

# Be a “Life & Time Developer,” as never seen before



### Nomura Real Estate Holdings, Inc.

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## Composition of the Integrated Report 2023

To achieve the Group Vision, “New Value, Real Value,” the Nomura Real Estate Group upholds the Nomura Real Estate Group 2030 Vision and the Sustainability Policy and takes steps to deliver sustainable growth by integrating sustainability into its business.

We divided the Integrated Report 2023 into the following sections:

### Introduction

### Our Vision (To be)

### Our Current Strengths and Core (Strengths)

### Our Challenges and Strategies (Actions)

### The Foundation of Our Activities (Base)

### Data, etc.

This structure outlines the Company's efforts to enhance corporate value in an easy-to-understand way.

## Editorial policy

This 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 taking the external environment into consideration and linking financial and non-financial information.

In this report, we endeavor to explain the stability of the Group's value creation efforts. To this end, we reveal the Group's current strengths and core, its strategies for realizing high profit growth and high asset and capital efficiency as outlined in the Mid- to Long-term Business Plan, progress made on these strategies, and its vision.

The editing and layout of this report follow such guidelines as the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation 2.0 of the Ministry of Economy, Trade and Industry. In addition, feedback and requests raised during dialogues with investors have been also incorporated.

### ■ Referenced guidelines

- Global Reporting Initiative (GRI), GRI Standards
- ISO 26000—Guidance on Social Responsibility
- The IFRS Foundation, Integrated Reporting Framework
- The Ministry of Economy, Trade and Industry, Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation 2.0

### ■ Period covered by the report

From April 1, 2022 to March 31, 2023 (Fiscal year ended March 31, 2023)  
Information on activities or outlooks from times prior to and following this period may also be mentioned.

### ■ Scope of the report

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

### ■ Forward-looking statements

This report contains forward-looking statements about the future plans, strategies, and performance of Nomura Real Estate Holdings, Inc. 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.

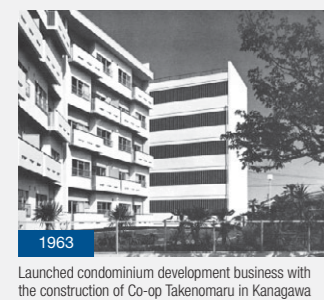
# History of the Nomura Real Estate Group

We have been able to achieve business growth amid changing times by anticipating the needs of customers and society. Our past initiatives have created value in the present day and into the future.



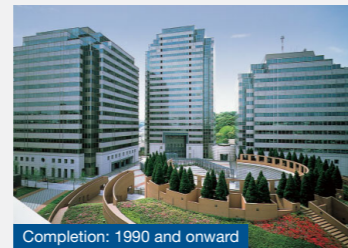
## Entered into the residential development business to solve the housing shortage during the postwar reconstruction period.

In 1957, the Company was established as an asset management company for Nomura Securities when the latter constructed its new head office building. In 1961, the Company entered the residential development business with the aim of tackling the housing shortage, which was a key social issue during the postwar reconstruction period. In 1963, the Company advanced into the condominium development business and firmly established its position as a major private real estate developer. While steadily expanding our office building business, in 1978, we developed Shinjuku Nomura Building, a skyscraper that still serves as our head office to this day.



## Overcoming financial crisis by concentrating business resources on the residential business.

When the bubble burst, the economy and the real estate market conditions rapidly deteriorated. The Group overcame the crisis by grasping the resurgence of residential needs in urban centers due to falling land prices and concentrated its business resources on the condominium business. In 1999, the Company was an early adopter of IT, launching the real estate information website "nomu.com." In 2002, we announced "PROUD," an integrated brand of housing and related services under which we have continued to create products and services, leading to a strength for the Company.



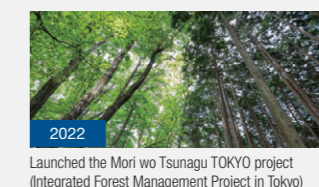
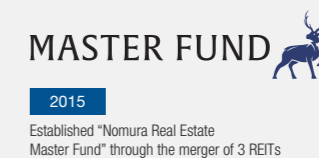
## Accelerating growth through M&A, and development of characteristic brands.

In October 2006, the Company was listed on the First Section of the Tokyo Stock Exchange (now the TSE Prime Market). We increased our financing capabilities from capital markets and significantly expanded the Leasing business through the M&A of NREG Toshiba Building (merged into Nomura Real Estate in April 2022). We also developed a string of characteristic asset brands, including PMO (with which we created a new market of medium-sized high-grade offices), and Landport (logistics facilities with advanced and high functionality, created through early-stage market entry and development based on investor needs).



## Initiatives to build cities that connect today with tomorrow's possibilities in Japan and overseas.

We are working on several projects through which we are demonstrating the Group's expertise. One is Shibaura Project, a large-scale, mixed-use development (South Tower: completion scheduled for February 2025; North Tower: completion scheduled for FY2031/3). Under this project, we will develop a total floor space of approximately 550,000 m<sup>2</sup>, the largest in the Group's history. Moreover, the overseas expansion of our expertise cultivated in Japan has accelerated, especially in the cities of rapidly growing ASEAN countries. Meanwhile, in OKUTAMA TOWN, Tokyo, we own approximately 130 ha of forest. With this forest as a basis, we have launched new initiatives aimed at realizing low-carbon buildings via the use of wood materials even as we strive to maintain and restore forest functions. Looking ahead, we will strive to build cities—dynamic stages that connect today with tomorrow's possibilities—at home and abroad in a way that accurately meets people's needs.



# Overview of the Nomura Real Estate Group

The Nomura Real Estate Group is engaged in a diverse range of businesses from real estate development to the provision of relevant services.

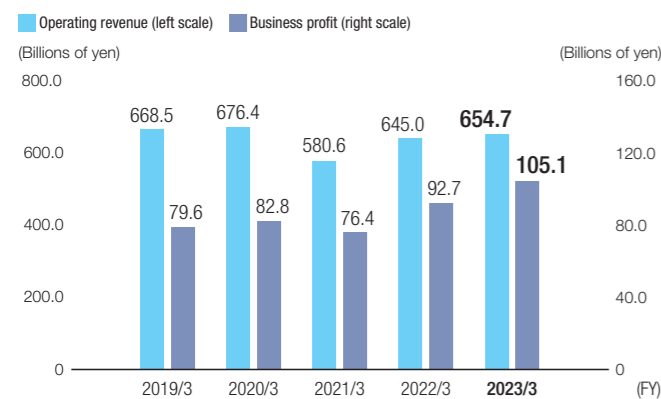
## Review of the Fiscal Year Ended March 2023

In the fiscal year ended March 31, 2023, the Group's business profit\*1 and profit attributable to owners of parent amounted to ¥105.1 billion and ¥64.5 billion, respectively, with both achieving record highs.

Operating revenue	<b>¥654.7 billion</b>	Dividend per share	<b>¥120.00</b>	Total assets	<b>¥2,110.6 billion</b>
Business profit*1	<b>¥105.1 billion</b>	Total return ratio	<b>47.6%</b>	Shareholders' equity ratio	<b>31.0%</b>
Profit attributable to owners of parent	<b>¥64.5 billion</b>	ROA	<b>5.1%</b>	CO <sub>2</sub> emissions reduction (compared to FY2020/3)	<b>98,000 t-CO<sub>2</sub></b> (approx. 35% reduction)
EPS	<b>¥365.26</b>	ROE	<b>10.1%</b>	Scope 1 & 2	<b>98,000 t-CO<sub>2</sub></b> (approx. 35% reduction)
				Scope 3	<b>1,868,000 t-CO<sub>2</sub></b> (approx. 41% reduction)

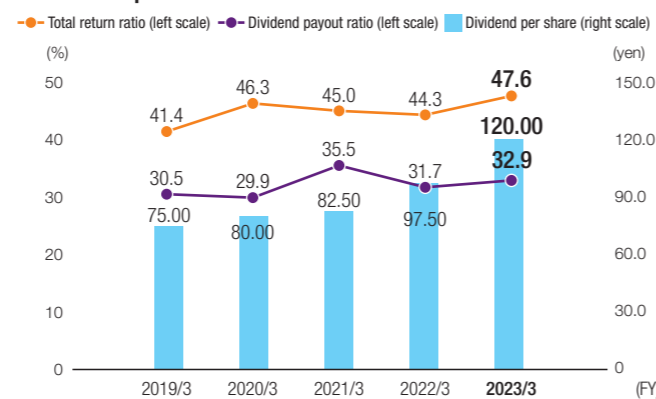
## Trend in Each Indicator

### Operating revenue / Business profit



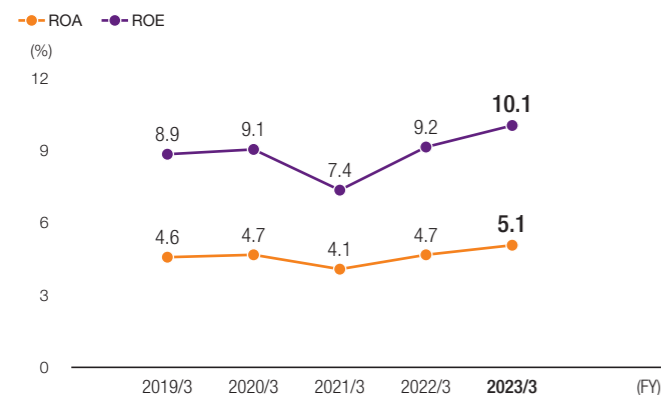
Business profit totaled ¥105.1 billion, up ¥12.4 billion (13.4%) year on year, hitting a record high.

