

Grow mutually with the Group REITs

For further growth of the property development for sales business, the Leasing Value Chain was concluded for mutual growth with the Group REITs and funds through selling-off properties to the REITs and funds. Since 2015, the cumulative total of the transactions amounted to over ¥300 billion, significantly contributing to the growth of the Group.



*1 PROUD was ranked first in 7 out of 10 categories in the Nikkei, Inc. 2019 Condominium Brand Survey. *2 Source: Based on in-house research

2011–

Great East Japan Earthquake—Increase in ESG values and progress of globalization

Social situation

2011 Great East Japan Earthquake
2013-2020 Abenomics
2015 Sustainable Development Goals (SDGs) adopted

Social issues

- Changing life/work styles due to increasing dual-income households and declining birthrate with the aging population
- Progress of globalization
- Rising awareness of sustainability including resilience against natural disasters and environmental issues

The Group at the time

- Made challenges to create urban development unique to the Group, which is a recycling-oriented type that emphasizes the community
- Utilized our experience accumulated in Japan for overseas business expansion



2015

Established NOMURA REAL ESTATE ASIA in Singapore
Launched overseas business expansion in Asian countries

Initiatives at the time

Initiatives for urban-type compact town

In response to the changing social structure, such as the declining birthrate and aging society, the Group has promoted the multi-functional and highly convenient urban-type compact town. Funabashi Morino City, completed in 2014, is equipped with necessary functions for people's lives, such as a shopping center and hospital centered around residential areas. In 2017, the elderly housing with supportive services, OUKAS Funabashi, opened there and contributed urban development for many generations.

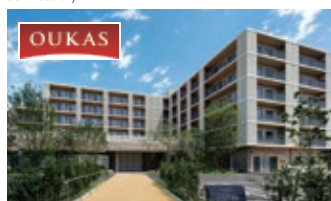


2014
Completed construction of the urban-type compact town Funabashi Morino City



2016

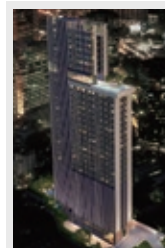
Acquired EcoQuartier certification for the first time in the world (except the projects in France) promoted by the French Ministry of the Ecological Transition (eco-district certification)



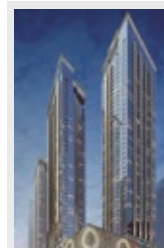
2017
Opened the Group's first elderly housing with supportive services, OUKAS Funabashi

Accelerated overseas business

Mainly in the cities of rapidly growing ASEAN countries, the Group has accelerated its overseas expansion by leveraging the expertise cultivated in Japan, including the market-in approach and commitment to quality. In the housing sales business, based on collaborations with local developers, the Group has promoted the provision of products and urban development by accurately grasping needs in the areas with Japanese high-quality project management.



2017
Joined the housing sales business in Bangkok, Thailand

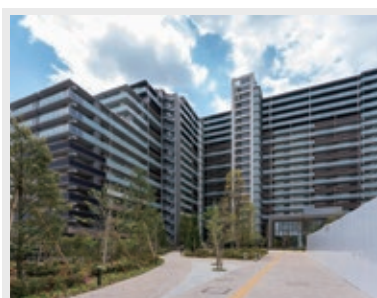


2017
Joined the mixed-use development business, including residential and retail facilities, in Manila, the Philippines

Now and toward the future

Take initiatives for urban development toward the future

The experience of Funabashi Morino City contributes to the further expansion of the urban-type compact town, sustainable urban development that the Groups has pursued. A variety of developments are now in progress in Hiyoishi, Kichijoji, and Kameido. In 2018, activities for the community-based urban development initiative of ACTO were launched in the course of our urban development toward the future.



2020
Completed construction of PROUD CITY Hiyoishi (Residence I)



2022
KAMEIDO PROJECT and PROUD TOWER Kameido Cross scheduled for completion

Strengthen sustainability/ ESG promotion

In order to pass on the Group's history to the future and continuously achieve sustainable growth with all stakeholders in the coming years, the Group has enhanced its initiatives for and information disclosure of sustainability/ESG. In 2016, the Group's COO was appointed as the Chairman of the CSR Committee (currently the Chairman of the Sustainability Committee). Under the belief that all of the Group's business activities should be integrated with sustainability/ESG, a variety of initiatives have been enhanced as well as the signing of the United Nations Global Compact and the Principles for Responsible Investment (PRI) by investment management companies.

United Nations
Global Compact

Principles for
Responsible
Investment (PRI)

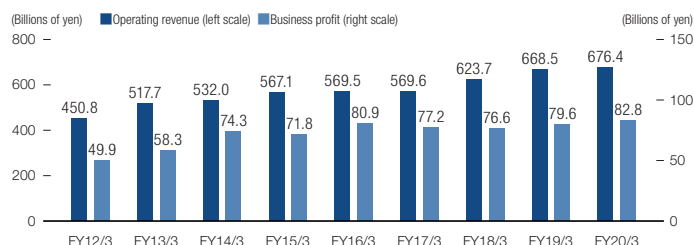
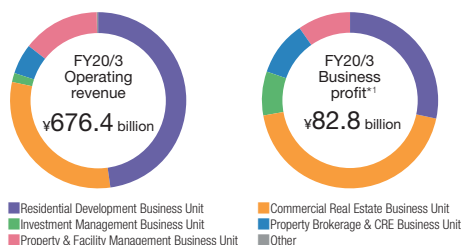


The Nomura Real Estate Group at a glance

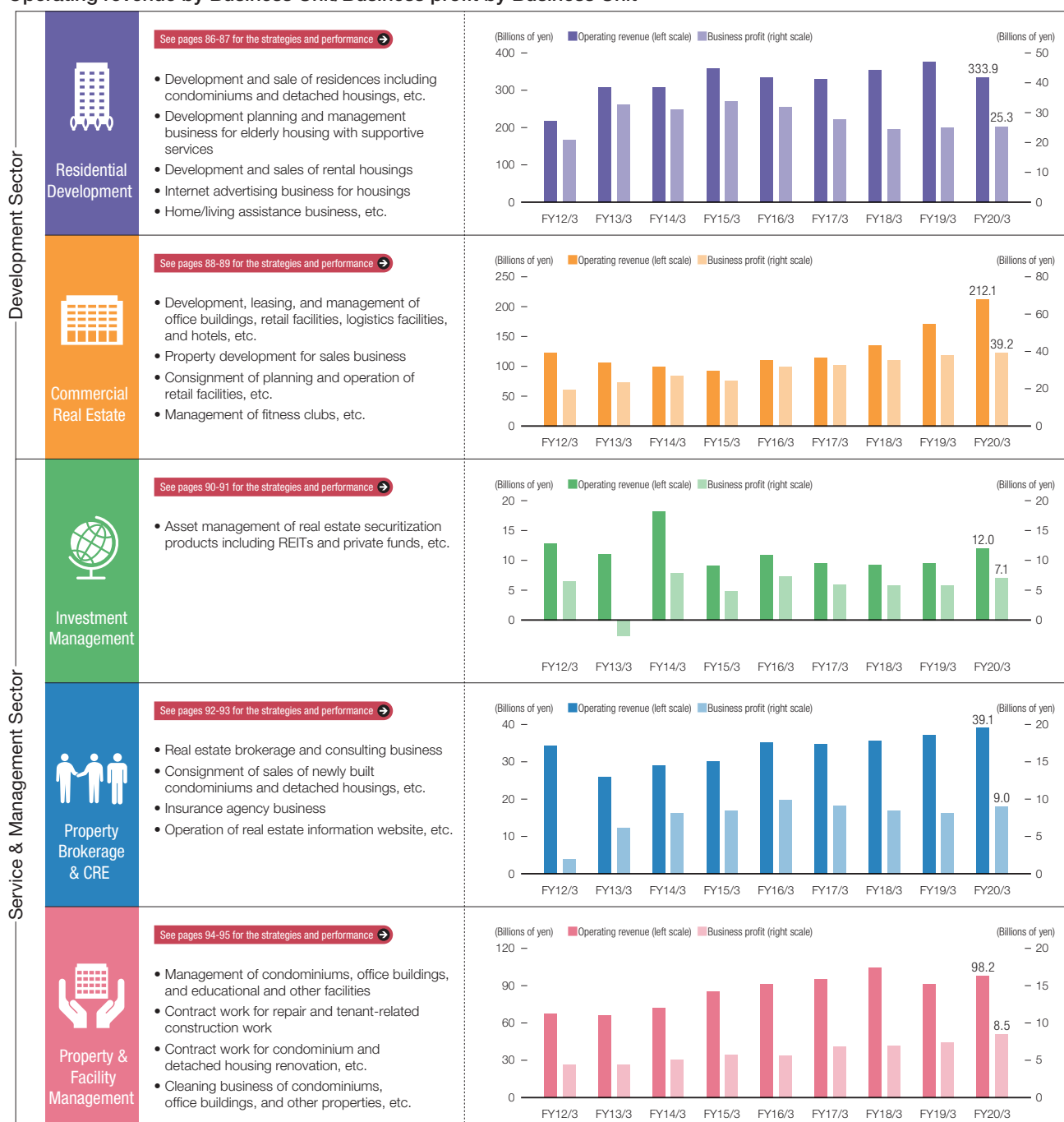
We are a group of companies that creates high added value by leveraging the business resources accumulated over many years and by cooperation of Development Sector and Service Management Sector.

The Nomura Real Estate Group's businesses

Operating revenue/Business profit^{*1, 2}



Operating revenue by Business Unit/Business profit by Business Unit^{*1, 2, 3}



^{*1} Business profit = Operating profit + share of profit (loss) of entities accounted for using equity method + amortization expenses of intangible assets associated with corporate acquisitions

^{*2} Prior to FY18/3, figures are equivalent to operating profit.

^{*3} The figures for each fiscal year may differ due to business transfers, etc. For details, see the outline of consolidated financial statements, etc.

The Nomura Real Estate Group in figures

[Output] Value created by business resources

Operating revenue	¥676.4 billion	Business profit	¥82.8 billion	Profit attributable to owners of parent	¥48.8 billion
Total return ratio	46.5%	ROE	9.1%	ROA	4.7%

[Input] Business resources cultivated by the Company to realize mid- to long-term value improvement

•Financial capital

See pages 22-23 [Sources of corporate value] for the details of business resources →

Shareholders' equity	¥550.1 billion	Shareholders' equity ratio	30.5%	D/E ratio	1.6 times	Cumulative gross profit on sales of properties for the last five fiscal years*
Rating						
Rating and Investment Information, Inc. (R&I)	A-	Japan Credit Rating Agency, Ltd. (JCR)	A			Approx. ¥388.0 billion

*Cumulative gross profit on sales of properties from housing sales and property sales (Residential Development Business Unit, Commercial Real Estate Business Unit) for the last five fiscal years

•Human capital

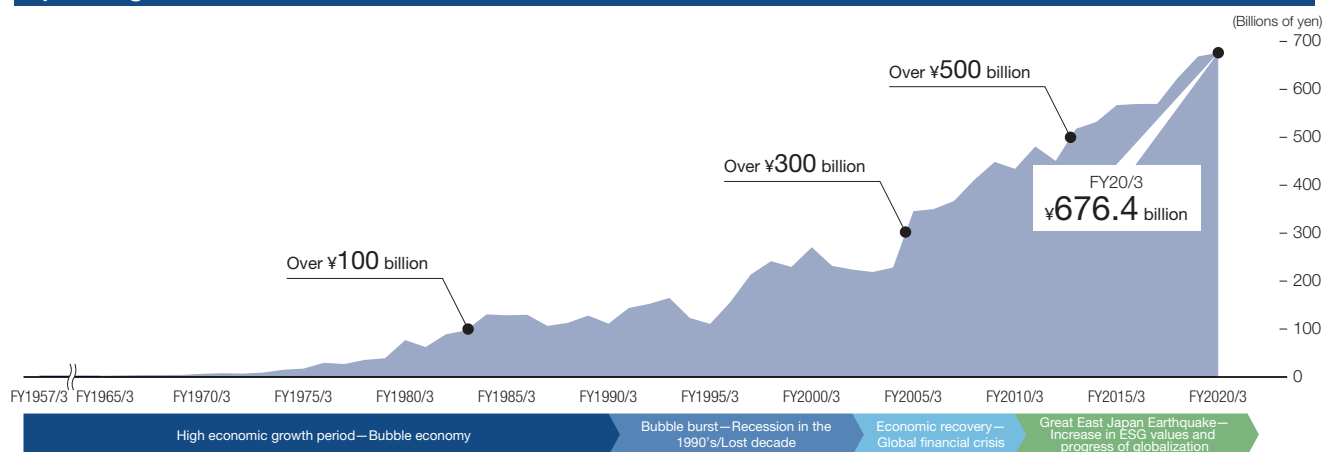
Number of employees	7,176	Percentage of female employees	30.6%	Number of first-class licensed architects	281	Investment in training per employee	¥80,393
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•Manufactured capital, intellectual capital, social capital, natural capital, and customer base

Net lettable area (NLA) (offices, retail facilities)	Approx. 913,000 m ²	Accumulated development expertise	Approx. 60 years	Product planning and design capabilities	Good Design Award for 18 years	Assets under management	¥1,798.5 billion
Number of residential redevelopments projects participated	No. 1	Percentage of acquired environmental certifications on properties developed in Commercial Real Estate Business Unit (excluding rental housings)	100%	ESG asset management evaluation	GRESB 5 stars	Fitness clubs evaluation	
Condominium brand		Real estate brokerage evaluation		Condominium management rating		Woman Research Customer Satisfaction	No. 1
Nikkei, Inc. Condominium Brand Survey	No. 1	Oricon Customer Satisfaction Report	No. 1	"SumaiSurfin" Customer Satisfaction Survey	No. 1	Number of tenants (offices, retail facilities)	Approx. 900 tenants
Number of Nomura Real Estate Group Customer Club members	Approx. 129,000	Number of nomu.com members	Approx. 225,000	Number of housings under management	182,259 units	Number of partnerships with financial institutions through property brokerage business	77 companies
Number of H+T members	Approx. 24,500	Number of institutional investors customers through assets management in Japan (excluding listed REITs)	193	Number of MEGALOS members	Approx. 144,000		

*The figures are for the fiscal year ended March 2020 or as of the end of March 2020. See P22-23 for notes on manufactured capital, etc.

