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Nomura Real Estate Holdings, Inc.  
1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo  
(Stock code: 3231, TSE First Section)  
Representative: Eiji Kutsukake, President and Representative Director  
Contact: Naoko Usami, General Manager  
Corporate Communications Dept.  
TEL: +81-3-3348-8117

### **Announcement of Introduction of Performance-Based Stock Incentive Plan, Etc.**

Nomura Real Estate Holdings, Inc. (the “Company”) has reviewed its executive compensation system and resolved at the meeting of the Board of Directors held on May 18, 2018 to introduce a new stock incentive plan (the “Plan”) for Directors (excluding Director & Audit & Supervisory Committee Members, External Directors and non-residents of Japan; hereinafter the same) of the Company.

At the same time, the introduction of the Plan for all or part of the directors and executive officers (excluding external directors and non-residents of Japan) of each of the 11 subsidiaries of the Company (Nomura Real Estate Development Co., Ltd., Nomura Real Estate Asset Management Co., Ltd., Nomura Real Estate Urban Net Co., Ltd., Nomura Real Estate Partners CO., Ltd., NREG TOSHIBA BUILDING Co., Ltd., Nomura Real Estate Life & Sports Co., Ltd., Nomura Real Estate Heating and Cooling Supply Co., Ltd., Geo Akamatsu Co., Ltd., Nomura Real Estate Reform Co., Ltd., Nomura Real Estate Amenity Service Co., Ltd., and NREG TOSHIBA BUILDING FACILITIES Co., Ltd.; the “Target Subsidiaries,” and together with the Company, the “Target Companies”) (such directors and executive officers, “Directors, etc. of Target Subsidiaries,” and together with Directors of the Company, “Target Directors, etc.”) will be likewise resolved at a meeting of the board of directors of each Target Subsidiary.

Therefore, the Company will submit the proposal for the introduction of the Plan at the 14th Ordinary General Meeting of Shareholders to be held on June 26, 2018, and the Target Subsidiaries will respectively submit the same to the General Meeting of Shareholders of each Target Subsidiary to be held in the future (each general meeting of shareholders of the Company and the Target Subsidiaries, an “General Meeting of Shareholders”).