### Total return ratio / Dividend payout ratio / Dividend per share



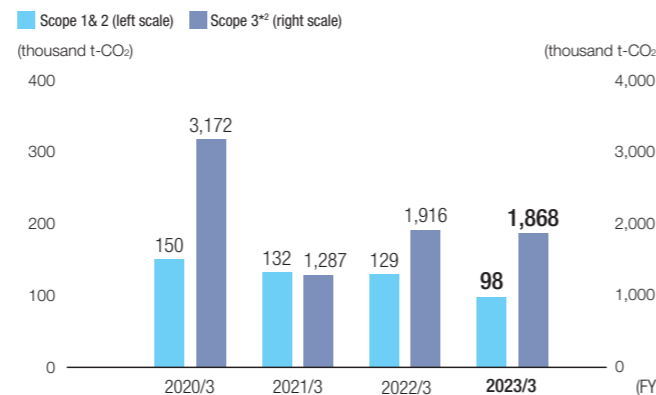
We achieved an 11th consecutive annual increase in cash dividends, based on growth in profit and expansion in the dividend payout ratio. Moreover, the total return ratio amounted to 47.6%, enabling us to live up to our shareholder return policy as stipulated under the Mid- to Long-term Business Plan (▶ p. 34).

### ROA / ROE



Our ROA and ROE came to 5.1% and 10.1%, respectively, achieving our targets under the Mid- to Long-term Business Plan (▶ p. 34).

### CO<sub>2</sub> emissions reduction (Scope 1 & 2, 3)



We have identified a target of reducing the volume of CO<sub>2</sub> emissions by 35% (▶ p. 45) by March 31, 2031, compared with the level recorded in the fiscal year ended March 31, 2020. Accordingly, we are promoting a variety of decarbonization initiatives.

\*1 Business profit = operating profit + share of profit (loss) of entities accounted for using equity method + amortization of intangible assets associated with corporate acquisitions

\*2 Total of Category 1 and 11 emissions from Group facilities certified under SBT  
Note: See pp. 90-91 for formulas for each indicator.

## Overview by Business Unit

The Nomura Real Estate Group mainly operates in the Development Sector, in which it creates value through real estate development, and the Service & Management Sector, in which it creates value through the provision of real estate-related services, with a total of six business units supporting these two sectors.

	Business unit overview	Major business asset components*3	Major brands, etc.	
Development Sector	<b>Residential Development Business Unit</b>	<ul style="list-style-type: none"> <li>Development and sale of condominiums and detached housing</li> <li>Development, leasing and sale of rental housing</li> <li>Development and management of senior housing</li> <li>Internet advertising</li> </ul>	<ul style="list-style-type: none"> <li>Land bank in the domestic housing sales business: approx. ¥1,770.0 billion (equivalent to approx. 22,380 units)</li> <li>Number of Nomura Real Estate Group Customer Club members: approx. 152,000</li> <li>Level of participation in residential redevelopment projects: Industry-leading*4</li> </ul>	
	<b>Commercial Real Estate Business Unit</b>	<ul style="list-style-type: none"> <li>Development, leasing, sales, and entrusted management of office building, logistics facility, retail facility, etc.</li> <li>Fitness club operations</li> <li>Development, leasing, and management of hotels</li> <li>Planning and management of construction work, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Net lettable area (offices and retail facilities): approx. 697,000 m<sup>2</sup></li> <li>Number of tenants: more than 2,000 companies*5</li> <li>Number of H'T offices and their members: 248 offices/ approx. 3,600 companies, approx. 400,000 members</li> <li>Number of MEGALOS fitness clubs and their members: 37 clubs/ approx. 114,000 members</li> </ul>	
	<b>Overseas Business Unit</b>	<ul style="list-style-type: none"> <li>Development and sale of housing mainly in Southeast Asia and China</li> <li>Development, leasing, etc., of office buildings and serviced apartments, primarily in Southeast Asia, China, the U.K. and the U.S.</li> </ul>	<ul style="list-style-type: none"> <li>Number of housing sale projects the Group participated in/total project cost (our share): 31/ approx. ¥560.0 billion</li> <li>Number of leasing projects, etc., the Group participated in/total project cost (our share): 12/ approx. ¥70.0 billion</li> </ul>	
Service & Management Sector	<b>Investment Management Business Unit</b>	<ul style="list-style-type: none"> <li>Investment management services, including listed and private real estate investment trusts (REITs) and private funds</li> <li>Investment management services, including real estate securitization products</li> </ul>	<ul style="list-style-type: none"> <li>Assets under management (AUM): approx. ¥1.9 trillion</li> <li>Number of institutional investors through domestic asset management (excluding listed REIT): 296 Institutions</li> <li>Asset management know-how: Accumulated over the course of more than 20 years</li> </ul>	
	<b>Property Brokerage &amp; CRE Business Unit</b>	<ul style="list-style-type: none"> <li>Real estate brokerage and consulting</li> <li>Real estate information website operation</li> <li>Insurance agency, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Number of retail branches: 88*6</li> <li>Number of middle offices: 11*6</li> <li>Number of wholesale offices: 9*6</li> <li>Number of nomu.com members: approx. 263,000</li> <li>Number of partner financial institutions, including Nomura Securities and regional financial institutions: 112</li> </ul>	
	<b>Property &amp; Facility Management Business Unit</b>	<ul style="list-style-type: none"> <li>Operation and management of and contract work for condominiums, office buildings, etc.</li> <li>Renovation business</li> <li>Local cooling and heat supply business; solar power business</li> <li>Entrusted cleaning of office buildings</li> </ul>	<ul style="list-style-type: none"> <li>Number of housing units under management: approx. 189,000 units</li> <li>Number of buildings under management: 782 units</li> <li>Licensed Representatives of Condominium Management Company: 616</li> <li>Building environment and health management engineers: 571</li> </ul>	

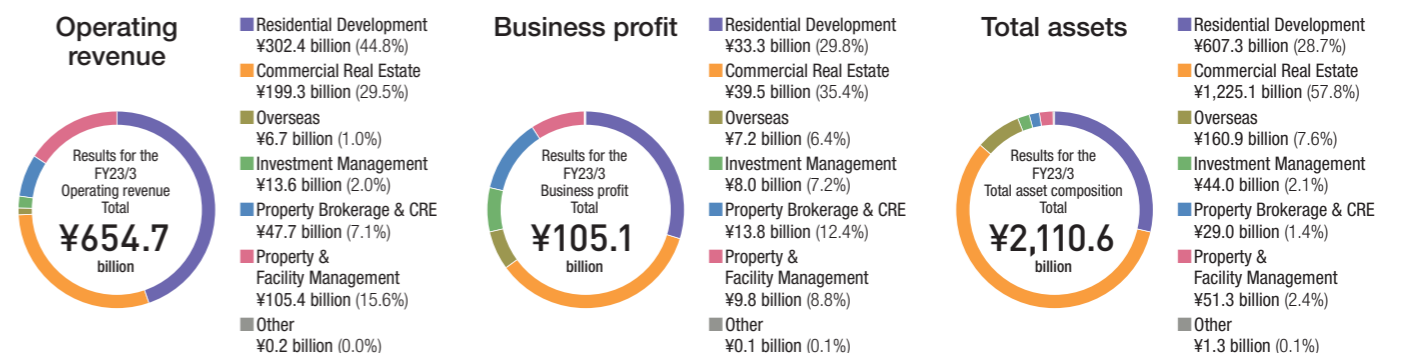
\*3 Data are for the fiscal year ended March 2023 or as of March 31, 2023, except for the number of nomu.com members, which is as of January 31, 2023.

\*4 Source: Based on in-house research

\*5 Total number of tenants occupying properties that the Group owns and conducts property management.

\*6 In cases where an entity is operating multiple businesses, the number of branches and offices are calculated on the basis of each business.

## Revenue Composition by Business Unit\*7



\*7 The composition ratio is calculated based on the simple sum of each item and rounded to the first decimal place, so the total may not add up to 100%. In addition, the total displayed in the center of the pie chart includes intersegment adjustments, so it differs from the total sales, business profit or total assets of each Business Unit.

## CEO Message

**I will fulfill my role as CEO with the aim of realizing the vision of “Be a ‘Life & Time Developer,’ as Never Seen Before”**

**Satoshi Arai**

President and Representative Director,  
Group CEO

### My Thoughts on Being CEO and My Role

I became Group CEO of Nomura Real Estate Holdings in April 2023. I joined Nomura Securities in 1988 and, after spending 34 years in the financial industry, joined the Nomura Real Estate Group in April 2022. About half the time I spent at Nomura Securities, I was engaged in offering a variety of proposals to a wide range of customers, including individuals, corporations, and financial institutions. The other half of my time was spent on the creation of new products and working in such fields as human resources, sales planning, and corporate planning. I intend to leverage the knowledge and experience I have cultivated to date to help realize the Group's vision.

Since becoming Group CEO, I have been strongly conscious of creating an environment in which each employee can work comfortably and continue to take on new challenges. This is in line with the Group's action guidelines of “Working with vigor and achieving wellness” and “Always being a challenger.” I was also keenly aware of this at my previous company, where I was in a position of managing many employees as the head of the retail division. For

example, when providing some instructions to a branch, I tried to visit the branch and strove to foster communication with many employees directly, rather than contacting them through the head of the branch. In addition, when informing employees and management of the organization's policies, I create the messages myself and put thought into stating them in my own words. I will continue to maintain this kind of mindset and approach in the Nomura Real Estate Group.

My experience at Nomura Securities has made me aware that corporate and individual customers, including high net worth people, have a wide variety of needs, not just for financial products but for real estate. For such customers, the Group provides real estate-related services, as well as asset management services. The Group engages in wide-ranging collaboration with Nomura Securities. Going forward, I intend to strengthen this alliance as well as deepen collaboration in new fields. I believe this is one type of added value enabled by my becoming the Group's CEO.