Operating revenue



*The operating revenue before FY2004/3 is for Nomura Real Estate on a non-consolidated basis.



We will achieve remarkable growth through focus on our value creation while fully leveraging the Nomura Real Estate Group's competitive strengths and business resources.

Eiji Kutsukake

President and Representative Director,
Group CEO

Our desire of “New Value, Real Value”

Building a better tomorrow by enriching people’s lives and how they spend their time

Our Group Vision “New Value, Real Value”

I will explain our Group Vision that we crafted in 2016 to provide a more clear understanding of the Nomura Real Estate Group.

We cherish this Vision and always keep it in mind in everything we do in undertaking our business activities. This Vision of “New Value, Real Value” is also our promise to customers and society that “through our real estate development and real estate-related services we will create secure, safe, and comfortable urban development and enrich the lives and times of people living in these communities to create an even better tomorrow well into the future.”

We use this Vision as the basis for all our activities and aim for sustainable value enhancement. We have cherished the people who live and spend time in the communities.

Rather than merely developing high-quality towns and properties, we, as a group, also deeply consider the ways customers can nurture their time and experiences after completion. We also think about ways to create enriched communities where people can live and work securely, safely, and comfortably for a long term.

We strive to consistently offer new value through real estate development and real estate-related services that enrich people’s lives and time. The Vision represents this desire. We must always pursue the Vision even in the current environment with drastic changes. The Vision is concrete, and let us adapt changes and create new value.

Our Group Vision “New Value, Real Value”

New Value, Real Value

Integrating all that is precious to people and communities, we build cities—dynamic stages that connect today with tomorrow’s possibilities, and embrace every moment of life’s pursuits. We create new value, social value, and above all, real value.

The Group’s strengths

Competitiveness and business resources cultivated throughout our history

[P4-7 \[The Nomura Real Estate Group’s history of challenge\]](#)

[P22-23 \[Sources of corporate value\]](#)

The Group’s four strengths

The Group traces its origins back to 1957 when the real estate business division of Nomura Securities was spun off during Japan’s period of rapid economic growth. Along with leasing and managing the company’s retail outlets and buildings, the Group started out by commencing large-scale residential development aimed at alleviating the chronic housing shortage, an urgent social issue at that time. Since its inception, the Group has continued to grow by addressing social issues through “real estate development” and “real estate-related services.”

As a key characteristic, the Group achieved growth driven by our unique business model. This model focuses on real estate development and real estate-related services. The Development Sector develops such areas as housing and offices based on the market-in approach and sells them to raise capital turnover and reinvest for growth. The Service & Management Sector provides services as property and facility management and property brokerage to further enhance customer satisfaction and then continuing our involvement even after we sell the developed real estate. We have attained consistent growth by differentiating ourselves from industry competitors that have adopted a strategy of focusing on the leasing business by holding assets.

The Group's strengths

- Development capabilities based on market-in approach
- Development and expertise of various types of assets
- Commitment to the quality of products and services
- Group synergy

We entered the field of real estate securitization in the early stage where we have recorded significant growth in real estate fund management businesses such as Real Estate Investment Trusts (REITs). Throughout our history, we have built a distinctive corporate group that undertakes value creation by combining “development and service management” excessively without depending on holding assets.

We used to face major upheavals in the Japanese economy and the real estate market which derailed our business plans. Even during such challenging times, we never abandoned our market-in approach of meeting the needs of customers. We also upheld our commitment to quality in

products and services.

During Japan's economic downturn in the 1990s after the collapse of the economic bubble, we concentrated management resources on the housing sales business, for which there was a strong demand in society and has high capital efficiency. During these tough times, we adhered to the market-in approach and commitment to quality and built an “integrated development, sales, and management system” that still earns high acclaim. We also created PROUD, that is still highly evaluated today. We were a forerunner of formulating housing brand strategy. Following our public listing in 2006, we expanded business and emphasized our “market-in approach” and “commitment to quality.” This allowed us to develop and expand our portfolio of competitive products in various asset classes such as PMO (offices) and Landport (logistics facilities) in the property for sales business.

Consistently meeting the needs of society and customers by developing high-quality real estate and providing real estate-related services and realizing profits is the hallmark of our business that we have honed throughout our history.

We have defined the Group's four strengths as “Development capabilities based on market-in approach,” “Commitment to the quality of products and services,” “Development and expertise of various types of assets,” and “Group synergy.” These are the major driving forces for realizing “New Value, Real Value.”

The impact of COVID-19 is set to dramatically reshape society and the ways of living. We must now consider our customers' wants and needs using our market-in approach and further demonstrate our commitment to quality. We are confident to continue providing products and services that are popular with our customers amid new lifestyles and work styles we call “post COVID-19 social environment.”

Strong business resources that underpins our businesses

To the present, the Group has steadily built up its business resources that underpin our business. We are enhancing various types of strong business resources in both financial and non-financial aspects. These resources include 281 in-house first-class licensed architects who continuously take on the challenge of achieving high quality; brands within various asset types, such as PROUD and PMO, which are highly applauded by customers; and our property and facility management service that has been ranked No. 1 for customer satisfaction in condominium management for over 11 years. Another invaluable business resource is our broad customer base built up over long years. This includes approximately 130,000 members of the Nomura Real Estate Group Customer Club and over 220,000 users of the real estate information website (nomu.com).

Unless they are constantly upgraded, business resources cannot serve as a basis for meeting the expectations of society. For example, securing new human resources who will take a key role for the Group business in the future is difficult without parallel efforts to further promote diversity and bolster trainings for employees. Without being satisfied with the current business resources, we must keep trying to improve them.

Backcasting from the future

P85 [Awareness of the external environment (opportunities and threats)] →

P80-81 [Topic: Response to COVID-19] →

Approach to a changing environment

As for my background, I worked in the securities industry business for about 30 years. When I assumed the helm as the President of the Company, I was advised by numerous people that “the real estate business has a long timeline. This means you need to manage from a different perspective than in the securities business.” I agreed, but at the same time, I felt a concern that this is too conservative and could hinder us from rapid changes in society.

From the planning and concept stages to the actual provision of real estate to the public, our business requires a long lead time. For this reason, it is imperative that we always look forward and forecast future trends. In addition, in times or situations like today with the environment in a constant state of flux, we must simultaneously consider strategies such as where to concentrate our investments and what actions to take at present. Otherwise, the Group will face risks of being left behind by changes. Forecasting to predict the future based on current conditions and social changes and backcasting that guides strategies we must adopt now based on these predictions will both be crucial in the days ahead. In other words, in looking to the future real estate industry, we must further anticipate changes or ascertain needs to proactively spur change and deliver new value to customers.

The Group has a proven track record of successfully, understanding and responding flexibly to shifts in the environment. After the bursting of the economic bubble, we accelerated asset turnover to jump-start new business cycles that spawned opportunities for a fast business recovery and further growth. Moreover, following the global financial crisis, we executed an M&A deal that made NREG TOSHIBA BUILDING (currently Nomura Real Estate Building) a member of the Group, which added a stable leasing income structure to our business. We are enhancing a strong financial base through various initiatives in times of major changes. We are confident that we are firmly positioned to connect the current major changes to our next profit opportunities.

Important opportunities and threats that we must recognize

The long-term shrinking of Japan’s population poses a major threat to the housing sales business. Diverse household composition, people’s values, lifestyles, and work styles occur as a result of these changes. Thinking about what steps we should take now to address them, we will be able to provide products and services that anticipate these changes and create opportunities from threats.

Overseas markets also offer tremendous opportunities. In rapidly growing ASEAN cities, people are now seeking quality in addition to quantity for housing and urban development. I regard this trend as a major opportunity for us. This means the know-how we have cultivated in Japan has started to be accepted by those who are seeking more-secure, safer, and environment-friendly homes, and convenient and comfortable offices.

The recent spread of COVID-19 has drastically upended social conditions and the business environment. COVID-19 is exposing people to extremely difficult circumstances in their daily lives in addition to creating great economic risk. In view of this situation, the Group places top priority on the safety and security of executives, employees, and people involved in our business. As prime examples, we launched various measures such as working from home and promoting teleworking to ensure everyone can work energetically in good physical and mental health and perform their jobs as smoothly as possible in this difficult environment.

During these times, we must of course thoroughly implement all immediate measures and agilely perceive any possible changes in the situation. The possibilities we envision for the future are diverse. These include rapid transformations in the ways people live and work, the advance of teleworking, the evolution of ICT, and the progression of DX. Under these conditions, we must decide what action the Group should take. The thinking embodied in Our Group Vision “New Value, Real Value” will serve as a cornerstone for these decisions. We need to ask ourselves what exactly are the enriched lives and times that people will demand in the future. We must make our best efforts with anticipating these future demands.

Mid- to Long-term Business Plan and responses to social issues

Value creation by the Group

P26-27 [Four value creation initiatives] → P70-81 [Sustainability] →

Four value creation initiatives

The four value creation initiatives under the Mid- to Long-term Business Plan clarify the value that the Group creates as we take advantage of opportunities and transform threats into opportunities.

We aim to generate both social and economic value by leveraging the strengths and business resources nurtured since our founding backed by the Group's unique business model. We will always consider and closely examine our short-term numerical targets and plans and be vigilant of the major shifts in the economic environment triggered by the spread of COVID-19. As we do so, we remain committed to realizing our aspired target over the long term.

A key issue will be responding to the diversification and sophistication of needs by developing distinctive assets and improving the quality of services in anticipation of future changes.

In overseas business, we will leverage our know-how and value creation cultivated in Japan and deploy them in the rapidly growing cities of Asia, where demand is now shifting from quantity to quality. Connecting this urban growth to the enhancement of our corporate value is an extremely important measure.

Four value creation initiatives

- Realization of enriched lifestyles and work styles
- Multifunctional urban development toward exceptional convenience, comfort, and safety
- Urban development and community building concerning the future of the global environment and local communities
- Global expansion of high-quality products and services

Initiatives toward social issues through value creation

Major risks that could undermine the sustainability of corporate activities include climate change such as global warming and the increase in and intensification of natural disasters as well as various social issues and changes such as human rights and labor issues. A vital mission of companies is to contribute to the attainment of the Sustainable Development Goals (SDGs) that address these social issues around the world. We believe we can take various actions unique to the Group, which has solved social issues through our businesses.

The Group's core business is real estate development and this means we must pay particular attention to environmental sustainability. Alongside reducing negative impacts on the environment, the importance of generating positive environmental impacts through real estate development and real estate-related services are essential.

We are also moving ahead to reduce CO₂ and to create and use renewable energy. To indicate these efforts, we have set a target for 2030 of achieving a 30% reduction in CO₂ emissions from real estate owned by the entire Group compared with the FY14/3 level. We will redouble these efforts and aim to acquire Science Based Targets (SBT)*¹ Initiative Certification that also commits to the environmental performance of real estate that we have sold. In tandem with setting strict environmental standards during developing properties, we make Group-wide efforts such as promoting various initiatives related to environmental, social and governance (ESG) matters for properties owned by REITs and funds in the Investment Management Business Unit. We also have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*² in September 2020.

In 2019, we signed the United Nations Global Compact. Utilizing these opportunities, we intend to play an even greater role in human rights and labor issues. Promoting closer communication with each stakeholder, including application of the Group's CSR Procurement Guidelines, and focusing on coexistence and co-creation with the trust of stakeholders, are above all essential to the sustainability of the Group. Regarding this point, we must pay particularly close attention and respond to issues pertaining to foreign technical intern trainees and the problems of local residents related to timber procurement.

The Group's value creation is evolving and expanding into large-scale urban development and area management

*See P72 about SBT*¹ and TCFD*².

Looking at the future real estate business, I believe we will increasingly need to anticipate changes or create changes on our own by grasping needs to provide new value to customers.



CEO message

such as urban-type compact towns and the Shibaura 1-chome District Project. Our value creation aims to enhance the value of the town continuously working in unison with the local community. We will achieve the vision by enhancing function of the town through creating safe and secure urban development and by the ongoing participation in town management fostering the community. Through the realization of the four value creation initiatives, we will make Group-wide efforts to address the demands of society, work together to solve social issues, and ensure this leads to further business growth. In doing so, to address social issues, the Group has formulated the four key themes of “Safety/Security,” “Environment,” “Community,” and “Health and Well-being” and established even more specific material issues for social issues and set goals linked to business activities.

We intend to firmly recognize social issues from a long-term perspective that looks beyond 2030, the target year for attaining the SDGs, and plan to present an ultra-long-term vision for the ways the Group can make contributions.

Our unique business model

Generating social and economic value through collaboration between two sectors

[P24-25 \[Business model\]](#)

[P38-41 \[Interview with the CFO\]](#)

Two business sectors that create social value

Real estate is used over a long period of time and serves as the foundation of people’s lives. On the other hand, the preferences of people who live, work, and gather using the real estate change time to time. We must develop high-quality real estate as well as keep providing real estate-related services that address these changes. This will ensure that the Group consistently creates social value and attracts customers.

With the market-in approach, we will continue urban development through the Development Sector, which develops distinctive real estate through its “commitment to quality,” and the Service & Management Sector, which provides services such as investment management, property brokerage, and property and facility management. This is our unique business model that the Group has refined for over 60 years. With this model, we continue providing value by flexibly responding changes in the social environment.