#### **Note**

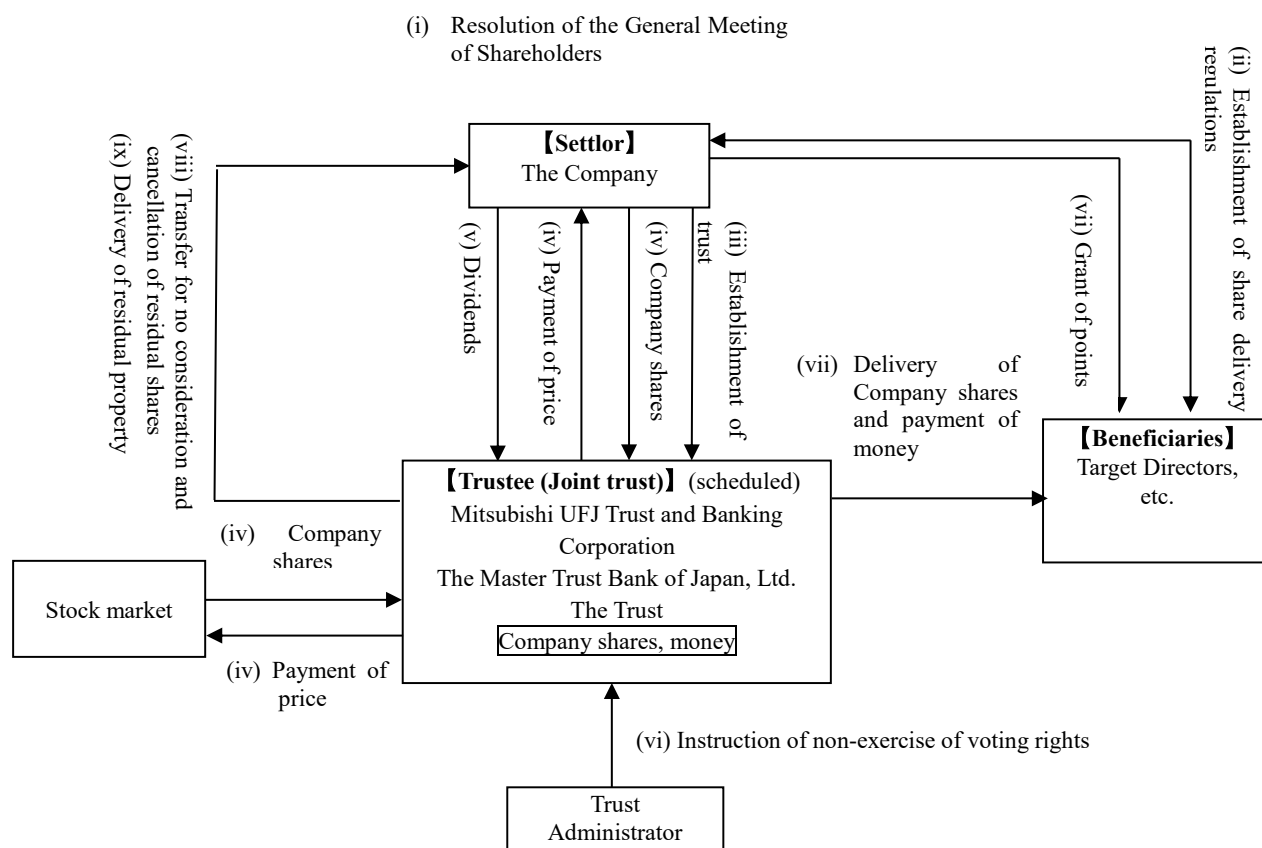
##### **1. Introduction of the Plan**

- (1) By linking Directors’ compensation to the Company’s share price, the Plan is expected to have an effect similar to stock options in that it will create an incentive to enhance corporate value in the medium-to-long term and align interests with the Company’s shareholders.

At the same time, The achievement-linked portion of the Plan links the level of stock-based compensation to performance three years later, thereby being more suited to the medium-to-long-term business periods that are characteristic of the real estate business and providing a clearer incentive to improve medium-term performance. In addition, the non-achievement-linked portion creates incentives to contribute to the Company Group and enhance corporate value over the long term because the vesting of stock under the portion is in principle delayed until the officer's resignation. Because the Plan is expected to have these effects not present in the stock option system, the Company considers the introduction of the Plan to be appropriate.

- (2) The Plan will be introduced on the condition that each Target Company obtains approval for the resolution regarding executive compensation at its General Meeting of Shareholders.
- (3) The Plan will adopt the system of executive compensation BIP (Board Incentive Plan) trust (the "BIP Trust"). The BIP Trust is an executive incentive plan based on the Performance Share system and the Restricted Stock system in Western countries, and under the Plan, the Company shares and the amount of money equivalent to the converted value of such Company shares (the "Company Shares, etc.") are vested or paid (hereinafter "vested, etc.") to Target Directors, etc. based on their respective executive position and other factors.
- (4) After the Plan is introduced, the compensation for Directors of the Company will consist of "fixed salary," "bonus" and "stock incentive." The Company will abolish the current "stock options" system after granting "stock options" as compensation for Directors for the business year ended March 2018 and will not grant any new "stock options" thereafter.