Many of the executive officers of the Group have a wealth of experience related to real estate, and the external directors offer deep insights in a variety of industries, and I have more than 30 years of experience in the financial

industry. I intend to continue contributing to deeper, more sophisticated discussions and management decisions at the Group's Board of Directors, Management Committee, and various committees.

## Our Vision (To be)

### Nomura Real Estate Group Vision for 2030

In April 2022, the Group released the Nomura Real Estate Group Vision for 2030, "Be a 'Life & Time Developer,' as never seen before." This encompasses our medium- to long-term vision and the strong ambition of each employee aiming to achieve this vision.

"Life" and "time" each have various meanings. Life refers not only to daily life; it can be interpreted in many different ways to mean life force, lifetime, or vitality among other things. Time refers to not only duration, it can mean the passage of time, time periods, eras, free time, and more. Conventional developers focus solely on the tangible aspects of buildings like housing and office buildings. We, however, aim to be a new type of developer, one that not only develops excellent tangible products but also many of the intangible aspects comprising people's Life and Time.

The Group not only develops housing, offices, logistics facilities, retail facilities, hotels and other properties but also manages, sells these properties and provides investment opportunities for them. So you could say the Group already provides various kinds of Life and Time. However, because the Life and Time that customers expect going forward will continue to become more advanced and diverse, we must aim to truly "Be a Life & Time Developer, as never seen before."

Therefore, I call on everyone in the Group to evolve every day by thinking about what kind of Life and Time they want to provide and by realizing those goals. The evolution of every officer and employee will spur a transformation of the overall organization and, in turn, enable the evolution of the Group into a form as never seen before. In this way, we will continue steadily realizing our vision.

### Mid- to Long-term Business Plan / Promotion of Sustainability and DX

The specific strategies aimed at realizing this vision have been outlined in the Mid- to Long-term Business Plan covering the fiscal year ended March 2023 through the year ending March 2031. The plan lays out targets for promoting sustainability and DX in addition to the key strategies for the further expansion of the domestic real estate development business, high profit growth in the Service & Management Sector, and the steady growth of overseas business (▶ p.34).

Regarding sustainability, in the Sustainability Policy "Earth Pride," we show the direction the Group and its employees should head toward 2050 (▶ p.13). To achieve this policy, we also established five priority issues (materiality) that should be addressed by 2030 (▶ p.13). I think this policy should be something that employees can achieve as part of their own goals, not just something imposed on them by the Company. We will regularly revise KPIs to enable each employee to carry out this policy through business (▶ pp.40-41, 46-47).

The promotion of DX will be key to the Group's growth. We simultaneously view changes in the business environment caused by the evolution of digital technologies as opportunities leading to the expansion of new business fields and as risks that could make our existing business model obsolete. Through the use of digital technologies, we will continue providing new products and services that enrich customers' Life and Time while enhancing the productivity of existing businesses.

## The Company's Competitive Advantages

### Our Approach to Connect Closely with Individuals

To realize our vision, each of our businesses needs solid competitive advantages. The Group's competitive advantages can be expressed in four phrases (▶ pp.16-19), but at their root is our approach of connecting closely with individuals. This means that the mindset of striving to create quality products for customers and providing better services to customers has become engrained throughout the entire Group.

For example, there are more than 300 first-class licensed architects in the Group (as of April 1, 2023). Employees well versed in manufacturing, including quality assurance, architecture technology, and marketing, engaged in active and lively discussion with general contractors and design offices. This approach has helped PROUD secure the No. 1 spot among condominium brands for 16 consecutive years.\* We leveraged the wide array of insights cultivated when building up the PROUD

brand in the development of other assets and have created unique brands with excellent quality, such as PMO medium-sized high-grade offices, Landport logistics facilities, and GEMS retail facilities.

In addition, with the aim of fostering a corporate culture of continually taking on new challenges and strengthening Group alliances, the Group started the Nomura Real Estate Group Awards in 2016. At the most recent ceremony, over 100 of excellent initiatives were submitted, and particularly excellent ones were honored with an award. As one example, spurred on by this award, Nomura Real Estate Partners (Property & Facility Management Business Unit) is continuing to enhance measures addressing the social issue of condominium renovations. This case demonstrates that each Group company, including those in the Service & Management Sector, is striving to build long-lasting relationships with customers on the front lines of each of their businesses.

The Group's employees have a professional mindset



that drives them to strive to provide genuinely good real estate-related services and further enhance the added

value. This is, in fact, the true source of the Company's competitive advantages.

\*Calculated by the Group based on the Condominium Brand Survey conducted by Nikkei, Inc. The calculation of the number of years in which PROUD has achieved the No. 1 spots is based on multiple evaluation categories in which it received the most top marks compared with other brands.

## Business Strategies Going Forward

### Progress in the Mid- to Long-term Business Plan

The Mid- to Long-term Business Plan (the "Plan") was formulated based on the Company's aforementioned vision and competitive advantages. In the fiscal year ended March 2023, the first year of the Plan, we made steady progress. As the new CEO, I intend to promote business based on the strategies and measures of the Plan.

Focusing on Phase I (from the fiscal year ended March 2023 to the fiscal year ending March 2025) of the Plan, we have mostly completed planned acquisitions of land

for development opportunity, in the Residential Development, Commercial Real Estate, and Overseas Business Units. And, regarding Phase II (from the fiscal year ending March 2026 to the fiscal year ending March 2028), we have already seized business opportunities up to the midway point. Basically, up to the first half of Phase II, we have already secured our profit plans in each Business Unit.

Of these, the most significant growth is most expected in the Commercial Real Estate Business Unit. With the completion of the Shibaura Project (South Tower to be

completed in February 2025, North Tower to be completed in the fiscal year ending March 2031), the largest mixed-use development project in the Group's history, we will add an excellent, large-scale asset to our portfolio. I think that there will be a notable expansion in the variety of options available to us, such as new investment opportunities, thanks to the strengthened business foundation this will bring.

Looking back on the evolution of the Group's business portfolio, in response to deteriorating economic conditions in the early 2000s following the collapse of the bubble, we rode out the crisis by consolidating our management resources into the condominium business and launched the PROUD brand. We then acquired NREG Toshiba Building in 2008 and strove to expand the leasing business. Since then, we have focused on growth in the Development Sector, for example, we have leveraged the acquired company's assets to enhance the Commercial Real Estate Business Unit and resumed the overseas business in 2014. At the same time, we have expanded the Service & Management Sector, which is expected to see stable growth, through the launch of Nomura Real Estate Master Fund in 2015, the expansion of the asset management business, and the steady growth of the Property Brokerage & CRE Business Unit and the Property & Facility Management Business Unit.

As a result of this precise selection and concentration, our current business portfolio is in good shape and each business unit is able to not only stably generate profit but

also steadily expand profit. In addition, the balance sheet has remained sound, and we are aware that this situation enables investment in new growth opportunities while keeping an eye on changes in the business environment. I believe my mission as CEO is to steadily realize growth as laid out in the Mid- to Long-term Business Plan.

### Addressing Changes in the Business Environment

Compared with April 2022, when the Mid- to Long-term Business Plan was formulated, the business environment surrounding the Company has changed considerably. For example, raw material and fuel costs have risen due to the protracted Ukraine conflict, interest rates have increased around the world, and inflation has begun to take a firm hold in Japan. Amid such significant changes, we will continue to carefully assess the investment plans of each business unit, making revisions as necessary to ensure the steady growth outlined in the Mid- to Long-term Business Plan. In addition, we will keep an eye on the changes and stay ready to seize business opportunities amid this uncertain business environment. For example, we are seeking to expand business in the U.S. and European real estate markets, where real estate prices have fallen significantly, and to secure inorganic growth opportunities through strategic investment in companies that are able to demonstrate synergy with the Company, whether in Japan or overseas.

## To All Our Stakeholders

As I stated at the beginning of my message, my role is to continue creating and expanding the value of the Group by fostering an environment in which employees can work comfortably, take on new challenges, and tap their full potential. I will continue striving to ensure that our stakeholders—including customers and all our shareholders as well as officers and employees and their families—are happy by leveraging the Group's strong competitive

advantages to create added value.

Moreover, I will continue working hard to enhance communication to ensure all stakeholders, especially our shareholders and investors, recognize the Group's outstanding value creation power.

I would like to thank everyone for their continued support of the Group as it aims to evolve into a Life & Time Developer, as never seen before.



## The Vision of the Nomura Real Estate Group

In line with our Group Vision “New Value, Real Value,” we aim to realize sustainable growth and, to this end, have established the Nomura Real Estate Group 2030 Vision, “Be a ‘Life & Time Developer,’ as never seen before,” and “Earth Pride,” our Sustainability Policy (vision of 2050). In addition, we have formulated financial targets, priority issues (materiality), and key performance indicators (KPIs) for 2030 (the fiscal year ending March 2031).

Our Group Vision

### New Value, Real Value

Mid- to Long-term Business Plan



Nomura Real Estate Group 2030 Vision

### Be a “Life & Time Developer,” as never seen before

Nomura Real Estate Group has always connected closely with customers’ lives and times through real estate development and real estate-related services.

Now, as we confront various social issues, as well as diversified lifestyles and values, we must change ourselves.

To enrich people’s respective lives and every moment of their time

we will transform ourselves into a “Life & Time Developer” that creates new, significant values on a global scale.

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.

Promotion of Sustainability



Sustainability Policy (vision of 2050)

### Earth Pride

#### Pursuing humanity

We strive to answer the deep questions of human existence and well-being in a world where technology is increasingly progressing and being integrated into our lives.

By providing an inclusive living environment where people support and connect with each other, we contribute to the creation of a society where no one will be left behind.