Creating economic value that exceeds the capital cost

Companies need to raise funds through a variety means and deploy these funds efficiently to generate economic value that exceeds the capital cost. The Group creates value and provides shareholder returns through a business



The Group creates value and provides shareholder returns through a business model that combines development profits in the Development Sector with capital efficiency and stable fee revenue in the Service & Management Sector.

model that combines development profits in the Development Sector with capital efficiency and stable fee revenue in the Service & Management Sector.

By appropriately allocating resources to these two sectors, we will continue to achieve ROE exceeding the capital cost, balance growth investment with high returns to shareholders, and always maximize both social and economic value.

As targets of our Mid- to Long-term Business Plan, our target for the total return ratio is approximately 40–50% for Phase 1 and ROA of over 5% and ROE of over 10% for Phase 2 and onward. We are making our utmost efforts to achieve these targets.

Promotion foundation for sustainability

Initiatives for human resources and management structure

[P55-69 \[Corporate governance, risk management, internal controls, compliance/information disclosure\]](#) →

[P76-79 \[Human resources\]](#) →

We have positioned “human resources” and “management structure (corporate governance, compliance, risk management)” as the foundation for promoting initiatives for sustainability that supports the continuity of our corporate activities and are accelerating specific initiatives.

Corporate governance

The Group aims for a monitoring-oriented supervisory system and has made efforts to continuously evolve its corporate governance. As part of these efforts, the Group transitioned to a company with an Audit & Supervisory Committee in 2015 and established an Advisory Committee Relating to Nominations and Compensation the following year. External directors of the Company have experience in management, a high knowledge of global business, as well as extensive expertise in legal affairs and accounting. Board Members with such a wealth of knowledge have deep discussions in a wide range of fields.

Turning to our compensation system for directors, in 2018 we introduced a share-based compensation system that evaluates mid- to long-term performance and measures as we make ongoing efforts to devise ways to maintain a long-term perspective and avoid a short-term orientation. In 2019, we also incorporated initiatives for environmental and social issues into the performance evaluation of executives. In doing so, we have also clarified that the Group must fulfill our role in undertaking business activities. This is also management’s commitment to promoting businesses with an awareness of sustainability.

An assessment of the effectiveness of the Board of Directors, which was implemented for the fifth time, advised further enhancing strategic discussions and building an even more efficient group governance system. We have already launched efforts to address these issues.

Strengthening risk management

With regard to risk management, understanding the Company's risk tolerance limit and thoroughly controlling risks within this range will reduce the risk of loss of corporate value and lead to an improvement in it. In keeping with this idea, the overall risk management body has been shifted from the Risk Management Committee to the Management Committee directly under the control of the Board of Directors to raise the positioning. In parallel, we encompass redefining risk categories and setting up defense lines. We also recognize that there are areas requiring further improvement, such as devising more effective control methods. We will continue to promote ongoing initiatives in risk management.

The importance of human resources as our foundation

Strengthening human resources as our foundation is also indispensable for improving corporate value. The Group recognizes that employees are our most valuable and indispensable business resources and thus places great importance on the management of these human resources. We are implementing various measures toward realizing "wellness management" whereby all executives and employees can work energetically in good physical and mental health to enable sustainable growth of the Company.

We also believe there is ample room for improvement in encouraging the active roles of employees. This includes promoting the participation of women and responding for flexible work styles such as teleworking. We will continue to take our initiatives and creative efforts that enable our diverse human resources to maximize their abilities and work with satisfaction.

For stakeholders

To realize Our Group Vision "New Value, Real Value"

The Group has achieved growth through a distinctive business model that provides high-quality real estate development and real estate-related services. Looking ahead, we will realize remarkable growth through our ongoing focus on value creation while fully leveraging our competitive strengths and business resources.

Our Group Vision "New Value, Real Value" will remain solid even in the present drastic changes in economic conditions and the social environment arising from COVID-19. This will continue to be our philosophy and discipline as our key to further growth.

I sincerely appreciate our shareholders, investors, and other stakeholders for their ongoing support and I hope you to look forward to our sustainable growth.

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Eiji Kutsukake

President and Representative Director,
Group CEO

Value creation by the Nomura Real Estate Group

- 20 Value creation process
- 22 Sources of corporate value
- 24 Business model
- 26 Four value creation initiatives





Hamamatsucho Building and Hi-NODE

Shibaura 1-chome district is home to the Group's large-scale, mixed-use development project currently underway. Regarding the Hinode Pier on the east side of the Hamamatsucho Building as a tourism resource, we opened Hi-NODE, a vibrant waterfront boat facility complex where people can gather. We are endeavoring to enhance the value of the area in its entirety.

Value creation process

Our unique business model identifies areas in which the Group should engage in value creation activities by capturing social changes and utilizes sources of corporate value. We aim to resolve social issues through the creation of new value and to realize Our Group Vision “New Value, Real Value” by using our business model.

Sources of corporate value

Our strengths cultivated over 60 years

The Group's strengths

P22-23 →



Development capabilities based on market-in approach



Development and expertise of various types of assets



Commitment to the quality of products and services



Group synergy

Business resources

P22-23 →

•Financial capital

Shareholders' equity

¥550.1 billion

Shareholders' equity ratio

30.5%

D/E ratio

1.6 times

Cumulative gross profit on sales of properties for the last 5 fiscal years*1

Approx. ¥388.0 billion

•Human capital

Number of employees

7,176

Percentage of female employees

30.6%

Number of first-class licensed architects

281

Investment in training per employee

¥80,393

•Manufactured capital, intellectual capital, social capital, natural capital, and customer base

Accumulated development expertise

Approx. 60 years

Condominium brand evaluation*2

No. 1

Real estate brokerage evaluation*3

No. 1

Condominium management satisfaction*4

No. 1

ESG asset management evaluation*5

GRESB 5 stars

Number of the Nomura Real Estate Group Customer Club members

Approx. 129,000

Number of nomu.com members

Approx. 225,000

Number of MEGALOS members

Approx. 144,000

(The figures are for the fiscal year ended March 2020 or as of the end of March 2020.)

Awareness of external environment

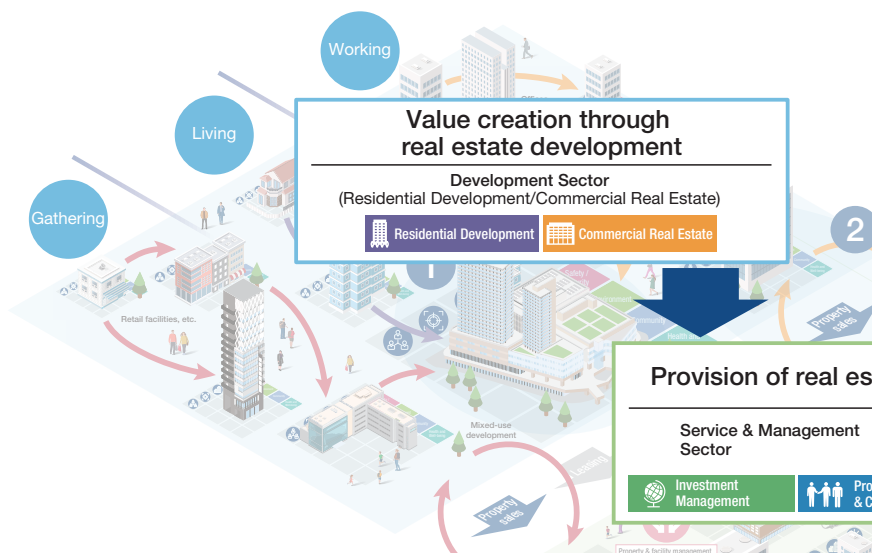
P85 →



Input

Business model

that allows sustainable urban development P24-25 →



Input

Sustainability promotion system

Four key themes for sustainability P70-75 →

Safety/Security

Environment

Community

Promotion foundation for sustainability

Human resources Achieving wellness, promotion of diversity, etc.

Management structure Corporate governance/Compliance/Risk management

*1 Cumulative gross profit on sales from housing sales and property sales (Residential Development Business Unit, Commercial Real Estate Business Unit) for the last five fiscal years

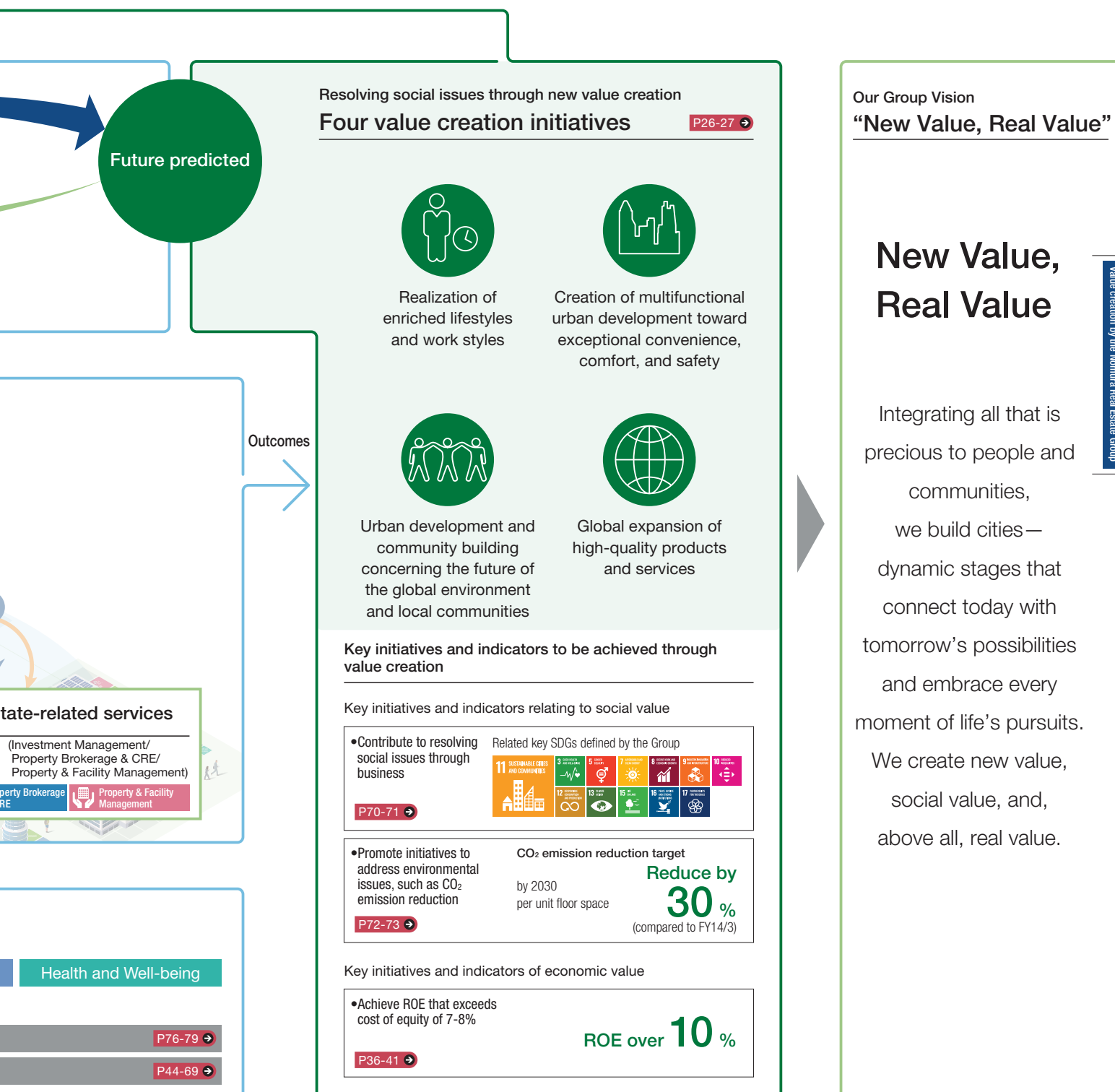
*2 PROUD was ranked first in 7 out of 10 categories in the Nikkei, Inc. 2019 Condominium Brand Survey.

*3 2020 Oricon Customer Satisfaction Report for real estate brokerage in the detached housing (sales) category

Value creation

Value creation target in the Mid- to Long-term Business Plan (FY28/3)

Vision



*4 “SumaiSurfin” 11th Property Management Company Customer Satisfaction Survey ranking 2019

*5 Nomura Real Estate Master Fund (NMF) and Nomura Real Estate Private REIT (NPR) obtained a GRESB Real Estate the highest 5 stars rating for three consecutive years

Sources of corporate value

Since its foundation, the Nomura Real Estate Group has refined its strengths featuring a market-in approach designed to connect customer needs drawn up on the spot to specific product development, a commitment to the quality of products, and various capital as well as a customer base that have been accumulated along with its history. These initiatives are sources to create new values for the Group.

The Group's strengths: For more than 60 years since its foundation, the Group has developed its four strengths while working to meet the expectations of its customers and society by tackling their issues.

Development capabilities based on the market-in approach

With a client-first approach, the Group has delivered new products and services based on needs and ideas inspired by continued dialogues with customers and markets. The Group will remain committed to creating new added value for urban development in the future, while addressing four value creation initiatives (see P26-27) under the Mid- to Long-term Business Plan.

Development of PMO

Social issues and needs

- While there are social issues to rebuild small and medium-sized properties built under the old earthquake resistance standards, the market has few adequate small and medium-sized buildings with high quality.
- Certain demand to use an entire floor, similar to large-scale "class A" office buildings in terms of quality and specifications

Features and strengths of PMO

- Floor plan offering high individuality mainly for each tenant to use an entire floor basically
- Stylish exterior design
- Entry with security gates



PMO Nihonbashi Honcho

Development and expertise of various types of assets

The Group has a long history of property sales since it provided condominiums for the first time in 1963. With its expertise and the market-in approach, the Group has developed a wide range of assets with added value such as PMO mid-size high-end offices, GEMS urban retail facilities, and Landport large-sized high-performance logistics facilities, thereby offering new value to customers.