## 2. Outline of the Plan



- (i) Each Target Company will obtain a resolution to approve the introduction of the Plan at its General Meeting of Shareholders.
- (ii) Each Target Company will establish share delivery regulations regarding the details of the Plan at a meeting of its board of directors.
- (iii) The Target Subsidiaries will contribute money to the Company to be used as a fund for compensation for Directors, etc. of Target Subsidiaries within the scope approved by a resolution at each respective General Meeting of Shareholders in (i) above, and the Company will entrust the sum of such money contributed from the Target Subsidiaries and money to be used as a fund for compensation for Directors of the Company within the scope approved by a resolution at the General Meeting of Shareholders of the Company in (i) above and establish the BIP Trust whose beneficiaries are Target Directors, etc. satisfying the beneficiary requirements (the “Trust”).
- (iv) The Trust will acquire the Company’s shares from the Company (disposition of treasury shares) or the stock market using the trust money contributed in (iii) above in accordance with the directions of the Trust administrator. The number of shares to be acquired by the Trust shall be within the scope approved by a resolution at the General Meeting of Shareholders in (i) above. The shares of the Company held in the Trust shall be managed separately for each account of the Target Companies based on the amount of contribution made by each Target Company.
- (v) Distributions will be made to the shares of the Company held in the Trust as in the case of other shares of the Company.
- (vi) No voting rights shall be exercised with respect to the shares of the Company held in the Trust during the Trust term.
- (vii) During the Covered Period (defined in (1) below), points will be granted to Target Directors, etc. based on their respective executive position for each business year, as described in (4) below. The Company Shares, etc. will be vested, etc. to Target Directors, etc. satisfying certain beneficiary requirements based on the number of points (described in (4) below) three years after the beginning of each business year during the Covered Period and upon resignation of all Target Directors, etc. and officers of the Company Group in principle as described in (5) below.
- (viii) If there are residual shares at the time of expiration of the Covered Period (defined in (1) below), the Trust will either (a) be continued by modifying the Trust Agreement and entrusting additional money or (b) transfer such residual shares to the Company for no consideration and the Company will cancel such shares by a resolution of the Board of Directors.
- (ix) At the time of termination of the Trust, any residual property remaining after the distribution to the beneficiaries will be allocated to the Company, as holder of vested rights, within the amount of reserves for trust expenses after deducting funds for acquisition of shares from the trust money.

(Note) If there are no Company shares remaining in the Trust after the Company Shares, etc. have been vested, etc. to Target Directors, etc. satisfying beneficiary requirements, the Trust will terminate before the expiration of the

Trust term. Each Target Company may (with respect to the Target Subsidiaries, through the Company) contribute additional money to the Trust to be used as a fund for acquisition of the Company's shares within the scope approved by a resolution at the General Meeting of Shareholders of each Target Company respectively, and the Trust may acquire additional shares of the Company.

(1) Outline of the Plan

The Plan covers the three business years from the business year ended March 31, 2019 to the business year ended March 31, 2021 (the "Covered Period") (\*), during which period the Company Shares, etc. are vested, etc. as executive compensation based on their respective executive position in each business year during the Covered Period and the level of achievement of performance targets three years after the beginning of the applicable business year.

\*If the Covered Period is extended upon its expiration, the Covered Period shall be each period of three business years thereafter.

(2) Procedures for introduction of the Plan

Each Target Company will resolve at the General Meeting of Shareholders the maximum amount of money to be contributed to the Trust for each Covered Period and other necessary matters.

If the Covered Period is to be extended, each Target Company will decide such extension by a resolution of the board of directors within the scope approved at its General Meeting of Shareholders.

(3) Trust Term

The Trust term shall be approximately five years from August 31, 2018 (scheduled) to August 31, 2023 (scheduled).

If it is determined to extend the Covered Period upon expiration, the Trust term may be extended by modifying the Trust Agreement and entrusting additional money. In such case, the Covered Period and the Trust term will be extended for a further three years, and the Target Subsidiaries will contribute additional money to be used as a fund for compensation for the Directors, etc. of Target Subsidiaries for each extended Covered Period within the scope of the amount of contribution to the Trust approved by a resolution at the General Meeting of Shareholders of each of the Target Subsidiaries, and the Company will entrust the sum of such money contributed from the Target Subsidiaries and money to be used as a fund for compensation for Directors of the Company within the scope approved by a resolution at the General Meeting of Shareholders of the Company. Granting points and vesting, etc. Company Shares, etc. to Target Directors, etc. will be continued during the extended Covered Period.

However, in cases where such additional contributions are to be made, when there are any Company shares (excluding Company shares which are expected to be vested, etc. based on the number of points granted to Target Directors, etc.) and amounts remaining in the trust property (together with the Company's shares remaining, the "Residual Shares, etc.") as at the last day of the Covered Period prior to the extension, the sum of the amount

of Residual Shares, etc. and additional trust money to be contributed shall be within the amount of contribution to the Trust approved for respective account of each Target Company at the General Meeting of Shareholders of each applicable Target Company.