#### Maintaining harmony with nature

Our aim is to achieve true harmony with our natural environment for our future children and healthy ecosystems by reconsidering how human economic activities should operate.

While carefully conserving the Earth’s finite resources, we improve the relationship between nature and humans.

#### Building the future together

The ambition we have is to create unprecedented value from diverse organizations and people working together to overcome boundaries.

We are continuously challenging ourselves with novel ideas of living, business and working styles for an innovative society where all people with various backgrounds and values can build on their strengths.

#### FY 2031/3 Targets

##### Mid- to Long-term Business Plan Financial targets

Profit	Asset and capital efficiency	Shareholder returns
Business profit:	ROA:	Dividend payout ratio:
<b>¥180.0</b> billion or more	<b>5% or more</b>	<b>40% level</b>
	ROE:	
	<b>10% or more</b>	

##### Priority issues (materiality)

Climate change and natural environment		
Decarbonization	Biodiversity	Circular design
Society and employees		
Diversity & inclusion	Human rights	

##### KPIs relative to our achievements in addressing priority issues

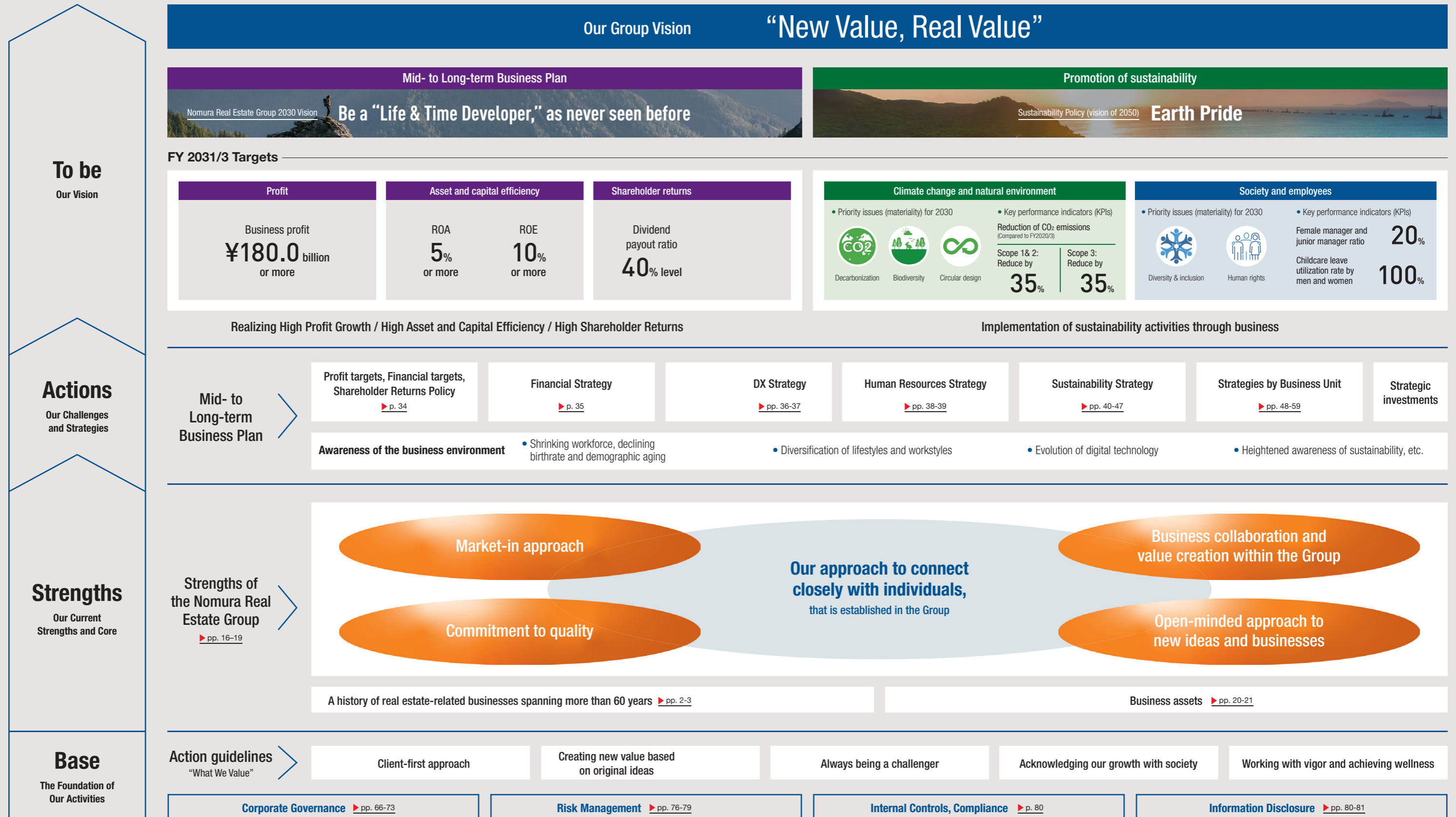
Climate change and natural environment	
Reduction of CO <sub>2</sub> emissions (Compared to FY20/3)	
Scopes 1 & 2: Reduce by <b>35%</b>	Scope 3: Reduce by <b>35%</b>
Society and employees	
Female manager and junior manager ratio:	<b>20%</b>
Childcare leave utilization rate by men and women:	<b>100%</b>

Click here to see our materiality determination process <https://www.nomura-re-hd.co.jp/english/sustainability/theme/process.html>



# Value Creation Process

The Group will continue to realize high growth and high shareholder returns through the achievement of the Mid- to Long-term Business Plan based on the strengths it has amassed. By realizing high asset and capital efficiency and by promoting sustainability initiatives, we aim to realize the Nomura Real Estate Group 2030 Vision and Sustainability Policy, as well as the Group Vision.



# Strengths of the Nomura Real Estate Group

The strengths based on “our approach to connect closely with individuals,” that is established in the Group, comprise a market-in approach; business collaboration and value creation within the Group; commitment to quality; and open-minded approach to new ideas and businesses. These strengths are demonstrated by our real estate development and real estate-related services businesses.

## Market-in approach

**Develop real estate, provide real estate-related services, and implement sustainability initiatives based on the needs of customers and markets**

It has been 20 years since the launch of the PROUD series, Nomura Real Estate Development’s residential brand. Since then, our employees, the operators of the business, have been the primary force working to bring sales activities in-house. Specifically, the business operator employees identify market needs from direct engagement with customers and swiftly incorporate this data into land acquisitions and product planning.

The competitive advantages of such practices are laterally rolled out across the organization, with the representative example being the application of the above approach of the residential business to PMO, medium-sized high-grade office. While striving lease properties to tenants, the leasing team soon realized that there was a lack of properties that were meeting customer needs or market expectations. We therefore created product concepts with both the land acquisition team and the product planning team to better capitalize on this opening in the market.

### A specific example demonstrating our strengths

**A market needs-based integrated development, sales, and management system in the residential business**

#### Main business processes in the residential business



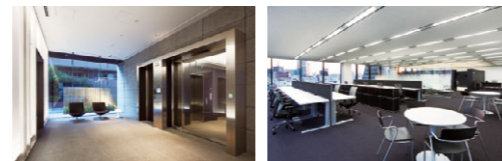
### PMO, medium-sized high-grade office, was developed in light of social issues and tenant needs

#### Social issues and tenant needs

- Small and medium-sized buildings built to outdated earthquake-resistant designs need to be rebuilt (social issue)
- There are few high-quality small and medium-sized buildings. (social issue)
- Companies want to rent buildings with functions similar to and as high-quality as those of high-performance large-scale buildings. (need)
- Companies want to rent entire floors to ensure security. (need)

#### Development of PMO

- Medium size, but with the same functionality, comfort and design as large-scale buildings
  - Highly independent designs that assume single-tenant occupancy for each floor in principle
  - Use of a robust structure, ensuring a stable business environment for tenants
  - Offering unique services, such as seminars and social events for tenants
- ▶ Create new added value by addressing social issues and tenant needs**



PMO Nihonbashi Honcho

## Business collaboration and value creation within the Group

**Create new value through the value chain within the Group**

Reflecting our high added value development capabilities, we do not focus on owning leasing assets and instead secure shareholder returns by realizing unrealized gains through sales. This revolving business model is a major pillar of the Group’s growth.

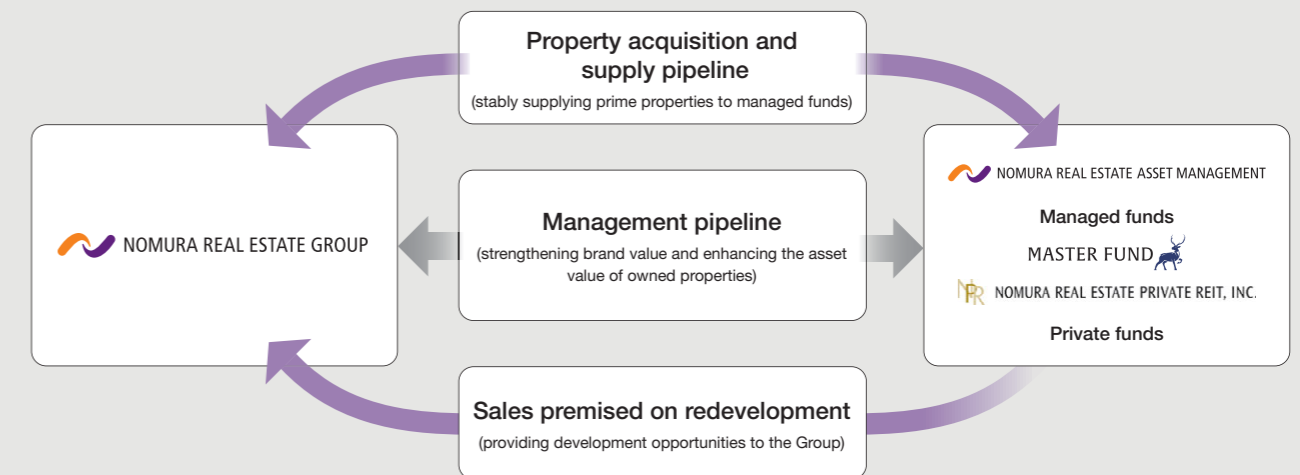
Our circulating leasing value chain realizes mutual growth for the Group as well as REITs and funds managed by the Group. The leasing value chain plays a major role in this business model and could be called a major strength. We stably supply prime properties developed by the Group to managed funds, and the Group is able to acquire and increase the value of properties owned by the funds. By sharing management know-how, we help enhance the asset value of properties.

