



November 4, 2015

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Notice of the Mid- to Long-Term Business Plan (from April 2016 to March 2025)
Prepared by the Nomura Real Estate Group

Nomura Real Estate Holdings, Inc. announces that it has recently formulated the new Mid- to Long-Term Business Plan - *Creating Value through Change* - (from April 2016 to March 2025).

■ Background and Purpose of the Preparation of this Plan

The Group formulated a mid- to long-term business plan (through March 2022) in fiscal 2012. During Phase 1 (from the fiscal year ended March 2013 to the fiscal year ending March 2016) of said plan, we have addressed implementing the basic strategies “To secure earnings growth in existing businesses,” “To secure financial foundation toward future growth” and “To make aggressive efforts toward the realization of growth from the long-term perspective.” As a result, the goal of ¥65.0 billion in operating income was achieved two fiscal years ahead of schedule and the goal of 30% in shareholders’ equity ratio is expected to be achieved as of the end of March 2016, thereby showing successful progress in quantitative terms.

Looking at the social and economic environments surrounding the Group, diverse changes have continued including the progress of urban renaissance in metropolitan areas, movements for regional revitalization, and the increase and/or obsolescence of the stock of existing properties, in addition to the aging population and declining birthrate, as well as the progress of women’s advances in society. Furthermore, such phenomena as the expansion of the real estate investment market, the economic growth of the Asian zone and accelerated globalization are expected to have significant effects on the business environment of the Group in the future.

Given the aforementioned background, we have formulated this business plan to realize our growth model that emphasizes “Continuous expansion of revenue with ensured high asset efficiency” based on the streamlined financial foundation.

We have set financial goals up to FY25/3 and have deployed growth strategies for their achievement. Meanwhile, the target period is divided into three phases, and the respective milestones are planned for each phase in anticipation of realizing stepwise growth.

- Phase 1: FY17/3 through FY19/3
- Phase 2: FY20/3 through FY22/3
- Phase 3: FY23/3 through FY25/3

Summary of the Mid- to Long-Term Business Plan

—*Creating Value through Change*—

(from April 2016 to March 2025)

■ Ideal Image of the Group

Utilizing what people and communities mutually respect to engage in urban development that anticipates the future, and nurturing an affluent time to live in together with communities while creating new value for society.

■ Key Strategies

(1) Expand business volume and business domains in the Development Sector

- Realize growth in the housing sales and leasing businesses through expansion of product categories, business areas and business methods.
- Increase both “revenue from property sales,” which also contributes to the improvement of asset efficiency, and stable “rental revenue.”
- Maximum leverage of business methods taking advantage of Group strengths such as complex development and/or large-scale redevelopment centering on metropolitan areas to advance the urban-type Compact Town concept initiative highlighting multifunctionality and superior comfort.

(2) Demonstrate differentiation and a competitive edge in the Service & Management Sector

- Demonstrate a competitive edge through the creation and/or provision of diverse services meeting market needs in the Investment Management Business, the Property Brokerage & CRE Business and the Property & Facility Management Business segments, as well as through the acquisition of external know-how and M&As to expand business domains.
- Improve asset efficiency and increase business opportunities for development by expanding the fee business to establish a competitive edge in the Service & Management Sector.

(3) Increase and reinforce customer base via Group-wide collaboration

- Create synergies through the collaboration of Group companies and different business divisions to provide customers with high value by leveraging the collective strengths of the Group.
- Increase business opportunities and maximize the profit of the entire Group by establishing and enhancing our business base for customers who continuously select Group products and/or services.

■ Financial and Capital Policies (mid- to long-term guidelines)

Pursue an optimum balance among efficiency, financial soundness and return to shareholders.

Asset efficiency	Capital efficiency	Financial soundness	Total return ratio
ROA	ROE	Shareholders' equity ratio	Dividend payout ratio
Above 5%	10% level	30% level	Approximately 30%

■ Quantitative Goals

Realize sustainable revenue growth while maintaining a stable financial foundation and high asset efficiency.

<Long-term revenue goals>

Operating income to be doubled by the end of the target period (compared with the corresponding figure for FY16/3)

	Phase 3 (FY25/3)
Operating income	¥150 billion level
Operating revenue	Above ¥1 trillion

<Revenue goals for Phase 1 and Phase 2>

	Phase 1 (FY19/3)	Phase 2 (FY22/3)
Operating income	¥85.0 billion	¥110 billion level

■ Investment Plan

Proactive increase of investment based on a solid financial foundation

(Billions of yen)