In addition, if no modification of the Trust Agreement is made and no additional money is entrusted at the expiration of the Covered Period of the Trust, no points will be granted to Target Directors, etc. thereafter; provided, however, that if any Target Director, etc. who might satisfy the beneficiary requirements holds office at that time, the Trust term may be extended for up to ten years until such Target Director, etc. resigns from all position of Target Directors, etc. and officers at the Company Group and the vesting, etc. of the Company Shares, etc. is completed in principle.

(4) Number of Shares to be Vested, etc. to Target Directors

The number of shares to be vested, etc. to Target Directors, etc. shall be determined based on the number of points calculated in accordance with the formula below, converting one point to one Company share. If the number of the shares of the Company held in the Trust is increased or decreased through a share split, an allotment of shares without contribution, a consolidation of shares, etc., the Company will adjust the number of Company Shares, etc. to be vested, etc. per one point and the total number of the Company Shares, etc. to be vested, etc. based on the ratio of such increase or decrease.

Calculation formula of points

(i) Achievement-linked portion

A number of points obtained by dividing the amount of base compensation determined in advance with respect to each executive position by the share price at which the Trust acquired the Company's shares (the "Number of PS Points") shall be granted to Target Directors, etc. who hold office on the last day of each business year during the Covered Period. The number of achievement-linked points shall be calculated by multiplying the Number of PS Points granted for each business year by the achievement-linked coefficient determined based on the level of achievement of performance targets three years after the beginning of the applicable business year.

Formula of the number of achievement-linked points:

$$\text{Number of PS Points} \times \text{Achievement-linked coefficient}^*$$

\* The achievement-linked coefficient varies between 0% and 200% depending on the level of achievement of target figures of consolidated operating income and net income for the year attributed to the parent company shareholders, etc. set under the management plan.

(ii) Non-achievement-linked portion

A number of points obtained by dividing the amount of base compensation determined in advance with respect to each executive position by the share price at which the Trust acquired the Company's shares (the "Number of RS Points") shall be granted to Target Directors, etc. who hold office on the last day of each business year during the Covered Period on a cumulative basis (such accumulated Number of RS Points, the "Number of Non-Achievement-Linked Points").

(5) Timing and Method of Vesting, etc. of Shares, etc. to Target Directors, etc.

(i) Achievement-linked portion

The timing at which Company Shares, etc. pertaining to the achievement-linked portion are vested, etc. will be three years after the beginning of each business year during the Covered Period. Target Directors, etc. who meet the prescribed requirements for beneficiaries shall receive the Company's shares corresponding to 50% of the number of achievement-linked points (the number of shares less than a share unit will be rounded down), and receive money equivalent to the Company's shares corresponding to the number of remaining achievement-linked points that are converted into cash under the Trust.

(ii) Non-achievement-linked portion

The timing at which Company Shares, etc. pertaining to the non-achievement-linked portion are vested, etc. will be after the resignation of all Target Directors, etc. and officers at the Company Group in principle. Target Directors, etc. who meet the prescribed requirements for beneficiaries shall receive Company shares corresponding to 50% of the Number of Non-Achievement-Linked Points granted by the time of resignation (the number of shares less than a share unit will be rounded down), and receive money equivalent to Company shares corresponding to the remaining Number of Non-Achievement-Linked Points that are converted into cash under the Trust.

(6) Maximum Amount of Money to be Contributed to the Trust and Maximum Number of Company Shares, etc. to be Vested, etc. from the Trust

The maximum amount of money to be contributed by the Company to the Trust during the Covered Period shall be ¥730 million (\*).

The total maximum amount of money to be contributed by the Target Subsidiaries to the Trust during the Covered Period shall be ¥3,106 million in total (combined with the amount of money to be contributed by the Company, ¥3,836 million in total) (\*).

\* The maximum amount of money to be contributed is calculated by adding the trust fees and trust expenses to the funds for acquisition of shares taking into consideration the current level of compensation for Target Directors, etc.