### A specific example demonstrating our strengths

**The Leasing Value Chain that realizes the mutual growth of the Group and the Group REITs, etc.**

#### Leasing Value Chain

- Enhancing Group-wide value (maintaining and strengthening developed property brands, enhancing asset value)
- Mutual growth through the acquisition and sale of developed properties



#### Main profitable real estate the Group develops and sells



#### Record of the Group’s sales to REITs and private funds (cumulative)

**86**  
properties  
**¥478.7**  
billion



# Commitment to quality

## Commit to the quality of real estate development and services we provide

The Group has many first-class licensed architects in-house (304 as of April 1, 2023) and has put in place a high-quality manufacturing system over many years, establishing an in-house licensed first-class architect office and offices specializing in quality management, product planning, and after-sales services. We have demonstrated our commitment to quality in various different ways, such as being the first in the industry to create housing complex structure design standards and applying them to condominiums the Group supplies across Japan.

This attitude is true of not just our real estate development but also our real estate-related services. Our ongoing steady provision of high-quality services in the management of condominiums have garnered us the No. 1 spot in condominium management ratings\* for 14 consecutive years.

Utilizing the strengths we have cultivated in Japan, we are bringing to bear the Group's unique value creation in the overseas business.

### A specific example demonstrating our strengths

#### Expanding the commitment to quality cultivated in Japan to overseas markets

##### Quality management in Japan

- Implementing thorough inspection systems for structures, construction, and equipment through the quality management office, an expert group comprising architects holding first-class licenses and others
- Completing design standards and a manual compiling the expert knowledge gained over more than 60 years to share and pass down experiences and know-how



Design standards and a manual

##### Overseas initiatives

- Based on know-how cultivated in Japan, we undertake Design KAIZEN\* and Workplace KAIZEN, which help enhance design quality and avoid construction defects  
\* Improvement, refinement
- These efforts significantly improve customer evaluation and help gain the trust of the local partner companies with which we pursue overseas business, leading to greater business opportunities



Our commitment to ensuring the quality of products and services, by pursuing such issues as supervision, design, and comfort in construction processes, has led to plaudits from external sources

(▶ p. 21 External Evaluations)



PROUD CITY Kichijoji



Nomura Real Estate Otomachi North Building



PROUD SEASON Seijo Court



Received the Good Design Award for the 21st consecutive year



Condominium management rating No. 1 for 14th consecutive year\*

\* "SumaiSurfin" Property Management Company Customer Satisfaction Survey ranking

# Open-minded approach to new ideas and businesses

## Continue challenges by expanding the areas of value creation to a wider range of asset types and services in Japan and overseas

The Group entered the residential development business with the aim of addressing the social issue of the post-war housing shortage and has continued striving to address changes in the business environment and take on various businesses.

We entered the real estate fund business early on and have steadily expanded our assets and services, including shared offices and serviced offices adapted to workstyle changes, restaurant buildings that bring together unique restaurateurs, hotels, fitness sites, and logistics facilities.

Our in-house systems, including the award system the Nomura Real Estate Group Award, which supports new endeavors, and the new business idea incubation system NEXPLORER, significantly help nourish the spirit of ambition that is engrained in the Group.

### A specific example demonstrating our strengths

#### Diversifying offices, such as H<sup>1</sup>T and H<sup>1</sup>O

Due to diversifying workstyles, office formats are changing. With an eye on the evolving workstyles of this new era, we offer a diverse office portfolio achieved through the development of H<sup>1</sup>T and H<sup>1</sup>O in addition to traditional large-scale offices and the medium-sized high-grade office brand PMO.

##### Changes in the business environment

- Diversifying workstyles (accelerating since the pandemic)
- Development of ICT
- Changes in the value placed on offices
- Technological revolution of AI and IoT

##### Providing diverse workplaces

###### H<sup>1</sup>T

- Highly convenient, comfortable shared offices that serve as the third workplace after home and work sites
- With diverse seating arrangements and spaces, they are easily adapted to suit the user's purpose



H<sup>1</sup>T Shinjuku West Exit

###### H<sup>1</sup>O

- Small offices that ensure high security and comfort with a full suite of common facilities
- In addition to visitor reception services, individual room management is possible using IoT



H<sup>1</sup>O Shibuya Jinnan

## Strengths of the Nomura Real Estate Group

## Key Components of Business Assets Supporting Our Strengths

The Nomura Real Estate Group's hard-earned strengths are clearly shown in the robustness of its business assets.

Financial capital			
Shareholders' equity ratio:	31.0%	D/E ratio:	1.7 times

Manufactured capital			
Land bank in the domestic housing sales business:	approx. ¥1.7 trillion	Land bank in the overseas business (total project cost (our share)):	approx. ¥630.0 billion
Land bank in the domestic properties for sale business:	approx. ¥920.0 billion	Assets under management (AUM):	approx. ¥1.9 trillion
Net lettable area (office and retail facilities):	approx. 697,000 m <sup>2</sup>	Number of housing under management:	approx. 189,000 units

Human capital			
Number of Consolidated employees:	7,695	Number of in-house first-class licensed architects:	304
Female employee ratio:	33.0%	Female manager and junior manager ratio* <sup>1</sup> :	13.9%

Intellectual capital, natural capital, etc.			
Expertise in real estate development:	More than 60 years	Expertise in asset management:	More than 20 years
Superior product planning and design capabilities enabling us to receive the Good Design Award for 21st consecutive year and earn other commendations		Level of participation in residential redevelopment projects:	Industry-leading* <sup>2</sup>

Customer base			
Number of Nomura Real Estate Group Customer Club members:	approx. 152,000	Number of MEGALOS members:	approx. 114,000
Number of tenants:	More than 2,000 companies* <sup>3</sup>	Number of institutional investors through domestic asset management (excluding listed REITs):	296
Number of H'T members:	approx. 400,000	Number of nomu.com members:	approx. 263,000

Note: Data are for the fiscal year ended March 2023 or as of March 31, 2023. Notwithstanding the foregoing, the number of first-class licensed architects and the number of nomu.com members are as of April 1, 2023 and January 31, 2023, respectively.

\*1 Female manager and junior manager ratio = (The number of women in managerial positions + The number of female managerial candidates) / (The overall number of managerial positions + The overall number of managerial candidates)

\*2 Source: Based on in-house research

\*3 The total number of tenants occupying properties that the Group owns and conducts property management for.

## Creation of financial and non-financial value backed by business assets

Financial data		Non-financial data	
Operating revenue:	¥654.7 billion	Cumulative number of housing units supplied:	approx. 185,000 units
Business profit:	¥105.1 billion	Cumulative number of properties developed for sale:	
ROA:	5.1%	Rental housing:	132 units
ROE:	10.1%	Offices:	81 units
Total return ratio:	47.6%	Retail facilities:	38 units
		Logistics facilities:	47 units
		Cumulative number of Leasing Value Chain transactions:	
		Sales to REITs and private funds:	86 properties
			¥478.7 billion
		Progress in reduction of CO <sub>2</sub> emissions:	
		Scope 1 & 2:	Reduced by approx. 35% (Compared to FY20/3)
		Scope 3*:	Reduced by approx. 41% (Compared to FY20/3)

Note: Data are for the fiscal year ended March 2023 or as of March 31, 2023  
\* Total of Category 1 and 11 emissions from Group facilities certified under SBT

## External Evaluations

The Nomura Real Estate Group's activities give it a strength highly appreciated by various stakeholders.

ESG ratings: Included in all the six ESG stock indices adopted by the GPIF for domestic stock investment

2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX



2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)



Condominium brand  
No. 1 for 16th  
consecutive year\*<sup>1</sup>



Rate of receiving environmental certification in the properties developed for sale (Commercial Real Estate Business Unit): 100%\*<sup>2</sup>

Credit ratings\*<sup>3</sup>  
JCR: A+ / R&I: A

GRESB rating for Group REITs\*<sup>4</sup>  
5 Star, Sector Leader

Annual number of users of a real estate brokerage company website  
More than 7 million for the 7th consecutive year\*<sup>5</sup>

ネットで住みかえ ノムコム  
nomu.com

Condominium management rating  
No. 1 for the 14th consecutive year\*<sup>6</sup>



Received the Good Design Award for the 21st consecutive year

GOOD DESIGN AWARD 2022



\*1 We counted the number of years in which PROUD ranked first among competitor brands in the highest number of evaluation categories in the Condominium Brand Survey conducted by Nikkei, Inc.

\*2 Including those scheduled to be received

\*3 as of the end of August 2023

\*4 Based on the 2022 GRESB Real Estate Assessment. We were named Sector Leader in this assessment, with our listed and private REITs commended in "Asia Comprehensive Category (listed)" and the "Asia Comprehensive Category (listed and unlisted)," respectively.