Development of diverse properties for sale (cumulative*)



54 properties



29 properties



22 properties



92 properties

*As of the end of March 2020 (including planned projects)

P96 [Major asset brands] →

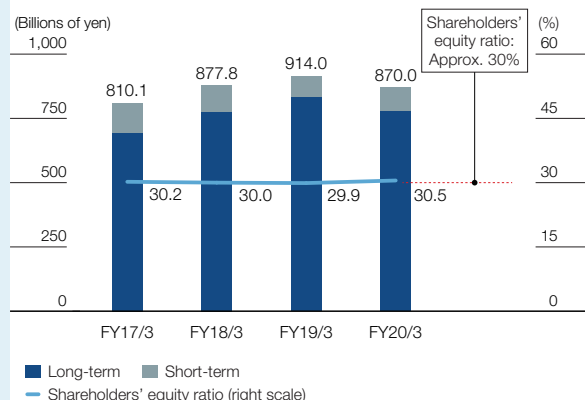
Business resources: Various capital and customer base are assets that the Group has accumulated throughout its history.

Financial capital

P100-101 [11-year financial data] →

- Sound financial base with a shareholders' equity ratio of around 30%
- D/E ratio: Approx. 1.6 times*³
- Credit rating: Rating & Investment Information, Inc.(R&I): A-/ Japan Credit Rating Agency, Ltd. (JCR): A
- Cumulative gross profit on sales of properties for the last 5 fiscal years: Approx. ¥388.0 billion*⁴

Interest-bearing debt/Shareholders' equity ratio

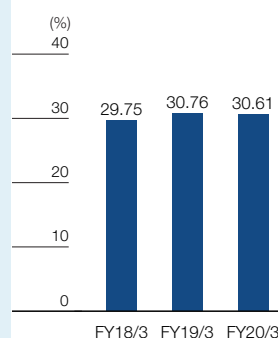


Human capital

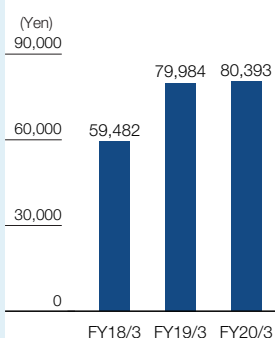
P76-79 [Human resources] →

- Diverse human resources: 7,176 employees*³
- Percentage of female employees: 30.61%*³
- Number of first-class licensed architects: 281*³
- Diverse human resources development program to secure sophisticated human capital: (Investment in training per employee: ¥80,393)*³

Percentage of female employees



Investment in training per employee



*1 Ranked first in 7 out of 10 categories in the Nikkei, Inc. 2019 Condominium Brand Survey

*2 National Condominium Market Trend 2019 (Annual Report) by the Real Estate Economic Institute Co., Ltd.

*3 As of March 31, 2020

*4 Cumulative gross profit on sale from housing sales and property sales (Residential Development Business Unit, Commercial Real Estate Business Unit) in the last five fiscal years

*5 Total net lettable area of offices and retail facilities under the Group's long-term ownership

*6 Based on in-house research

Commitment to quality of products and services

With our strong commitment to quality since our founding, the Group has gained confidence from its customers and society, receiving high evaluations in terms of external evaluations. We maintain our commitment in a range of areas, encompassing from the supervision of the construction process to the pursuit of stylishness and comfort. The Group will transmit this concept into our human resources development, passing this DNA on to future generations.

Received Good Design Award for 18 consecutive years



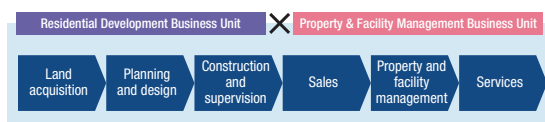
PROUD Ichigaya Sadoharacho

PROUD CITY Itami

Group synergy

The Group has achieved growth, with each employee performing a diverse role while leveraging collaborative efforts among organizations within the Group in pursuit of value creation based on a unique approach. This corporate culture has fostered an integrated development, sales, and management system, which are sources of corporate value in the form of the synergy of the Group.

Integrated development, sales, and management system in the condominium sales business



Ranked **1st** in the condominium brand rankings*1

Ranked **3rd** in the number of condominium supplied*2

Manufactured capital, intellectual capital, social capital, natural capital, customer base

P86-95 [Strategies by Business Unit] →

P96 [Major asset brands] →

P97 [Major development projects] →

Manufactured capital

- Net lettable area (NLA) (offices, retail facilities)*5: Approx. 913,000m²

Intellectual capital

- Condominium development expertise established over the past 60 years; quality management, design, and construction standards and instruction manual
- Product planning capabilities and design competitiveness underpinned by Good Design Awards for 18 consecutive years
- Visionary creativity driven by design reviews and Nomura Real Estate Group Awards
- In the real estate securitization business, accumulated over 20 years of know-how in diverse asset management and assets under management (AUM) totaling approximately ¥1.8 trillion

Social capital

- Highly trusted by stakeholders including condominium brands, real estate brokerage, condominium management, and No.1 ranked fitness clubs
- Highly trusted as the top player in the number of residential redevelopment projects participated*5

Main external evaluation

Ranked first in seven out of 10 categories PROUD brand assessment	No.1 ^{*7}	Ranked No. 1 for 11 consecutive years "SumaiSurfin" Condominium management satisfaction survey rankings	No.1 ^{*7}
Ranked No. 1 for five consecutive years Oricon real estate brokerage (sales for detached housing)	No.1 ^{*8}	First received award in FY2019 Woman Research Fitness	No.1 ^{*9}
Three consecutive years*9	★★★★ ^{*10}		
GRESB NMF, NPR			

Natural capital

- Utilizing of environment evaluation challenge sheet in development for housing sales (PROUD)
 - Percentage of acquired environmental certifications of properties developed in Commercial Real Estate Business Unit
 - Obtained a GRESB 5 stars rating*10 in Investment Management Business Unit
- ### Customer base
- Ability to contact diverse customers leveraging diverse business engagement

Diverse customer base*3

Living	Working
Number of Nomura Real Estate Group Customer Club members: Approx. 129,000	Number of tenants (offices, retail facilities):*11 Approx. 900
Number of nomu.com members: Approx. 225,000	Number of H'T members: Approx. 395 companies; Approx. 24,500 individuals
Number of housings under management: 182,259	Number of institutional investor customers through assets management in Japan (excluding listed REITs): 193
Gathering	
Number of MEGALOS members: Approx. 144,000	Number of partner financial institutions through brokerage business: 77

*7 "SumaiSurfin" 11th Property Management Company Satisfaction Survey ranking 2019

*8 2020 Oricon Customer Satisfaction Report for real estate brokerage in the detached housing (sales) category

*9 Fitness Club Satisfaction Ranking, SANKEI LIVING SHIMBUN "Woman Research" conducted in 2020

*10 Nomura Real Estate Master Fund (NMF) and Nomura Real Estate Private REIT (NPR) obtained a GRESB Real Estate the highest 5 stars rating for three consecutive years

*11 Number of tenants occupying in offices and retail facilities under the Group's long-term ownership

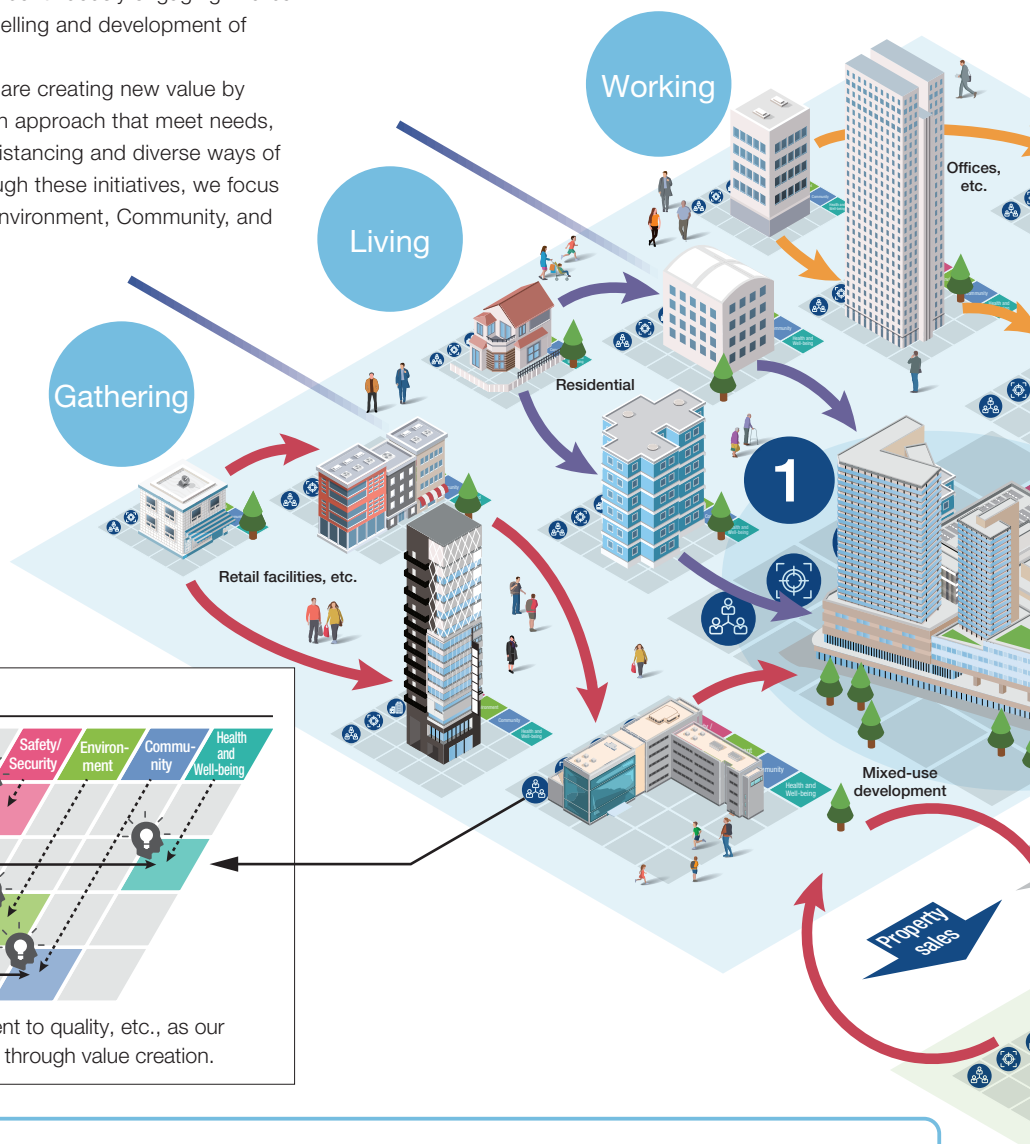
Business model

We are working on resolving social issues through the creation of new values even in post COVID-19 social environment, making full use of our unique business model. This business model enables us to engage continuously in community building thanks to urban development by the Development Sector and services offered by the Service & Management Sector.

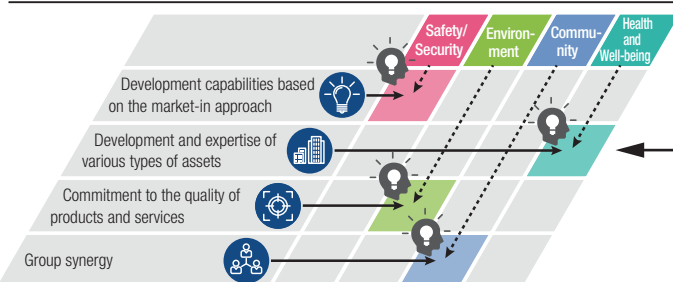
The Group creates value through real estate development in the Development Sector, leveraging its four strengths, including a market-in approach that prioritizes living, working, and gathering and a commitment to quality, which facilitates the approach. We have the same attitude toward value creation through the real estate-related services in the Service & Management Sector.

One of the major features of the Group is continuously engaging in urban development and creating value even after selling and development of properties.

Even in post COVID-19 environment, we are creating new value by tackling social issues based on the market-in approach that meet needs, such as gathering while maintaining social distancing and diverse ways of working including working from home. Through these initiatives, we focus on the four key themes of Safety/Security, Environment, Community, and Health and Well-being.



Value creation in a variety of areas



The market-in approach and the commitment to quality, etc., as our strengths enable us to resolve social issues through value creation.

1



Large-scale mixed-use redevelopment project (PROUD TOWER Sagamiono × bono SAGAMIONO × H'T)

PROUD TOWER Sagamiono, a condominium, and bono SAGAMIONO, a large retail facility, were completed in 2013 in a large redevelopment project around Sagamiono Station. They are 100% fire-resistant buildings and have improved disaster prevention functions. Boasting features necessary for daily life, including retail and medical facilities, the project has significantly increased convenience in the area.

By capturing demand for diverse work styles, we opened a satellite-type shared office, H'T, in the retail facility to meet the needs for people working in the area they live. That accelerates urban development based on the market-in approach.

Shared office H'T in
bono SAGAMIONO
(Opened in 2020)

P35 →

H'T
HUMAN FIRST TIME



PROUD TOWER Sagamiono,
bono SAGAMIONO

Value creation through real estate development

Development Sector

(Residential Development/Commercial Real Estate)



Residential
Development
Business Unit



Commercial
Real Estate
Business Unit

The Group's real estate development business has always been ahead of the times, focusing on the needs of the people who live, work, and gather in the area. Our major strength and characteristic are urban development through the development of various assets enabled by the market-in approach, where primary consideration is given to people spending time in the area or property, and a commitment to quality, which facilitates the approach.