The maximum number of Company Shares, etc. to be vested, etc. to Directors of the Company during the Covered Period shall be 423,000 shares and the maximum number of Company Shares, etc. to be vested, etc. to Directors, etc. of Target Subsidiaries during the Covered Period shall be 1,793,400 shares. Therefore, the maximum number of Company Shares, etc. to be acquired by the Trust (the "Number of Shares to be Acquired") during the Covered Period shall be equal to the total maximum number of Company Shares, etc. to be vested, etc. to Directors of the Company and Directors, etc. of Target Subsidiaries during each such Covered Period (2,216,400 shares).

(7) Method of Acquisition of the Company's Shares by the Trust

The Trust will acquire the Company's shares from the Company (disposition of treasury shares) or the stock market within the maximum amount of money to be contributed by the Company and the Target Subsidiaries and the maximum Number of Shares to be

Acquired described in (6) above. The details of the acquisition method will be separately determined and disclosed by the Company following a resolution by the General Meeting of Shareholders.

(8) Voting Rights Related to the shares of the Company held in the Trust

Voting rights related to the shares of the Company held in the Trust shall not be exercised during the Trust term to ensure the neutrality of the Company management.

(9) Handling of Dividends Pertaining to the shares of the Company held in the Trust

The dividends pertaining to the shares of the Company held in the Trust shall be received by the Trust and applied to the trust fees and trust expenses. Any money remaining at the time the Trust finally terminates after application to the trust fees and trust expenses shall be contributed to organizations that are irrelevant to the Target Companies or Target Directors, etc. in principle.

(10) Handling of Termination of the Trust

At the expiration of the Covered Period, if it is decided that the Covered Period is to be extended, the Trust term may be extended by modifying the Trust Agreement and entrusting additional money before the Trust term expires. If the Covered Period is not extended and the Trust is terminated upon expiration of the Trust term and there are residual shares incurred due to failure to achieve performance targets or any other cause, the Trust will, as a measure to return profits to shareholders, transfer such residual shares to the Company for no consideration and the Company will cancel such shares by a resolution of the Board of Directors.

## References

### Details of the Trust Agreement

|                                     |   |
|-------------------------------------|---|
| (i) Type of the Trust               | Trust of money other than specified individually operated money trust (third party beneficiary trust)   |
| (ii) Purpose of the Trust           | Provision of incentives to Target Directors, etc.   |
| (iii) Settlor                       | The Company   |
| (iv) Trustee                        | Mitsubishi UFJ Trust and Banking Corporation (scheduled)<br><br>(Joint trustee: The Master Trust Bank of Japan, Ltd. (scheduled))   |
| (v) Beneficiary                     | Target Directors, etc. satisfying beneficiary requirements  |
| (vi) Trust administrator            | Third party who has no interest in the Target Companies (certified public accountant)   |
| (vii) Date of the Trust Agreement   | August 31, 2018 (scheduled)   |
| (viii) Term of the Trust            | August 31, 2018 to August 31, 2023 (scheduled)  |
| (ix) Commencement date              | August 31, 2018 (scheduled)   |
| (x) Voting rights                   | No exercise of voting rights  |
| (xi) Type of shares to be acquired  | Common stock of the Company   |
| (xii) Maximum amount of trust money | ¥3,836 million (scheduled) (including trust fees and trust expenses)  |
| (xiii) Acquisition method of shares | Shares will be acquired from the Company or the stock market.   |
| (xiv) Holder of vested rights       | The Company   |
| (xv) Residual properties            | The Company may receive residual property as holder of vested rights within the amount of reserves for trust expenses after deducting funds for acquisition of shares from trust money. |
| (Note)                              | The scheduled dates stated above may be changed to more appropriate date in light of applicable laws and ordinances.  |



## Details of trust-related and equity-related administrative services

- (i) Trust-related administrative services      Mitsubishi UFJ Trust and Banking Corporation and the Master Trust Bank of Japan, Ltd. will be the trustees of the Trust and conduct trust-related administrative services.
- (ii) Equity-related administrative services      Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will conduct administrative services consisting of delivering the Company shares to the beneficiaries based on the administrative agreement.

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