\*5 Calculated by the Nomura Real Estate Group using Google Analytics (universal analytics property). Calculation period: January 1, 2016 to December 31, 2022

\*6 Ranking based on "SumaiSurfin" Property Management Company Customer Satisfaction Survey

## COO Message



# With a focus on the front lines, I will implement strategies and lay a foundation aimed at achieving the Mid- to Long-term Business Plan.

## Daisaku Matsuo

Executive Vice President and Representative Director  
Group COO

President and Representative Director of Nomura Real Estate Development

### Review of the Fiscal Year Ended March 2023 and My Mission as COO

The fiscal year ended March 2023 was the first year of the Mid- to Long-term Business Plan (the "Plan"), which runs until the fiscal year ending March 2031. We got off to a solid start this year, with business profit\* surpassing our forecast and hitting a record high ¥105.1 billion.

The business environment has been changing rapidly in recent years. It is important to separate emotions from short-term performance trends and maintain a focus on the front lines of each of the Group's real estate development projects and services. Based on this belief, over the last year I have compiled important raw data behind our financial results, such as employee opinions and changes in customer trends, at various front lines.

From this experience, I was able to confirm the solidity of the market environment underpinning our current financial results. In particular, I confirmed the strength of demand in the housing sales market in Japan, the robustness of the investment appetite for profitable real estate (mainly from institutional investors), and the vitality of transactions for existing condominiums.

At the same time, I can see that the front lines of many

businesses are really feeling the impact of factors that range from changes in workstyles and lifestyles attributable to the pandemic and the advancement of DX to price hikes of raw material and fuel prices due to the prolonged conflict in Ukraine since February 2022 while facing continually increasing human resource expenses. For instance, the leasing business, including that for offices, is confronting rising utility costs and the hotel business is finding difficulty in ensuring sufficient staffing to meet the recovery in inbound travel.

As the COO, I consider it my mission to promote strategies with a frontline perspective and build a foundation to support these strategies. I intend to continue working hard to fulfill my mission with the aim of first achieving ¥115.0 billion in business profit by the end of Phase I of the Plan (the fiscal year ending March 2025) and then seizing business opportunities to achieve the profit plans for Phases II and III.

\* Business profit = Operating profit + Equity in earnings of affiliates + Amortization of intangible fixed assets arising from corporate acquisitions

## Business Environment Forecast and the Company's Strategies

### Domestic Real Estate Development Sector (Residential Development and Commercial Real Estate)

Regarding the Residential Development Business Unit, although the Japanese market cannot escape the impact of a declining birthrate and aging population over the long term, we expect continued stable robust demand over the medium term due to such factors as an increase in dual-income households, a rise in household income attributable to higher wages, and low home loan interest rates.

On the other hand, the Bank of Japan loosened its yield curve control in July 2023. Based on the concern that this will affect mortgage interest rates and the fact that construction costs are on an upward trend, I consider it necessary to provide a more diverse product lineup and create products supported by customers more than ever before to continue ensuring sufficient profitability going forward.

Currently, with an eye on our target to record 4,000 to 5,000 housing units a year, we have almost acquired land for development planned to be completed during Phase I and are working to acquire land for Phases II and III. Our policy is to seize business opportunities in part by expanding our existing product lineup, provide super high-end properties for high net worth individuals, undertake proposal-based mixed-use development projects, and effectively utilize public real estate and land held by educational institutions.

Similarly, in the Commercial Real Estate Business Unit, we are focusing on securing opportunities to maximize profitability as we head into Phases II and III amid rising construction costs. The following is a quick look at the environments of and our strategies for each sector.

The office market has continued to normalize since the pandemic has settled down, and the trend of expanding and moving offices among companies has gradually become more active. Amid this environment, the Company will continue offering a combined office portfolio strategy featuring the PMO, H'O, and H'T brands. Regarding the logistics facilities market, we expect the market to grow going forward and the need for highly functional logistics facilities to expand as e-commerce further advances despite having the characteristic that it is easily affected by rising construction costs due to its higher ratio of building costs to total project costs compared with other sectors. Our policy is to step up acquisitions of land, not just through open bids but also by applying our expertise and comprehensive strengths as a developer in such areas as land readjustment on farmland. Due to a recovery in inbound demand, the operations of hotels and retail facilities

are improving, and we intend to gradually restore the speed of new development.

The Group's strength is developing highly marketable assets in every sector with a focus on the needs of those who actually use our properties. Every employee strives to promote business with an awareness of this strength.

In addition, in the Shibaura Project, which is the Group's largest ever, we will utilize our accumulated expertise and know-how. We will continue aiming to undertake completely new urban development with an approach that considers various perspectives, such as realizing sustainability and addressing recent changes in workstyles and lifestyles.

### New Challenges to Seizing Business Opportunities

To seize business opportunities amid a tough competitive environment, the Company employs a strategy that takes advantage of its expertise and comprehensive strength as a developer. The representative examples are redevelopment, rebuilding condominiums, utilization of public facilities and land, and collaboration with educational institutions.

As for redevelopment and rebuilding condominiums, developers support redevelopment and work to reach agreements with the landowners of existing property while also securing profit by acquiring and selling newly created units. The Group established the Development Planning Division specialized in legal redevelopment in 2014 and currently boasts an industry leading number of initiatives in this business area. From Phase II onward, we will continue to further expand the ratio of these businesses that account for the profit recorded by the housing sales business.

In addition, in 2022, we established a division to search for development opportunities in such new fields as MICE facilities and hotel residences in addition to seizing development opportunities through the effective use of aging public facilities and unused public land as well as buildings and land held by educational institutions as the birthrate declines and population ages.

▶ P.60-61 Special Feature: Solving Social Issues through Urban Redevelopment and the Effective Use of Public Real Estate

In initiatives involving the redevelopment and development of public land, it is essential to possess capabilities to solve social issues through development, for example, by enhancing the convenience of and increasing the disaster resilience of urban areas. Exercising its strength in area management, the Group helps to increase the value of



urban areas by stimulating local communities while creating highly convenient urban areas that incorporate residential, retail, and senior residence properties. In particular, we have received praise for our strength in area management led by local residents, a track record we built up through such projects as the KAMEIDO PROJECT (constructed in 2022), PROUD CITY Hiyoshi (constructed in 2020), and Funabashi Morino City (constructed in 2014).

Regional governments that are under pressure to revitalize regional economies are showing significant interest in these initiatives. Our track record with these efforts will be an instrumental advantage when expanding business moving ahead.

### Overseas Business Unit

Since restarting the overseas business with our entry into the housing sales business in Southeast Asia in 2014, we have worked hard to search for and build relationships of trust with local partners with whom we can mutually prosper. As a result, in the fiscal year ended March 2023, strong profit contributions began (business profit: ¥7.2 billion).

To build trust with partner companies, the Group provides added value in the form of know-how cultivated in Japan, going beyond being just a simple provider of funding.

These efforts have resulted in relationships with partners we can trust in each country in which we operate. In Thailand, since 2017, we have worked on over 20 joint development projects with ORIGIN PROPERTY PUBLIC. In

Vietnam, we have continually worked on joint development projects with Vinhomes, which is the country's largest developer, and two other companies. In the Philippines, we founded Federal Land NRE Global, Inc. jointly with Federal Land, a real estate company and a member of GT Capital Holdings, a large local financial group, and we plan to invest a total of more than ¥700.0 billion over the next 30 years.

In addition, we are expanding our property sales business in developed countries. In London, the United Kingdom, we are promoting an office renovation project, and in Portland, the United States, we began developing rental housing.

Through the combination of the property sales business and housing sales, we plan to increase the business profit share of the overseas business within the Company as a whole to 15% or more by the fiscal year ending March 2031.

### Service & Management Sector (Investment Management Business Unit / Property Brokerage & CRE Business Unit / Property & Facility Management Business Unit)

The growth in the three business units of the aforementioned Development Sector (Residential Development Business Unit, Commercial Real Estate Business Unit, and Overseas Business Unit) will significantly contribute to growing profit and seizing business opportunities for the three business units of the Service & Management Sector.

Achieving growth through the synergy of these two sectors is an important strategy in the Plan.

COO Message



In the Investment Management Business Unit, we manage the funds of various different investor types, such as listed REIT, private REIT, and private funds, and have built a system to enable us to continue to stably acquire properties externally even as market conditions change. In addition, in August 2022, we founded Nomura Real Asset Investment Co., Ltd. jointly with Nomura Holdings, Inc. We aim to achieve further profit growth by leveraging the Group's real estate management know-how and Nomura Holdings' customer base.

In the Property Brokerage & CRE Business Unit, the markets are currently very active for the retail, middle, and wholesale businesses. We plan for significant growth in the middle business, which handles real estate sales brokerage for small and midsize companies, business owners, some individual investors, and high net worth individuals, as the size of its market is expected to continue to grow going forward.

In the Property & Facility Management Business Unit, management stock is expected to steadily increase due to its having been commissioned to handle the property and facility management of each asset developed by the Residential Development and Commercial Real Estate Business Units. In addition, we provide highly competitive construction proposals, such as "re:Premium," a scheme that extends the cycle of large-scale repair work for condominiums. In this way, we have extended the life of buildings, which has become a social issue.

These three Business Units constitute a labor-intensive business model with few owned assets. We will continue realizing profit growth by utilizing DX to enhance productivity, for example, the online provision data by the Property Brokerage & CRE Business Unit and the provision of management services via smartphones by the Property & Facility Management Business.

## Building a Foundation to Realize Our Strategies

### Human Capital Management

Strengthening human capital management is indispensable to realizing high profit growth as laid out in the Plan.

To achieve this goal, we have put together a Group-wide task force and are working to build a new human resources strategy with the plan of disclosing it from the next

fiscal year. In advance of that, I will explain what I value in human capital management.