In the Development Sector, we created PROUD and PMO, among many other distinctive and competitive assets. Based on our experience and expertise obtained through developing these assets, we create new value, which reflects the market-in approach and a commitment to quality.

Provision of real estate-related services

Service & Management Sector

(Investment Management/Property Brokerage & CRE/Property & Facility Management)



Investment
Management
Business Unit



Property Brokerage
& CRE
Business Unit



Property & Facility
Management
Business Unit

For sustainable urban development, it is indispensable to maintain and improve the value through continued engagement in urban development, whether we hold properties or not. In the Service & Management Sector, each business unit continues to contribute to sustainable urban development by providing real estate-related services.

Consistently providing high-quality services improves the value of real estate and significantly contributes to increasing the competitiveness of the Group, including the Development Sector, and seizing business opportunities.



Acquires a development opportunity in cooperation with Group REIT

Nomura Real Estate Master Fund sold a retail facility with declined competitiveness to Nomura Real Estate Development with the preferential negotiating rights. Nomura Real Estate Development developed the facility, and it changed to a logistics facility with advanced functions, which enabled the REIT to incorporate competitive assets. In terms of development by Nomura Real Estate Development, it identified the local government's needs for job creation by our own market-in approach and the characteristics of the location as well, and has transformed the facility into a cutting-edge logistics facility where many people can work.

In addition to the high competitiveness of its assets, the Group is further creating new value, including creating jobs in each area and reducing the environmental impact through solar power generation on the roof in cooperation with the Development Sector and the Service & Management Sector.



After redevelopment:
Landport Higashinarashino

Redevelopment,
sold to REIT

Sold to
the sponsor

Before redevelopment:
Ito Yokado
Higashinarashino Store



Four value creation initiatives

Resolving social issues through new value creation

The Group is developing our business by making the best use of the Group's strengths we have cultivated over the years. We aim to create social and economic values through resolving social issues by implementing the Four Value Creation Initiatives set forth in the Mid- to Long-term Business Plan.



Realization of enriched lifestyles and work styles

The Group provides highly original products and services such as PROUD and PMO based on a market-in approach. At a time when lifestyles and work styles are changing at an accelerated pace and values are diversifying due to the impact of COVID-19, the market-in approach is one of the Group's major strengths. We aim to provide products and services that stay ahead of the needs of our customers and the changes in society.

Case

Business expansion of H¹O (small office with services)

We are developing H¹O (small offices with services) to respond to the demand for more flexible offices, such as the needs of the start up companies, law offices, and other professional offices with a select few staff, the demand of new project bases of large companies, and the needs of satellite offices in terms of preventing the spread of infection. With the H¹T (satellite shared office), we propose a new work style that combines core offices, working from home, and satellite offices based on "HUMAN FIRST" concept, which gives first priority to the realization of an office environment where people working there can maximize their performance.



Natsumi Sato
Commercial Real Estate Development &
Management Division I
Nomura Real Estate Development



H¹O
HUMAN FIRST OFFICE



Urban development and community building concerning the future of the global environment and local communities

The Group is creating urban development that reduces the burden on the environment and can add value continuously in both tangible and intangible elements, as well as engaging in far-sighted urban development that is environmentally friendly and contributes to local communities by achieving community building. We aim to enhance the value of "urban development where people live" by activating local communities, looking ahead to the spread of new lifestyles based in neighborhoods where people live owing to the increase in working from home and teleworking.

Case

The KAMEIDO PROJECT equipped with community facilities and the latest environmental features

The KAMEIDO PROJECT is a large mixed-use development project with a total of 934 residences, a large retail facility accommodating more than 100 tenants, an extension building for an elementary school, and multiple open spaces. As the developer of this project, the Group is planning to introduce ACTO, which aims to activate the local community, by maintaining a space for shared use with the town and allocating an area designer. Through daily management and other operations after completion by the Group, we will also promote initiatives to ensure that people can live and gather comfortably for many years to come.



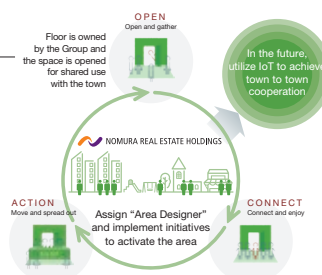
Yuichiro Ono
Residential Development Division
Nomura Real Estate Development



ACTO

Five activities for community development aimed at activating the community of the entire area and district

- 1 Set up a "Shared community" space
- 2 Assign an "Area Designer" who connects people
- 3 Establish a community action group named "Community company (tentative name)"
- 4 Launch a "Community website" as a base for virtual interactions
- 5 Commence activities before property completion





Multifunctional urban development toward exceptional convenience, comfort, and safety

The Group has actively promoted the development of “urban-type compact towns” and mixed-use redevelopment with diverse urban functions mainly for residences, but also for retail and medical facilities. Changes in lifestyles are accelerating due to the advent of the aging society and the diversification of household composition, as well as the impact of COVID-19. Against this backdrop, we will create new value in response to the growing need for multifunctional urban development that offers safe and secure, comfortable, and convenient facilities within walking distance.

Case Mixed-use development with community-based retail facility SOCOLA and residences with over 700 units

SOCOLA Musashi-Koganei Cross is a vibrant, bustling community-based retail facility consisting of some 50 stores, ranging from groceries to fashion, sundries, and lifestyle support. On the upper levels is PROUD TOWER with a total of 716 units (including condominium units not for sale). This is a prime example of an urban-type compact town, which is a multifunctional urban development with superior convenience and comfort, such as direct elevator access from the residential floors to the retail floors, and fully outfitted open spaces. We will continue to promote similar developments.



Satoru Nakano
Development &
Management Division II
Nomura Real Estate Development



Global expansion of high-quality products and services

We are steadily expanding global business opportunities by harnessing our know-how and strengths that the Group has cultivated in Japan over the years. We will expand value creation globally through the provision of high-quality products and services, particularly in development businesses in Asian countries, which are moving into a phase where the demand for quantity will give way to the demand for quality.

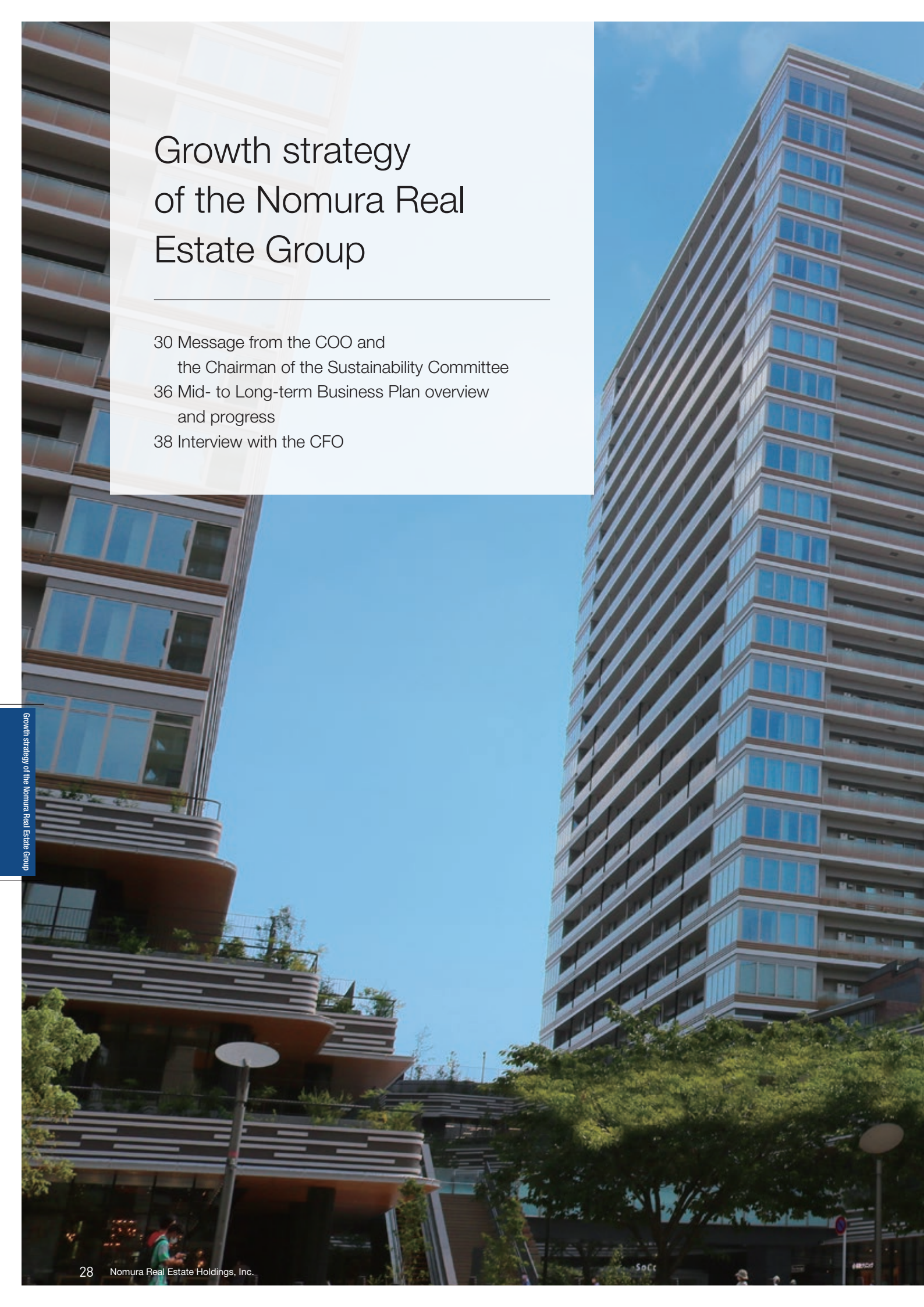
Case Business expansion in Asian countries and quality management improvement initiatives in Thailand

We are contributing to increasing the value of individual businesses by utilizing our know-how cultivated in Japan over the years in areas such as residential development, serviced apartment development, and investment and property management business of office buildings in ASEAN countries and China. In Thailand and the Philippines, KAIZEN teams were formed with the involvement of Japanese general contractors, local design companies, and other external companies. Based on the concepts of “localization,” “organization,” and “structuring,” each project is scrutinized at every phase, from planning and design to sales and completion of construction, with the aim of managing costs and processes appropriately and improving quality and merchantability.



Masaya Hirao
Overseas Business Division
Nomura Real Estate Development





Growth strategy of the Nomura Real Estate Group

- 30 Message from the COO and
the Chairman of the Sustainability Committee
- 36 Mid- to Long-term Business Plan overview
and progress
- 38 Interview with the CFO



Musashi-Koganei City Cross
(Musashi-Koganei Station South Entrance 2nd District Urban Redevelopment Project)

This is a large-scale redevelopment project encompassing PROUD Tower Musashi-Koganei Cross, a condominium, and SOCOLA Musashi-Koganei Cross, a retail facility offering diverse stores and facilities convenient for everyday life.

The Group is promoting multifunctional and highly convenient urban development through developing urban-type compact towns such as this project.

Message from the COO and the Chairman of the Sustainability Committee



With an eye toward the next 30 or even 50 years, we are aspiring to grow together with society and to continue being a corporate entity that contributes to achieving a sustainable society.

Seiichi Miyajima

Executive Vice President and
Representative Director,
Group COO

Enhancing corporate value

In 2016, I was appointed as the Chairman of the CSR Committee (the Sustainability Committee from April 2020) of the Nomura Real Estate Group, and in the following year as its Group COO to oversee the business execution of the entire Group. For me to be concurrently responsible for business execution and sustainability sends out a message to both within and outside the Group, that sustainability is inseparably integrated with every aspect of the Group's business, and that we are determined to resolve social issues through our business activities and promote a sustainable society, while also securing growth as a corporate entity.

The Group assumes an important social responsibility as a corporate entity engaged in real estate development and related services provision. Needless to say, it is crucial to be profitable as a company. However, if we are to continue growing by offering value to society, it is critically important for us to develop properties that generate long-standing value, without fixating on short-term earnings. Furthermore, we must keep providing essential real estate-related services that maintain and raise the value of cities. Our basic stance is to perpetually

enhance the value of cities.

From a long-term perspective, this stance leads to building trust in the Group and its brand value, which in turn, reduces business risks and generates new business opportunities and earnings. I myself have experienced this firsthand during my long engagement in the real estate development business.

In the Group's real estate projects, it takes many years to construct the buildings and subsequently complete urban development, including the creation of local communities. To enable people to lead a rich life at home and at work and gather, the Group needs to meet its key challenge of achieving "Sustainable Cities and Communities," which is also one of the Sustainable Development Goals (SDGs) upheld by the United Nations. In other words, we will create safe and comfortable cities and communities that are friendly to all human beings and the natural environment, as well as resilient against disasters. Through our high-quality real estate development and related services, we will continue offering diverse value to our customers and society, and also enhance our corporate value.

To achieve the Mid- to Long-term Business Plan

P26-27 [Four value creation initiatives] →

P36-37 [Mid- to Long-term Business Plan overview and progress] →

In April 2019, the Group announced its new nine-year Mid- to Long-term Business Plan, concluding in the fiscal year ending March 2028. Under the Plan, we specified our Four Value Creation Initiatives: Realization of enriched lifestyles and work styles; multifunctional urban development toward exceptional convenience, comfort, and safety/security; urban development and community building toward the future of the global environment and local communities; and global expansion of high-quality products and services. The initiatives serve as our guideposts for reaching our goals of “building cities—dynamic stages that connect today with tomorrow’s possibilities” and “embracing every moment of life’s pursuits.”

In addition, the Development Sector, which develops a wide range of assets, and the Service & Management Sector, which continues to generate value by providing related services after property development, play key roles in our business models. Our plan is to grow earnings over the nine years by executing our Four Value Creation Initiatives, and upholding the mid- to long-term targets of achieving ROA of 5% or over and ROE of 10% or over. We will promote our unique business management defined by high capital efficiency and asset efficiency.