	Phase 1 (FY17/3–FY19/3)	Total for the target period (FY17/3–FY25/3)
Residential Development Business		
Investment	950.0	3,250.0
Recovery	900.0	3,000.0
Net investment	50.0	250.0
Recovery-to-investment ratio	95%	92%
Leasing Business		
Investment	400.0	1,800.0
Recovery	150.0	850.0
Net investment	250.0	950.0
Recovery-to-investment ratio	38%	47%
Strategic investment	75.0	200.0
Total		
Investment	1,425.0	5,250.0
Recovery	1,050.0	3,850.0
Net investment	375.0	1,400.0
Recovery-to-investment ratio	74%	73%

■ Business Strategy

<Residential Development Business>

—Sustainable growth as a core business by developing businesses compatible with environmental changes

- Expand market shares and enhance earning power for existing business areas centering on the Tokyo metropolitan district of the housing sales business. Increase business volume by showing a presence in new business areas such as nucleated cities in Japan and overseas.
- Enhance the real estate stock-based business by promoting the customer relationship with the Group's customers.

<Leasing Business>

—Firmly establish the position as an urban developer with its business structuring power capable of forming a diversified product lineup—

- Demonstrate its business structuring power and develop excellent properties for lease with regard to, for example, the complex development through the reinforcement/expansion of the commercial property business and those in the asset-type sectors. (Investment of ¥1.8 trillion within the target period)
- Establish a solid revenue base by combining “Stable rental revenue” via the holding by the company with “Revenue from property sales that would contribute to high asset efficiency” via sales of relevant properties to the Group-affiliated REITs.

<Investment Management Business>

—Expand the stable revenue base primarily focusing on REITs and realize revenue growth through the ongoing supply of new products—

- Realize the growth of REITs by utilizing Nomura Real Estate Asset Management’s capacity of managing REITs by taking advantage of its features as a real estate asset management firm and enforcing the Group-wide collaboration system to support its asset management capacity.
- Continually supply new funds that are precisely in tune with investors’ needs and realize revenue growth in the private fund business and the stock fund business by strengthening responses to global investment needs.

<Property Brokerage & CRE Business>

—The expansion/enhancement of the business base and the provision of aggressive services compatible with customers’ attributes/needs—

- Market share expansion via the reinforcement of face-to-face services and further utilization of ICT in the Retail Sector.
- Customer base expansion thorough customer orientation and the offering of sophisticated CRE proposals in the Wholesale Sector.

<Property & Facility Management Business Segment>

—Expand business base and evolve service menus—

- Expansion of the stock of properties under management with measures such as the strengthening of Group-wide collaboration, customer satisfaction improvement, the evolution of service menus and the increase of asset-type services.
- Evolution of service menus by reinforcing services in highly operational service fields mainly for users.

■ New Initiatives toward Growth Acceleration

<Overseas Business>

- Aggressive expansion of overseas business by leveraging know-how regarding product and service planning nurtured through domestic businesses—
 - Conduct housing sales and leasing businesses mainly in Asian countries where real estate-related needs are rising. (Investment of ¥300 billion within the target period)
 - Develop asset management and property brokerage businesses to meet cross-border investment needs.

<Senior Citizen and Health-Related Services>

- Provide senior citizen and health-related services to help create desirable environments in which customers can live safe and comfortable lives—
 - Develop housing for the elderly and offer secure and comfortable facility operation services with the aim of ensuring residents' health.
 - Promote urban development for communities that help senior citizens to live vigorous lives through the provision of resources by the entire Group.

<Public-Private Partnership Business>

- Aggressively promote the PPP/PFI* businesses with the collective strengths of the Group—
 - Demonstrate the Group's know-how on development, operation and management to resolve issues at public institutions.
 - Contribute to raising the satisfaction of facility users through public service improvements with measures such as responses to the need of sale/enhanced utilization of public land, entrustment for the designated management of public facilities and participation in the public facilities management business (concession).

*PPP/PFI: A Public-Private Partnership (PPP) is a scheme in which the public and private sector work together to provide a public service. A Private Finance Initiative (PFI) is a scheme by which private-sector capital and management expertise and technologies are utilized to construct, maintain and manage public facilities.

<Energy Management>

- Enhance environmental considerations and customer services by developing energy-related businesses—
 - Deploy energy-related businesses such as the solar power generation business, the high-voltage bulk electricity supply service for entire condominium and the electricity retailing business.
 - Enhance and expand the customer services of the Group including the supply of cheaper electricity to houses and commercial facilities.

<Accelerating Speed of Growth with Strategic Investments>

—Invest ¥200 billion as strategic investment such as M&As and business alliances by the end of the fiscal year ending March 2025—

- Increase business opportunities mainly in the Service & Management Sector and deploy businesses in new domains.
- Demonstrate synergies with existing businesses.
- Acquire external know-how and resources to accommodate recent trends including changes in the social environment and diversification of customer needs.