In recent years, with the increasingly quickly expanding market for recruiting and dispatching personnel, I think the Company should aim to be a workplace where employees want to work and want to collaborate with excellent external personnel, rather than a place where employees just feel trapped in a job. To this end, it is important that the Company remain attractive for every employee by providing a workplace that enables each person to thrive in line with their own characteristics as well as in terms of salary and other compensation.

The Group encourages employees to grow and gain a wide range of expertise through experiences in various real estate businesses. We are working to stimulate the organization to enable all grades of employees, including middle and senior managers, not just new hires, to thrive and feel highly motivated to work.

[▶ P.38-39 Human Resources Strategy](#)

### Promoting Our Sustainability Strategy

We established five priority issues (materiality) and KPIs in April 2022 in line with the idea that the Group's sustainable growth and contributing to a sustainable society are inextricably linked.

With the aim of realizing decarbonization, one of the

priority issues, we set a new target of realizing carbon neutrality for Group-wide Scope 1, 2, and 3 emissions by 2050. We are therefore taking such measures as enhancing the energy efficiency of condominiums and office buildings and installing solar power equipment at logistics facilities and in detached housing. Regarding the other priority issues as well, we set specific KPIs and are conducting various activities to achieve them.

[▶ P.40-47 Sustainability Strategy](#)

### Promoting Our DX Strategy

DX initiatives will be key to achieving the evolution and transformation of value creation approaches and methods as laid out in the Plan. We are therefore emphasizing the recruitment and development of DX personnel.

Through the recent recruitment of employees from other industries, we have acquired expertise and know-how that had previously not existed within the Group. In addition, regarding our current human resources, we are conducting Company-wide DX training and have increased our baseline knowledge. Through these efforts, we are establishing a foundation for promoting our DX strategy, and specific initiatives are proceeding apace on the front lines of each business.

[▶ P.36-37 DX Strategy](#)

## To Our Stakeholders

Every employee will need to flexibly adapt to changes and take swift action to realize our goal of "Be a 'Life & Time Developer,' as never seen before" and achieve the profit goals of the Plan. I believe it is crucial to improve the environment and to develop and place human resources in order to foster a challenging corporate culture across the Group.

The representative initiative for this is the moving of the Group's head office functions to the Shibaura Project in 2025. By consolidating the Group's head office functions in Shibaura, which enables the realization of new workstyles, we will encourage the creation of innovation and accelerate the maximization of synergy and the desire to find and

undertake new businesses. We will also work to establish a multipronged human resources system that enables diverse personnel to cultivate their unique strengths, grow, and thrive. On the occasion of the move to Shibaura, we will continue further accelerating growth to realize "Be a Life & Time Developer, as never seen before."

Going forward, the Group will evolve and transform value creation approaches and methods amid a ceaselessly changing environment. Over the long term, we will continue providing new value as never seen before by us or by customers. In closing, I would like to express our sincere appreciation to our stakeholders for their ongoing support.

## CFO Interview

**We aim to optimize both sides of the balance sheet in order to achieve “high profit growth, and high asset and capital efficiency.”**

**Toshihide Tsukasaki**

Executive Officer, Group CFO



### Q. You became Group CFO in April 2023. Could you introduce yourself?

Certainly. In April 2023, I became Group CFO. I joined Nomura Real Estate in 1991 and have gained experience on both the business side and the corporate side.

On the business side, I have participated in development, leasing, management, and other fields, mainly for office buildings, and also engaged in development for properties for sales, including logistics facilities and rental housing, as well as in the hotel business. On the corporate side, I served as the general manager of the Corporate Planning Department. As an executive officer in charge of the Finance & Accounting Department and the Finance Department, I was dedicated to formulating the Mid- to Long-term Business Plan (the “Plan”), which

was released in April 2022.

It is crucial for the Group to work hard to optimize both sides of the balance sheet as we aim to achieve growth through various real estate development projects and the provision of related services. As Group CFO, I will leverage the experience I have cultivated in both business and corporate matters in our ongoing efforts to realize “high profit growth, and high asset and capital efficiency,” which is a key theme of the Plan.

### Q. Could you give us a review of the fiscal year ended March 2023, the first year of the Plan?

Under the Plan, we made “high profit growth, and high asset and capital efficiency” a key theme and stated that we will strive for high shareholder returns. We set the following specific quantitative targets (Phase I: from the fiscal year ended March 2023 to the fiscal year ending March 2025): an annual average growth rate of 8%, an ROA of a 4.5% level, an ROE of a 9% level, and a total return ratio of between 40% and 50%.

In the fiscal year ended March 2023, we achieved operating revenue of ¥654.7 billion, business profit of ¥105.1 billion, and profit attributable to owners of parent of ¥64.5 billion. Thus, we significantly exceeded the initial business forecasts made at the start of the fiscal year and

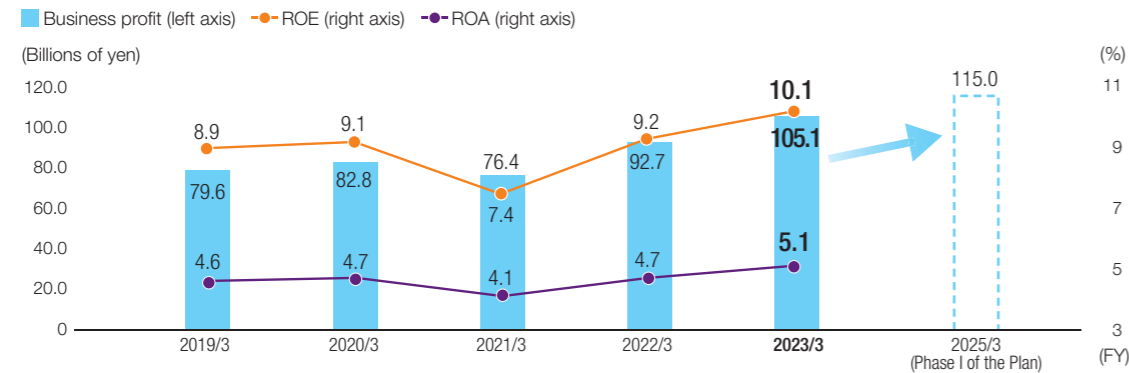
achieved record high profits. It is a pleasure that we got off to a great start in the first year of the Plan. Compared with the fiscal year ended March 2022, business profit grew 13.4% and profit attributable to owners of parent increased 16.6%, enabling us to keep a close eye on firmly achieving the profit targets in Phase I of the Plan.

In addition, reflecting ongoing expansion in investment, total assets grew to around ¥2.1 trillion as of the fiscal year-end, and we achieved an ROA of 5.1% and an ROE of 10.1%, exceeding all Phase I targets. These results are indicative of our success in steadily promoting business that has high asset and capital efficiency.



CFO Interview

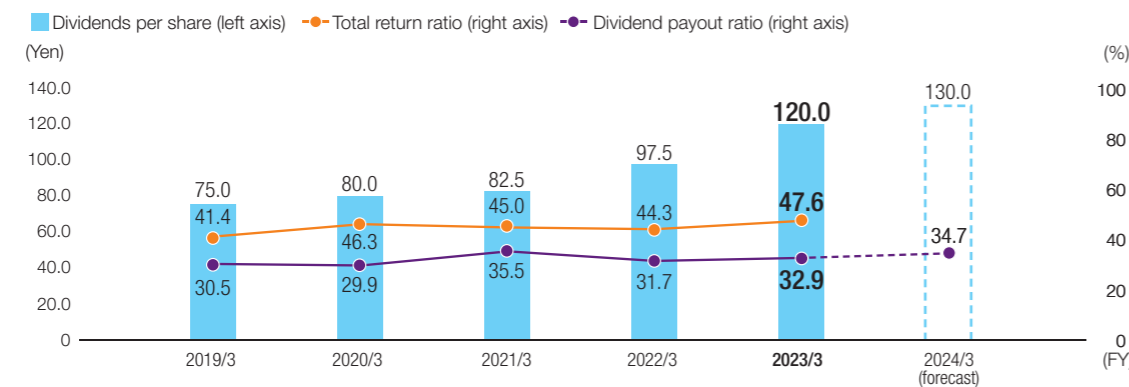
Business Profit, ROE and ROA



Annual dividends were raised ¥10.0 from the forecast at the beginning of the fiscal year to ¥120.0, increasing for an 11th consecutive year. Including the effect of the acquisition of treasury shares equivalent to ¥9.5 billion,

our total return ratio amounted to 47.6% and our dividend payout ratio amounted to 32.9%. I believe this demonstrates high shareholder returns in line with profit growth.