After we had formulated the Mid- to Long-term Business Plan, COVID-19 broke out, precipitating drastic changes in our society, lifestyles, and the economy on a global scale. In

response, we will flexibly review our strategies and profit plans for the immediate future, but will not make any major changes to our mid- to long-term business strategies under the Plan.

The Plan has clarified that the Group aims for its property sales business, leasing business, and service & management business to account for 40%, 20%, and 40% of its total business profit, respectively. This is a key strategy for the entire Group to achieve its targeted profit, ROA, and ROE under the Plan.

Our property sales business is centered on housing sales and property development for sales an area in which the Group holds a strong competitive edge. Our service & management business mainly generates earnings, not by using assets, but from fee revenues received in exchange for services we provide, such as investment management, property brokerage & CRE, and property & facility management. By increasing the proportion of profits generated by each of the property sales business and the service & management business to 40% of the total, we enhance asset efficiency. With regard to our leasing business, which generates stable cash flows but may drive down asset efficiency, we will build a better leasing asset portfolio while modulating its profit at 20% of the total business profit. Needless to say, we will continue to grow all businesses, pushing them forward by setting targets in view of their respective business environment.

Business results for FY20/3 and initiatives going forward

P84 [Business at a glance] →

P85 [Awareness of the external environment (opportunities and threats)] →

P86-95 [Strategies by Business Unit] →

P99 [Overseas business initiatives] →

In the fiscal year ended March 2020, we reported a business profit of ¥82.8 billion, ROA of 4.7%, and ROE of 9.1%—solid results that exceeded our initial forecast. Since the beginning of 2020, some businesses such as our fitness clubs and hotels were affected by the COVID-19, but the shortfall was more than compensated for by strong performances displayed by other business units across the Group, including the rise in the gross margin ratio for the housing sales business in the Residential Development Business Unit, realization of unrealized gains achieved by property sales appropriately tuned to the market environment in the Commercial Real Estate Business Unit, and the stable growth of the Service & Management Sector.

In light of these financial results, the business units will adopt the following policies.

Residential Development Business Unit

The Residential Development Business Unit is required to gain stable earnings in the mature market in Japan by providing diverse forms of housing and services that cater to changing lifestyles and work styles and continue to be attracted by customers.

In Japan, prominent changes are seen in the family structure

due to an increase in the number of dual-income and single households, both young and senior. The spread of COVID-19 has increased the number of people working from home and teleworking, transforming how they live and work, which is also expected to accelerate the transformation and diversification of housing needs.

The Group has already embarked to provide new products that meet the changing and diversifying values and residential needs of our customers. We will pursue the market-in approach and commitment to quality to the maximum possible extent and provide high quality housing that meets the varied needs of diverse customers, including single, dual-income, and senior households as well as families with one or more children, by offering a wide selection of floor areas, room layouts, facilities, and locations.

We are also strongly committed to multifunctional and highly convenient mixed-use urban development that provides solutions for customers' preferences for the convenience of daily life such as shopping and childcare and quick access to transportation. Station-front redevelopment and rebuilding in the Tokyo metropolitan area and regional core cities and the development of urban-type compact towns equipped with a wide range of the essential facilities necessary for

Message from the Group COO and Chairman of the Sustainability Committee

daily life and functions are also businesses drawing on the Group's strengths. We are thus making dedicated efforts in urban development that offer safe and comfortable living to all generations.

The large-scale mixed-use development KAMEIDO PROJECT currently underway is an urban development project aimed at offering superior environmental performance, safety, and comfort in harmony with the local community, an approach with the Group's strengths. Encompassing housing, retail facilities, and a school on the premises, the project has been well received by local residents and customers, and has been enjoying strong sales.

Commercial Real Estate Business Unit

The core businesses run by the Commercial Real Estate Business Unit are the leasing business and the property for sales business.

In the leasing business, we opened TOKYO TORANOMON GLOBAL SQUARE, an office building in the Toranomon area, where a newly opened subway station is driving rapid changes in the area, and SOCOLA Musashi-Koganei Cross, a retail facility located in a mixed-use redevelopment site in front of Musashi-Koganei Station, in June 2020. In addition, other large-scale mixed-use development projects are steadily underway in Shibaura and Nihonbashi, which are scheduled to be completed in or after the fiscal year ending March 2025. In preparation of the commencement of operations of such fine property stock, we will continue with our strategic replacement of leasing assets from a mid- to long-term perspective to build a high-quality leasing business portfolio, while selling some assets at the appropriate timing to realize unrealized gains.

In April 2019, we set up the Shibaura Project Division to clarify the responsibilities involved in the Shibaura 1-chome District Project, one of the largest projects in the Group's history, and push the project forward with greater impetus. The Group is marshalling all its capabilities to undertake measures befitting this core project, such as applying our long-accumulated expertise in urban development, conducting area management activities to engage the local community, and aiming for environmental performance at the highest level.

In the property for sales business, we develop diverse and unique property assets under such brand names as PMO, GEMS, and Landport and sell them to the Group's REITs or others. The source of our competitive edge in this business lies in our market-in approach that focuses on the needs of property users and our commitment to the quality of our products and services. Drawing on such strengths, we produce competitive assets with high added value, which to a certain extent arms us with resilience against short-term market changes. Considering the temporary market confusion caused by COVID-19 and the expected recovery process from it, we will flexibly adjust the speed and volume of our property sales in the short term. In the mid- to long-term, we will work to maximize profit and aim for high asset efficiency.

Service & Management Sector

(Investment Management Business Unit, Property Brokerage & CRE Business Unit, and Property & Facility Management Business Unit)

The Service & Management Sector aims to increase its profit to 40% of the Group's total profit in the fiscal year ending March 2028, the final year under the Mid- to Long-term Business Plan. To achieve this target, the sector essentially maintains stable growth and ambitiously takes on new challenges. The Investment Management Business Unit is steadily expanding its assets under management by leveraging the Leasing Value Chain established in collaboration with the Development Sector. The business unit is also exploring growth opportunities through M&A of overseas asset managers such as Lothbury Investment Management (UK), which joined the Group in November 2018.

The Property Brokerage & CRE Business Unit is further strengthening its services using ICT, including the nomu.com real estate information website. The business unit will continue expanding its business collaboration with Nomura Securities and local financial institutions, aiming for further growth.

For the Property & Facility Management Business Unit, the key strategy is to maintain and enhance the quality of competitive assets developed by the Development Sector and add value by providing services. A good example of its initiatives is "Attractive 30." It is a scheme for working with the Residential Development Business Unit from the designing stage, to reduce life cycle costs* of condominium buildings by extending the useful life of them. We utilize the large-scale repair work product "re:Premium" developed by the Unit.

Overseas business

In April 2020, we established the Overseas Business Division. We accelerate the growth of overseas business by harnessing our experience and expertise acquired in Japan. At the same time, we manage the wide-ranging risks involved in it.

We will primarily focus on housing sales and leasing businesses mainly in Southeast Asia and China, where there is prominent economic growth and development. In housing sales, we establish joint venture firms with leading real estate developers in each country or city. Because it is important to understand and respond to legal systems, we are promoting our businesses specific to each country and to meet the needs of prospective residents. Our aim is to integrate their expertise with the Group's property development quality control and efficient sales methodologies. We will also invest in and manage high-quality office buildings featuring high specifications and superior management levels desired by Japanese and global corporations.

While continuing to keep an eye on the impact of COVID-19 globally, we will leverage the experience and expertise accumulated in Japan to develop our overseas business into one of the Group's core businesses by taking advantage of the growth momentum of the cities in which we do business.

* Life cycle cost: The total cost of a property throughout its life including repair work

Initiatives for sustainability

P70-71 [Sustainability] ➔

P72-79 [Environment, Safety/Security, Community, Health and Well-being, Human resources] ➔

In addition to pursuing short-term profit, companies are called on to tackle diverse social issues including those related to the environment, human rights, and labor toward the goal of achieving a sustainable society as upheld by the Paris Agreement and the SDGs. Investments based on environmental, social, and governance (ESG) indexes are expanding, as exemplified by the incorporation of ESG issues in the investment practices set forth by the Principles for Responsible Investment. Companies must endeavor to resolve various social issues to help achieve a sustainable society and fulfill their responsibility to future generations.

Although these social issues pose risks to the Group's business continuity, we can reduce the risks and generate new business opportunities by accurately ascertaining and dealing with their impact on our business. In addition, we must also promptly and appropriately announce the Group's business activities and initiatives to resolve social issues through value creation in order to get better understanding from our stakeholders. To this end, we should work harder to acquire relevant certifications, disclose related information, and strengthen our dialogue and engagement with stakeholders.

In our sustainability efforts, we have identified current and future social issues and are working on them under four key themes: Safety/Security, Environment, Community, and Health

and Well-being. Targets have already been set for each key theme as well as for the specific material issues identified toward which efforts are underway. Going forward, sustainable management will be further incorporated into our Group-wide business strategy so that we can develop our business from a mid- to long-term perspective.

In each business unit of the Group, we are pursuing sustainability more in line with our business activities both in our day-to-day business operations and in our endeavor "to build cities—dynamic stages that connect today with tomorrow's possibilities—and "to embrace every moment of life's pursuits."

One example is "Yukai-full," a unit-by-unit central air-conditioning system that takes advantage of the double floor structure of condominiums. Adopted for the first time in the KAMEIDO PROJECT, the system provides temperature-controlled air around the clock throughout the entire living space including the hallway and restrooms, mitigating the risk of heat shock and heatstroke, offering comfort and peace of mind, and saving energy. Also exemplifying our sustainability efforts are our "Attractive 30" initiative aimed at reducing the life cycle cost of buildings and ACTO, an urban development initiative in which we strive to activate the surrounding local communities as well as the towns we create as a real estate developer in an all-encompassing manner.

Case of the Group's initiatives toward achieving a sustainable society KAMEIDO PROJECT

The Group upholds Safety/Security, the Environment, Community, and Health and Well-being as its four key themes for advancing sustainability. In each of our business operations, we are accelerating the development of proprietary products and services conducive to a sustainable society.



KAMEIDO PROJECT

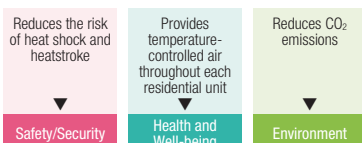
Scheduled completion: Fiscal year ending March 2022
Major use: Housing (934 units), retail facility (approx. 28,000 m²), etc.

This large-scale mixed-use redevelopment project is well located at a two-minute walk from Kameido Station, with a retail facility. We will introduce ACTO, an all-encompassing urban development initiative that activates the broader community including the surrounding areas. Furthermore, by utilizing our proprietary "Yukai-full" and "Attractive 30," we aim for urban development in harmony with the neighborhood community that offers superior environmental performance, safety, comfort, and convenience.

Initiatives to achieve a sustainable society through business activities

床快full

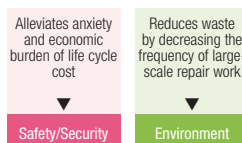
A central air-conditioning system that takes advantage of the double floor structure to provide temperature-controlled air throughout each residential unit



News release: Announced "Yukai-full" (in Japanese)
<https://www.nomura-re.co.jp/cfiles/news/n2019111501652.pdf>

Attractive 30

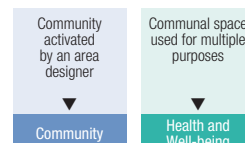
Adopts highly durable materials and construction methods in constructing new buildings and introduces "re:Premium" to prolong the cycle of large-scale repair work



News release: Announced "Attractive 30" (in Japanese)
<https://www.nomura-re.co.jp/cfiles/news/n2018082701466.pdf>

ACTO

All-encompassing urban development initiative to activate the broader community including surrounding areas



"ACTO" website (in Japanese)
<http://www.acto-nreg.jp/>

Message from the Group COO and Chairman of the Sustainability Committee

Our urban development projects offering superior environmental performance, safety, and comfort in harmony with existing local communities are well received by neighborhood residents as well as our customers. By continuing to develop people- and earth-friendly products and services, we will achieve a sustainable society through our diverse business activities.

In April 2020, to step up our sustainability efforts in closer coordination with our business across the entire Group, we established the Sustainability Management Department, which plays a central role in strengthening collaboration between the Board of Directors, the Sustainability Committee and each Business Unit. The Group's compensation plan for directors incorporates, as one of the assessment criteria, the level of sustainability target achievement in the respective business fields they oversee.

As a measure against the particularly pressing issue of climate change, we set, in the form of a non-financial key performance index (KPI), a Group target of reducing CO₂ emissions by 30% compared with the fiscal year ended March 2014 level by 2030. Going forward, we are stepping up our efforts to address climate change and human rights issues.

Also for climate change, we will expand the scope of our existing CO₂ emissions reduction targets for Scopes 1 and 2 to include Scope 3, revise our mid- to long-term target toward the 2050 Zero Emission goal, and obtain approved Science Based Targets (SBT)*¹. As property sales account for a high percentage of the Group's operating revenue, we are aware

of our serious responsibility for properties after they have been sold as well as properties we own. We will also further promote the concept of Net Zero Energy Houses (ZEH)*², promote the use of renewable energy, and make environmental efforts from a long-term perspective by taking measures after sales of properties as well as in the development phase. Furthermore, Nomura Real Estate Asset Management, which manages real estate funds such as J-REITs at the Investment Management Business Unit, announced its support for the Task Force on Climate-related Financial Disclosures (TCFD)*³ recommendations in July 2020, and the Company itself also announced its support in September 2020, in order more clearly to express our stance, which could lead to reducing business risks and obtaining new business opportunities by assessment and analysis on risks and opportunities of climate change.

In 2019, we signed the United Nations Global Compact to express our commitment to resolving social issues concerning the environment, human rights, labor, and other matters to help achieve a sustainable society. In addition, we jointly worked with our suppliers on industry-wide material issues, including problems responding to the Technical Intern Training Act in Japan and local residents involved in timber procurement. Deeming that our relationship of trust and collaboration with our suppliers constitutes the foundation of the Group's business continuity, we will practice our CSR Procurement Guidelines more exhaustively and strengthen our engagement with our suppliers.

Response to COVID-19

P80-81 [Topic: Response to COVID-19] →

We are taking Group-wide measures against COVID-19, giving top priority to securing the health and safety of our employees, customers, tenants, suppliers, and other stakeholders. When the Japanese government issued an emergency declaration and prefectural governments made self-restraint requests, we responded by closing our MEGALOS fitness clubs, all our housing sales galleries, and all the "Nomura no chukai + (PLUS)" retail branches. The Group has long upheld wellness management with the aim of offering a work environment where all employees can work energetically, accommodating diverse work styles including working from home and teleworking and flexible working so as to place the health and safety of employees first. Anticipating a post-COVID-19 world, we intend to further develop our wellness management.

On the business front, thanks to the Group's solid financial base sustained by our policy of maintaining the shareholders' equity ratio at 30%, our future investment for growth and long-term projects remain stable even in the face of market confusion, a downturn in business confidence, and the ensuing short-term decline in financial performance resulting from the COVID-19 woes. While keeping a close eye on economic trends and the real estate market, we can adapt our strategies

as necessary.

Looking back over our history, we can see that the Group has taken advantage of significant environmental changes to expand its business and achieve growth. Economic crises trigger enormous changes in the environment, which spawn new businesses. The Group's PROUD condominium brand and PMO (premium mid-sized office) brand were also created and fostered amid such adversities. The prevalence of teleworking that allows employees to work regardless of their time and place and the diversification of the office environment will provide new business opportunities for the Group's H¹O small office with services and H¹T satellite shared office. Meanwhile, on the housing front, the growing number of persons working from home and teleworking is expected to increase the time they spend at home and in their local neighborhood, leading them to increasingly value their local communities. Such trends will provide the Group with ever more opportunities to advance its community building and area management schemes that engage the surrounding areas in addition to the development areas.

In this time of difficulty, the Group will draw on its market-in approach and commitment to quality, which are its strengths, to take decisive steps in business to gain new opportunities.

See page 72 for details on *1 (SBT), *2 (ZEH), and *3 (TCFD).

New offices based on the market-in approach

Meeting the needs of workers in small teams

Small office with services

H¹O
HUMAN FIRST OFFICE

We analyze the needs of small businesses, in which productivity directly affects financial performance, and provide offices with facilities and services that help maximize the **"Potential of their workers."** The extensive facilities and services for shared use enable tenant companies to streamline their leased space and reduce their initial cost, helping them flexibly expand their network of business sites.



Staffed reception



Secured private space



Shared meeting room

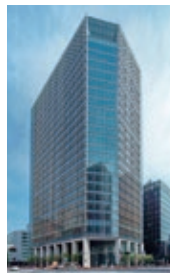
Diverse development projects including construction of H¹O dedicated type and single-floor offices (Major projects)



H¹O Nihonbashi Kobunacho (opened in 2020)



H¹O Kanda (to open in 2020)



H¹O Toranomon (to open in 2021)

Catering to diversifying work styles and the need for higher efficiency

Shared satellite offices

H¹T
HUMAN FIRST TIME

It is becoming increasingly important for people to secure workplaces where they can work comfortably and productively regardless of the location or infrastructure of their offices. Placing great value on **"Workers' precious time,"** we are developing our network of shared satellite offices, including in station-front retail facilities, in order to offer convenient and comfortable workplaces that serve as workers' "second office."



Spacious open space

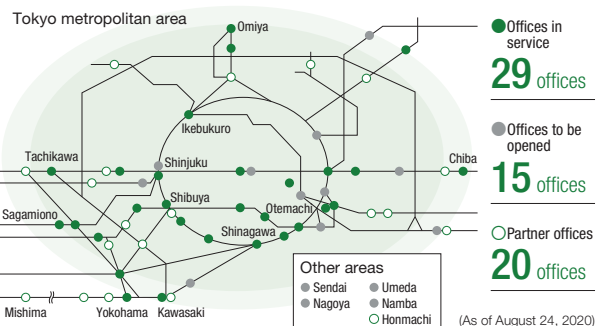


Meeting room where guests can be invited



Private booth

Satellite offices with convenient access



For further growth

While consistently valuing the bonds with customers through the development of high-quality products and services, the Group is continuously enhancing its corporate value and competitiveness by creating new value toward the goals of "building cities—dynamic stages that connect today with tomorrow's possibilities" and "embracing every moment of life's pursuits." Furthermore, I am convinced that we will generate new business opportunities that will produce a virtuous circle.

Unexpectedly faced with such a drastic change caused by the COVID-19, we are now reexamining the impact on our Mid- to Long-term Business Plan. However, we will remain committed to our business strategy of maintaining a high asset efficiency on the back of the growth achieved in our property sales business and the service & management business and thrusting forward our urban development projects. With an eye toward the next 30 or even 50 years as a real estate group, we are aspiring to grow together with society and to continue being a corporate entity that contributes to achieving a sustainable society. We will live up to the expectations and trust of our customers, shareholders, suppliers, employees, and all other stakeholders toward a bright future society.



宮嶋 誠一

Seiichi Miyajima

Executive Vice President and Representative Director,
Group COO

Mid- to Long-term Business Plan overview and progress

The Group is promoting its Mid- to Long-term Business Plan (FY20/3-FY28/3), which was announced in April 2019. The Plan aims to achieve the four value creation initiatives as well as maintain and enhance high asset efficiency and sustainable profit growth by leveraging awareness of the external environment (opportunities and threats) as well as the Group's strengths and business resources that it has cultivated since the Company's inception.



Profit plan (business profit)

Realize sustainable profit growth while maintaining high asset and capital efficiency.

Business profit by business unit* (Billions of yen)	FY20/3 (Results)	FY22/3 (Phase 1)	FY25/3 (Phase 2)	FY28/3 (Phase 3)
Residential Development Business Unit	24.9	30.0	36.0	
Commercial Real Estate Business Unit	39.2	33.0	36.0	
Service & Management Sector	24.4	28.0	35.0	
Investment Management Business Unit	7.1	9.0	12.0	
Property Brokerage & CRE Business Unit	9.1	11.0	14.0	
Property & Facility Management Business Unit	8.1	8.0	9.0	
Adjustments	(5.6)	(6.0)	(7.0)	
	82.8	85.0	100.0	120.0-140.0

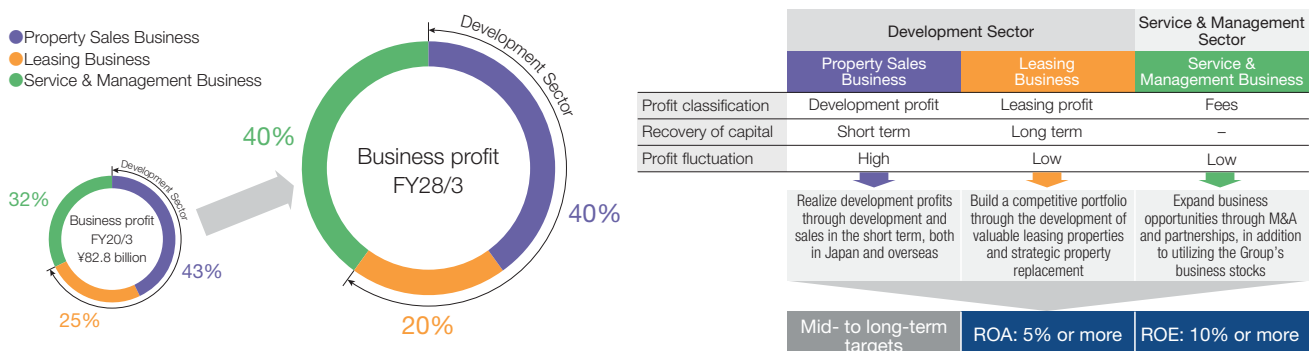
*Business profit = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions

*It does not reflect the change in the classification of overseas business as of April 1, 2020 from the Residential Development Business Unit and Commercial Real Estate Business Unit to Other.

Business portfolio strategy (profit structure)

Optimizing our business portfolio

Achieve a business portfolio that combines high asset efficiency and profit stability.



Overseas business strategies

Expand overseas business profit ratio to 15-20% of total business profit in Phase 3 by capturing overseas growth markets.



Financial and capital policies

Achieve a balance between profit growth and shareholder returns. The total return ratio is targeted to be 40–50% in Phase 1.

Mid- to long-term targets

Mid- to long-term targets			FY20/3 (Results)	Phase 1 (FY20/3-FY22/3)	Phases 2 & 3 (FY23/3-FY28/3)	
Asset efficiency	Capital efficiency	Shareholder returns (Phase 1)				
ROA:	ROE:	Total return ratio:	ROA	4.7%	Approx. 4-5%	5% or more
5% or more	10% or more	Approx. 40–50%	ROE	9.1%	Approx. 8-9%	10% or more

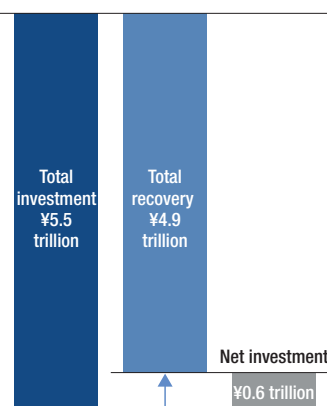
Investment plan

Accelerate new investments while increasing asset turnover, controlling net investment, and increasing asset efficiency.

(Billions of yen)						
	End of FY19/3	Phase 1 FY20/3 (Results)	Phase 2	Phase 3	Total	
Residential Development Business Unit						
Investment	—	297.3	1,100.0	1,250.0	1,250.0	3,600.0
Recovery	—	257.4	1,000.0	1,200.0	1,250.0	3,450.0
Commercial Real Estate Business Unit						
Investment	—	164.4	550.0	650.0	700.0	1,900.0
Recovery	—	125.2	400.0	500.0	550.0	1,450.0
Total						
Total investment (of which overseas)	—	461.7 29.9	1,650.0 50.0	1,900.0 100.0	1,950.0 150.0	5,500.0 300.0
Total recovery (of which overseas)	—	382.6 3.3	1,400.0 0.0	1,700.0 50.0	1,800.0 100.0	4,900.0 150.0
Total balance of assets*	1,759.4	1,801.2	2,000.0	2,200.0	2,400.0	—

*Total balance of assets is the assumed total assets balance as of the end of the last fiscal year of each phase. Since the investment/recovery plan only shows the figures of the Residential Development Business Unit and Commercial Real Estate Business Unit, the change in the total balance of assets does not match the calculation result from total investment and total recovery.

*It does not reflect the change in the classifications of overseas business as of April 1, 2020 from the Residential Development Business Unit and Commercial Real Estate Business Unit to Other.



Strategic investment

In addition to the investment plans described above, we are making strategic investments for future growth.

In the fiscal year ended March 2020, we acquired additional shares in Nomura Real Estate Building (formerly NREG TOSHIBA BUILDING) and made it a 100% subsidiary.

Major investment goals

Expand business in Service & Management Sector and overseas

Develop business in new fields

Gain external expertise and resources

Impact of COVID-19

The Plan was formulated in April 2019 and does not take into account the impact of the spread of COVID-19. As of the end of September 2020, we are scrutinizing the impact on the profit targets for Phase 1 (FY22/3).

Interview with the CFO



By building a flexible business portfolio, we will promote both investment for growth and shareholder returns through highly efficient management.

Makoto Haga

Director, Group CFO

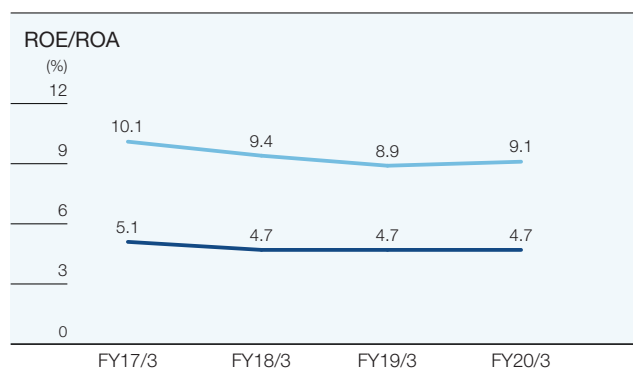


Please assess performance of the Group for the fiscal year ended March 2020.

The Group is promoting a nine-year Mid- to Long-term Business Plan (the Plan) that runs from the fiscal year ended March 2020 to the fiscal year ending March 2028, and the fiscal year ended March 2020 was the first year.

Under the Plan, we will target ROE of over 10% and ROA of over 5% in the medium term and will work to create corporate value that exceeds cost of equity. We will improve ROE by increasing ROA while preserving financial soundness with our discipline of maintaining a level of 30% for the shareholders' equity ratio.