Shareholder Returns



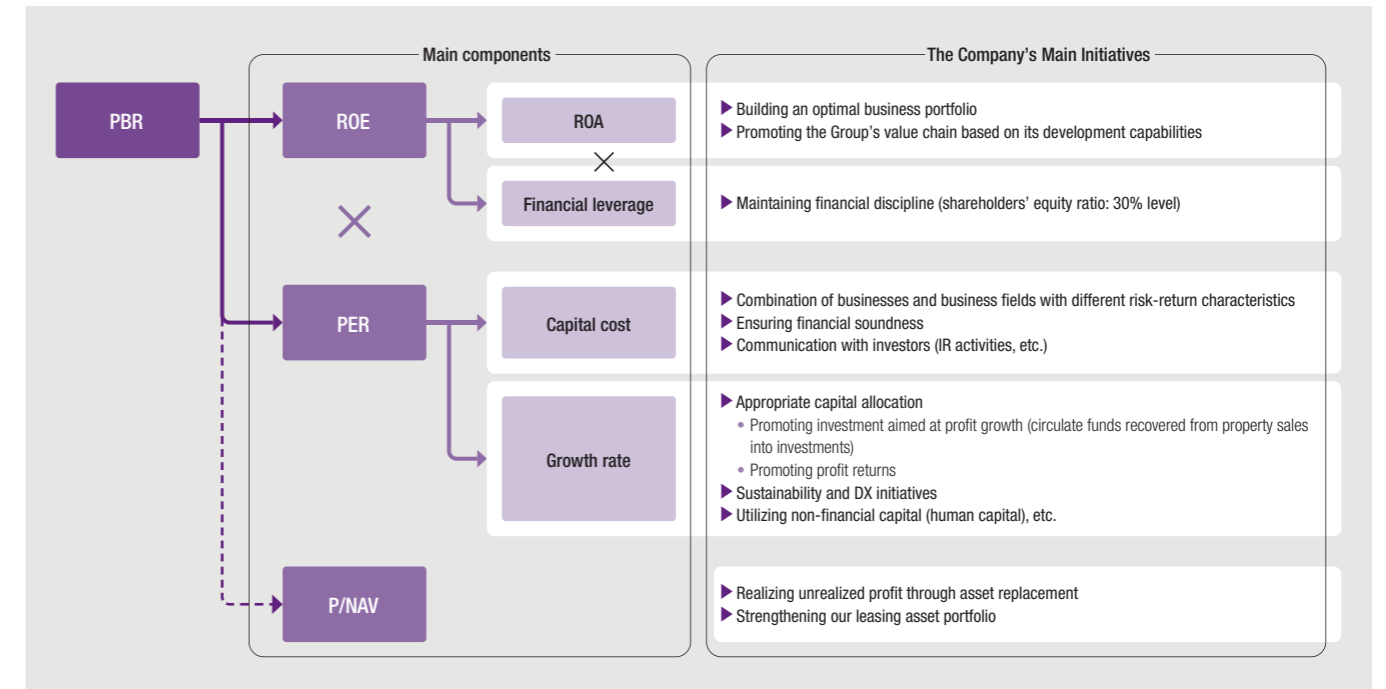
**Q. The Tokyo Stock Exchange announced it would encourage the companies listed on the Prime Market to take action aimed at implementing management that is conscious of the cost of capital and stock price. From the perspective of stock price, how would you assess the evaluation of the Company by the stock market? Could you tell us what kind of initiatives you are thinking about as CFO?**

The Company has realized management that ensures both profit growth and shareholder returns achieving high asset and capital efficiency with the awareness of the cost of capital and stock price, since long before the Tokyo Stock Exchange's announcement. However, the Company's stock price has been stuck below a price-to-

book ratio (PBR) of 1 times (as of July 2023). As CFO, I intend to continue promoting initiatives with an awareness of the cost of capital and stock price while emphasizing communication with shareholders and market players.

Again, although you can break down PBR into ROE x PER, real estate developers who own a certain level of

Initiatives aimed at enhancing corporate value and market valuation



assets need to consider net asset value (NAV) adjusted for unrealized gains.

Now, let us talk about how to promote initiatives aimed at lifting these indicators. For ROE, which is ROA x financial leverage, realizing a high ROA by building an optimal business portfolio and promoting the Group's value chain is key. It means we are not simply stepping up the leverage. Compared with REITs, which have low cost of capital because their main business is leasing, real estate developers whose main business is development have a relatively high cost of capital. We recognize the Company's cost of capital is around 7% to 8%. Aiming to create value exceeding the cost of capital, the Company not only records value created through development as unrealized gains but also promotes initiatives to realize unrealized gains. Basically, the aim of these efforts is to accelerate business turnover by selling off developed properties. Moreover, regarding leasing assets owned by the Company as non-current assets, the Company will maintain initiatives to continue returning unrealized gains to shareholders as realized gains while replacing some assets from the perspective of controlling overall asset volume and strengthening our leasing asset portfolio. We believe this will be effective in raising up the NAV valuation.

Moreover, aiming to enhance ROA, we will strive to further expand the Service & Management Business, mainly by acquiring fee income without using assets.

We will highlight the value created through development

by selling off developed properties. We will keep working hard to further promote the Group's value chain, wherein we expand fee-based income through the provision of related services while maintaining contact between assets and customers after development, as the Company's characteristic business model.

▶ p.35 Overview of the Mid- to Long-term Business Plan (FY2023/3-2031/3) (Business portfolio strategy)

Next, aiming to enhance PER, we need to lower the cost of capital and raise the expected growth rate to enable to generally draw them out from the following formulas.

$$PER = \frac{1}{r - g}$$

r: Cost of Capital g: Growth Rate

Regarding lowering the cost of capital, we aim to further reduce the cost in part by ensuring financial stability and fostering communication with investors while balancing businesses with different risk-return characteristics and thereby enhancing the stability of profit.

CFO Interview

Regarding the growth rate, implementing the strategies of the Plan will be important, but growth investments through appropriate capital allocation will be indispensable to raising the expected growth rate. Going forward, it

goes without saying that realizing ongoing profit growth while maintaining an ROE above the cost of capital is at the root of our policy.

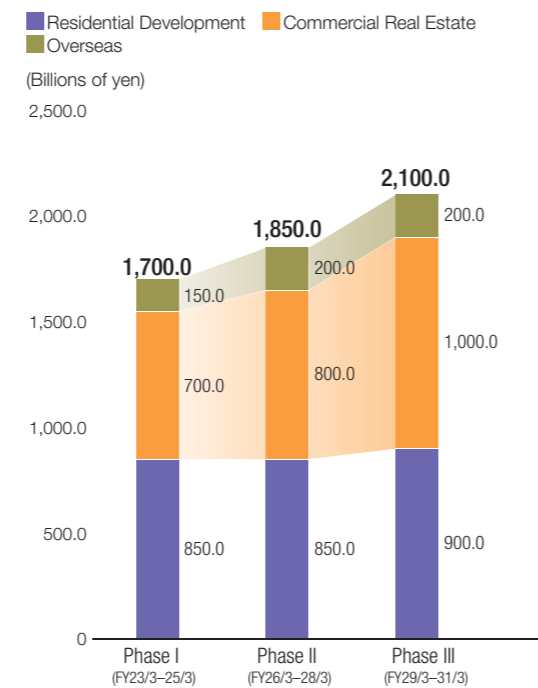
**Q. What is your policy on capital allocation?**

The Company aims to achieve both growth investments and shareholder returns, and the source of funds mainly comprises cash flow gained through business activities and cash flow procured through financing. By circulating funding with an axis in the property sales business, it is possible to allocate recovered funding to investments and returns. In addition, against the backdrop of a stable financial foundation, there is ample room to procure funding through financing.

Based on funding acquired through business activities, our shareholder returns policy is, during Phase I of the Plan, to achieve a total return ratio of between 40% and 50% and, with an eye on Phase II and beyond, to incrementally increase the dividend payout ratio to a 40% level. Our intention is to continue providing shareholder returns in line with this policy.

In addition, with the aim of realizing high profit growth, we will continue expanding investment. As seen in the investment plan in the Plan shown at right, we will continue expanding investment in the Commercial Real Estate Business Unit and Overseas Business Unit and proactively carrying out strategic investment, including M&A aimed at realizing inorganic growth.

**Investment Plan in the Mid- to Long-term Business Plan**



**Q. Since the formulation of the Mid- to Long-term Business Plan, interest rates in Japan and overseas have been changing. Could you tell us about your financing policy?**

Based on the characteristics of the real estate development business over the medium to long term, with financing centered on long-term funding as a foundation, the Company prepared for the risk of rising interest rates by increasing our ratio of fixed interest rates and working to spread out the amount repaid (amount amortized) by fiscal year. Through these efforts, the impact of rising interest payments due to current interest rate volatility is limited.

Regarding the expansion of the overseas business,

because our basic stance is to use funding procured in Japan for overseas investments, the recent rapid increase in interest rates overseas has not had much of a direct impact. We use some investment capital as a hedge to address the risk of exchange rate volatility. These costs are continuing to rise, and we need to pay attention to how we optimize the balance between exchange rate volatility risks and costs.

We expect the uncertain financial environment to persist

moving forward, so to achieve profit growth in line with the Plan, we will need to steadily procure the necessary amount of funding while holding down costs as we work to expand investment, mainly in the development business.

Going forward, while there will be no change in our policy of fixing interest rates, especially for long-term funding, we will continue striving to control procurement costs by working to diversify procurement routes and methods. Regarding procurement routes, we increased the number of partner financial institutions from 55, during the latest four-year period when I was in charge of the Finance Department, up to 74 (as of March 31, 2023). We will continue further expanding this number, including

corporate bond procurement. As for procurement methods, we will more proactively procure funding from multiple types of sustainable financing. Because nearly 90% of the amount procured in the fiscal year ended March 2023 was obtained through these methods, the balance of sustainable finance expanded to over ¥200.0 billion. In addition, I intend to procure an additional ¥500.0 billion for the following five-year period.

Moreover, the Company's bond issuance rating was raised by two domestic credit rating agencies in August 2023. We believe this improvement in the evaluation of our credit rating will help reduce credit costs for procurement and further strengthen our funding procurement capability.

**Q. Finally, could you tell us about your commitment as Group CFO?**

I believe my role as CFO is to achieve "high profit growth, and high asset and capital efficiency," to implement high shareholder returns, to clearly communicate the Company's initiatives to all shareholders and investors through daily IR activities, and to foster communication with everyone.

To realize the Nomura Real Estate Group Vision for 2030

to "Be a 'Life & Time Developer,' as never seen before," I will continue aiming to realize performance surpassing the expectations of shareholders and investors. I will continue giving my all to foster communication with all our stakeholders and enhance the Company's corporate value.