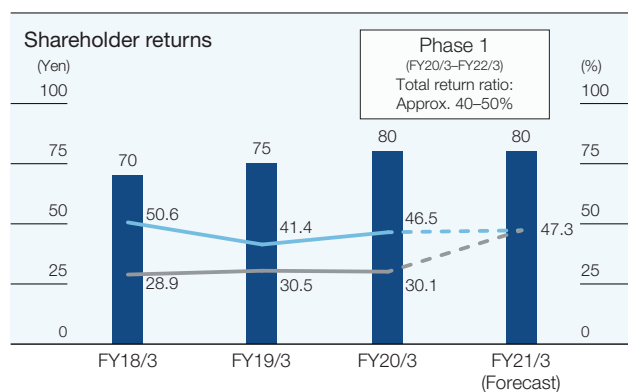
Looking at our consolidated business results for the fiscal year ended March 2020, business profit increased 4.0% from the previous fiscal year to ¥82.8 billion and profit attributable to owners of parent increased 6.6% to ¥48.8 billion. These increases were driven by an improvement in the gross profit margin in the housing sales business in the Residential Development Business Unit, realization of development profit and unrealized profit in the Commercial Real Estate Business Unit, and solid growth in the three business units comprising the Service & Management Sector. Meanwhile, ROE was 9.1%, ROA was 4.7%, and the shareholders' equity ratio was 30.5%, as each of these indicators progressed following the Plan. For shareholder returns as well, as we targeted the Plan, we achieved a total return ratio of 46.5% as a result of cash dividends and the acquisition of treasury shares. We are delighted with these acclaimed results.



— ROE — ROA

ROE = Net profit / Shareholders' equity (average over the fiscal year)

ROA = (Operating profit + Non-operating profit) / Total assets (average over the fiscal year)



■ Annual cash dividends per share (left scale)

— Dividend payout ratio (right scale) — Total return ratio (right scale)

Total return ratio = (Total amount of dividends + Total amount of acquisition of treasury shares) / Profit attributable to owners of parent

Dividend payout ratio = Total amount of dividends / Profit attributable to owners of parent



The Mid- to Long-term Business Plan calls for high capital efficiency. What is the reason for and background of this policy?

In Japan, there are Japanese Real Estate Investment Trusts (J-REITs) and other several fund schemes which are also suitable for long-term holding of real estate thanks to preferential tax breaks. The Group also manages Nomura Real Estate Master Fund (NMF), which is top-ranked in the size of assets under management in J-REITs, and Nomura Real Estate Private REIT (NPR), an unlisted REIT. We think that it is a rational approach to separate developer arms and leasing asset holding entities. This change in ownership structure would be a main stream in Japan as well.

In terms of risk/return, the cost of equity of REITs engaged in the long-term holding and management of leasing assets is around 3-5%. However, developers are required higher cost of equity due to their development risk. As a developer, we believe it is our duty to leverage our experience and expertise to take mainly real estate development risks and to generate ROE that exceeds cost of equity which is 7-8%. Even though we describe this as high capital efficient management, in reality this is only “highly efficient” compared with domestic developers up to the present. When looking globally we must still improve our capital efficiency even further.

On the other hand, from the perspective of debt procurement encompassing credit ratings as well as business continuity, we must also be aware of the stability of cash flows and the asset value on the balance sheets. For these reasons, holding a certain level of excellent leasing assets is essential.

To balance these, we will build a portfolio that combines our three businesses consisting of the property sales business, the leasing business, and service & management business that have different risk/return characteristics. We will commit to high asset efficiency and capital efficiency while maintaining stability by constructing an optimized business portfolio and continuing to manage our size of balance sheets as we keep a close watch on business opportunities and market trends.



Could you explain what is an “optimized business portfolio”?

We regard “optimized” as “flexible to appropriately respond to market changes,” and this encompasses future forecasts. Our business portfolio should be changed through market adaptation and forward-looking approaches. We believe this will allow us to deliver high performance to our investors.

There are numerous companies that lacked this flexibility and have fallen by the wayside. The Group implements its Plan over a long term spanning nine years because we recognize

the importance of future prospects that are based on the characteristics of the real estate industry. The management of the Group is imbued with a culture of steadily observing the market, objectively ascertaining the Company's own strengths and weaknesses, and taking in investors' opinions. We regard these features as the foundation of our corporate governance.

As I explained previously, considering changes in the ownership structure of leasing assets in Japan and the required returns in terms of cost of equity, we believe that on a business profit basis, a balance combining 40% for the property sales business, 20% for the leasing business, and 40% for the service & management business is an optimized business portfolio over the mid-to long term. Through this combination, we will strive for ROA of over 5% and utilize financial leverage with the shareholders' equity ratio at the 30% level to attain ROE of over 10%.



Please describe your approach to the current changes in the business environment.

The impact of COVID-19 on the real estate business includes uncertainties that are difficult to forecast (as of September 30, 2020). We monitor changes in social trends and assume multiple scenarios for real estate price trends that affect asset values. This is an environment in which we should truly “build a flexible business portfolio.”

For example, realizing development profit and unrealized profit by property sales will be a pillar of the Group's business model. In view of this, we must ascertain whether it is the best timing for selling them. Assuming that property price fluctuations are cyclical, asset fire sales based on only a short-term perspective are not a good idea. The Group maintains financial soundness with a shareholder's equity ratio at the 30% level. This means we have the option of ascertaining the environment and deciding independently whether to hold or sell. We believe that effectively utilizing this option is also important.



Risk management is essential for securing high returns. What are the Group policies?

Risk management is a means for sustainably maximizing corporate value.

To properly manage the risks we must assume, for the asset side of our business portfolio we carry out risk management using the Value at Risk (VaR) approach, which quantifies the amount of risk in each business. This is a method to put stress on each business and assume the maximum losses based on an analysis of historical data for the changes in macro markets

Interview with the CFO

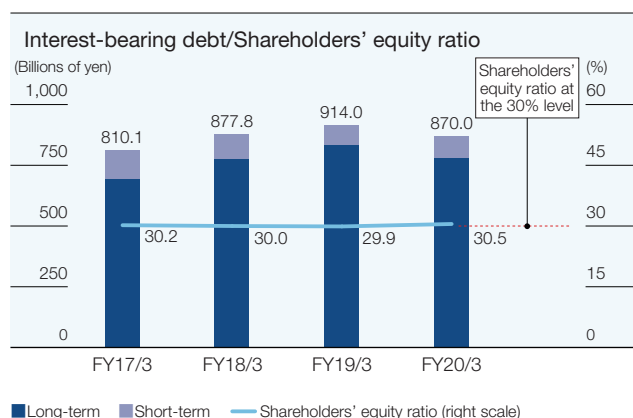


and in the Group's business and compare this with the amount of shareholders' equity. In other words, VaR is one basis for setting the Group's shareholders' equity ratio standard at the 30% level.

Concurrently, impacts on cash flows are also subject to risk management. Real estate developers are involved in the transfer of large amounts of funds through their investments and recoveries. For this reason, we also carry out risk management that includes cash management.

As for the liability side, we believe it is crucial to undertake risk management for two types of risks, the risk of interest rate hikes and the risk of unexpected changes in the fund procurement environment. In response to the risk of interest rate hikes, we are taking advantage of the current low interest rate environment and have moved ahead with the conversion of floating-rate loans to fixed-rate loans and the extension of average loan maturities. Both the ratio of long-term maturities and fixed-rate loans to current interest-bearing debt are 97.5%. We are also executing hybrid financing in this environment that is conducive to various means of financing.

Regarding the fund procurement risk, we are assuming a worst-case scenario due to COVID-19 and have issued commercial papers and already executed commitment line agreements to keep funds at a level higher than in normal times.



What is your thoughts on shareholder returns?

For shareholder returns, we set a total return ratio of approximately 40-50% in the Phase 1 period of the Plan (up to the fiscal year ending March 2022). We will strike a balance between investment for growth and shareholder returns through profits generated by high capital efficient management.

During my dialogue with investors, I am often asked whether we prioritize investment for growth or shareholder returns. I always tell them that in the real estate industry, we can achieve both.

Investment for growth by non-real estate companies such as manufacturers are usually for facilities with low liquidity like manufacturing equipment and plants as well as for R&D, and recovery of these investments takes a long time. In contrast, investment for growth in the real estate industry is for investment in developing properties, which can be a product itself. When we sell property after completion, we recover the investment amount in a relatively short span. Thus, we can reinvest as well as provide shareholder returns with the realized profit.

I should point out that even in the same real estate industry, however, it is difficult to realize both of these using a business model that continuously holds the developed assets and continually expands the balance sheets. We are confident the Group's business model, which centers on the property sales business and realize development profits, is a rational strategy for the balance of investment and shareholder returns.

In this manner, the Group emphasizes high capital efficiency and high total return ratio. In order to achieve them, we should be a company that consistently generates profits. In the fiscal year ending March 2021, I expect COVID-19 will have a significant impact on our businesses, and we forecast declines in revenue and profits. Despite this, we have announced that we will maintain cash dividends at the same level. I believe we have clearly demonstrated our policy of emphasizing stable shareholder returns as well as the soundness of the Group's financial base that enables these shareholder returns.



What are your thoughts on your role as Group CFO and the director in charge of investor relations.

Within Japan's real estate industry, the Group has devised the unique form of a developer that includes concentrating on high capital efficient management, realizing development profits and unrealized profit, and emphasizing shareholder returns along with articulating a clear capital policy. I have long engaged in the asset management business and corporate planning. With such backgrounds, I have promoted the Group's business

strategy from the dual perspectives of capital and real estate markets.

The market situation is now changing drastically due to the impact of COVID-19. From now on, we can keep growing by grasping these changes and adapting to the environment flexibly and actively.

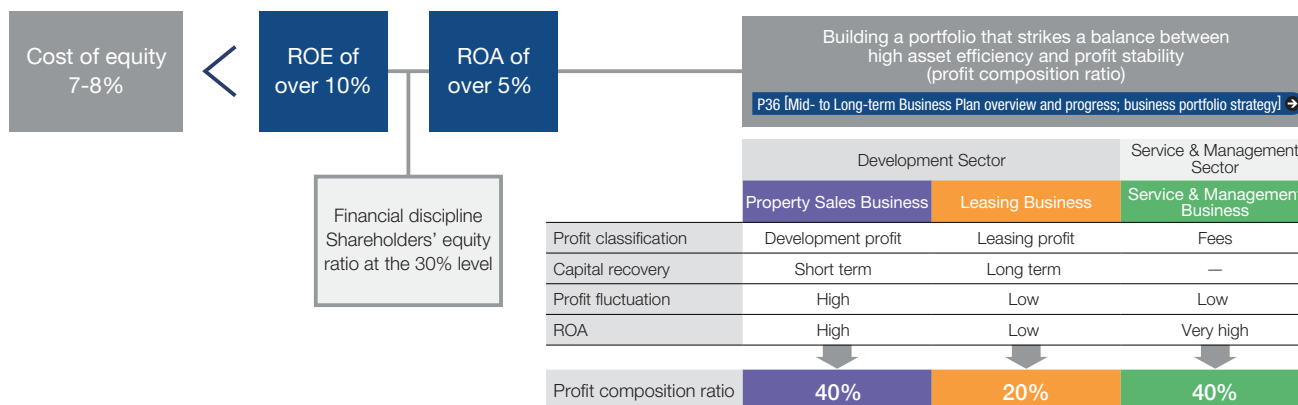
The Group has earnestly taken in the investors' opinions and reflected feedback in business activities. In my communications with investors recently, I feel strongly their clear intention to "change society through ESG investments." Social responsibility

has become increasingly important for both companies and investors.

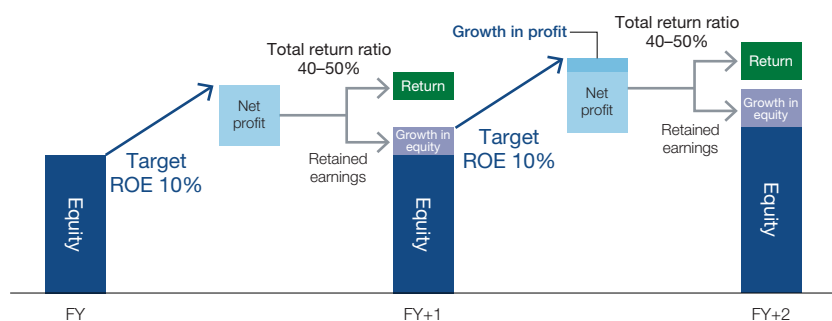
The Group operates businesses that are directly connected to people's lives and society. Our business growth is always aligned in the same direction as our contributions to resolve social issues responses and ESG initiatives will become one important "return" to investors.

As CFO, I will continue to commit to achieving profit growth and making social contributions through the Group's businesses and will work to earn the trust of our investors.

ROE logic tree



Equity story balancing growth investments and shareholder returns

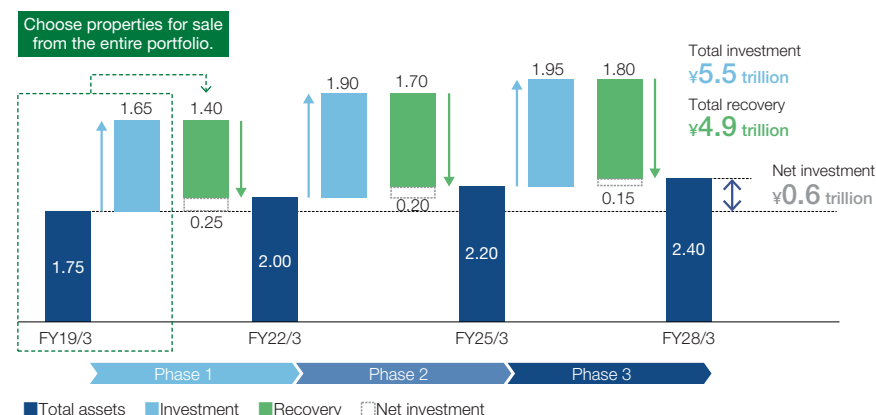


POINTS

- Distribute profits generated through high capital efficient management to investment for growth and shareholder returns in a balanced manner
- Control increase of shareholders' equity by retained earnings to approximately 5% annually

Investment plan that focuses on balance sheet management

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POINTS

- Control an increase in the balance sheets to an annual rate of approximately 5% to improve assets efficiency over the medium term and to maintain the shareholders' equity ratio at the 30% level
- Pursue both growth investment that does not miss business opportunities and investment recovery that realize development profits at appropriate timing while paying attention to market conditions