

CSR | The Nomura Real Estate Group's Stance on CSR

Message from the CSR Committee Chairman



To solve environmental and social issues in this business means to meet the needs of customers and society. Promotion of CSR leads to the development of products and services and the creation of new business.

Seiichi Miyajima

Executive Vice President
and Representative Director
Group COO

Promotion of Wellness Management for the Physical and Mental Well-being of Our Employees—Our Most Important Resource

On December 25, 2017, Nomura Real Estate Development Co., Ltd., a Group company of Nomura Real Estate Holdings, received corrective recommendations and guidance regarding the Discretionary Working System for Management-Related Work from the Labor Standards Inspection Office, which presides over the Company's headquarters and its four regional business offices. This matter is being taken as a serious issue, and we will make full efforts to carefully undertake labor management and improve working conditions so that no such incident occurs again, and to regain the trust of our shareholders and other stakeholders.

To this end, in April 2017 the Group established the Workstyle Reform Promotion Committee, and as its chairman, I have focused on improving productivity, reducing working hours, and enhancing work-life balance. We have identified and analyzed impeding factors against the reforms in each business and have set in place the personnel systems and policies to balance work and private life, which are functional regardless of time and place.

Moreover, we understand the importance of top management and senior officers to thoroughly discuss issues with employees and to steadily implement the necessary measures to improve working conditions. For this reason, top management and senior officers have held around 40 meetings with employees to hear their opinions directly and discuss topics such as working environments and labor conditions. Based on these discussions, we are now progressing with activities that will lead to concrete measures.

To underscore this point, our employees are our greatest resource, and their health and well-being are indispensable to the Group's sustainable growth. We are promoting wellness management so that all employees are able to stay mentally and physically healthy and work proactively.

The Changing Business Environment Surrounding the Group and the Related Risks and Business Opportunities

At present, corporate earnings are recovering in Japan underpinned by sustained low interest rates and low inflation amid an ideal economy. In the real estate market, market cap rates are falling and real estate prices are rising. In addition, construction costs are increasing. The volume of transactions have been sustained however, and the market continues to be steady. On the other hand, looking at the future of Japanese society shows us a variety of social problems, including its shrinking economy due to population decline and low birthrate and aging population, as well as an insufficient number of workers. The natural environment is another issue to consider, with global warming leading to the growing threat of climate change and natural disasters.

With the adoption of global frameworks such as the Sustainable Development Goals (SDGs) and the Paris Agreement, businesses are expected to strengthen their commitment to addressing environmental and social issues surrounding society. While taking on such serious issues comes with risks, I believe that resolving these issues as a part of our business activities serves to meet the needs of customers and society, leads to the development of goods and services, and creates new business opportunities.

Falling demand in the Japanese economy due to the population decline is becoming a serious issue, but at the same time we are also seeing values and lifestyles become more diversified. Meeting these needs will allow us to differentiate our goods and services from other companies and raise our level of competitiveness. As for the decrease in available labor, major innovations are already underway, through work style reforms that improve productivity, and labor force substitution with IoT and AI.

As we pursue global initiatives such as the SDGs and the Paris Agreement, we are making efforts to bolster our environmental awareness, disaster prevention functions, and business continuity plans.

Environmental awareness tends to lead to progressively higher costs. These efforts, however, also lead to the development of low-carbon, environmentally conscious goods and services. These developments can provide new value by being environmentally and people friendly, and through the economic benefits delivered to customers and society.

Local revitalization and compact city development are being promoted in order to breathe life into local communities. But regardless of whether the target is a city center or a rural area, we are focused on developing a multifunctional and highly convenient urban-type compact town, where people can live, work, communicate, and interact. This type of compact town contributes to the rejuvenation of local communities. These various projects are our starting point and as laid out in our Group Vision “we build cities—dynamic stages that connect today with tomorrow’s possibilities,” we hope the residents will “embrace every moment of life’s pursuits” by creating communities and managing these projects. Through our business activities, we will fulfill our corporate social responsibility.

A Year of Strengthening CSR and ESG Initiatives

The Nomura Real Estate Group analyzed and identified social issues and decided upon four key themes for CSR as focal points for our initiatives. These key themes are Safety/Security, Environment, Community, and Health and Well-being. Additionally, we have established two CSR Promotion Foundations: Human Capital, and Management Structure, which encompasses corporate governance, compliance, and other management issues.

To achieve a sustainable business, nothing is more important than the health of its employees, and it is absolutely essential that they perform their duties with vitality. In addition, implementing work style

reforms helps to increase productivity, maintain work-life balance, and provide employees with more time for their private life. This in turn creates self-satisfaction in their work and life and motivation for self-learning. In this way, I am confident that the Company will expand through the self-development of its employees, and that this sort of positive cycle will increase corporate value and lead to sustainable growth.

In the fiscal year ended March 31, 2018, in order to enhance our CSR and ESG activities on a Groupwide level, we shared our Group policy with all employees to ensure that everyone has this policy in mind when conducting their daily business activities. As part of this, each business unit has established its own concrete goals rooted in our key themes and the Sustainable Development Goals (SDGs). To set these goals, we need to quantify their related elements because in some fields, we are unsure about our current stance toward the targets we will set. Thus, we will measure our position and establish our objectives. Moreover, to further our CSR and ESG efforts, we require cooperation not just within the Company but from our business partners and suppliers. With this in mind, we formulated our Group CSR Procurement Guidelines in the fiscal year ended March 31, 2018, and will begin its implementation in the fiscal year ending March 31, 2019. The Group's businesses, ranging from development and construction to operation and management, demand a variety of technologies and services, and this requires cooperation with architecture companies, construction companies, service providers, and other business partners and suppliers. It is important to bear in mind environmental and social issues throughout the entire supply chain while staying rooted in the Group CSR Procurement Guidelines. We hope for the understanding and cooperation of our business partners and suppliers in this regard.

In the fiscal year ending March 31, 2019, we will ramp up our response to environmental issues even further. We have already set up an environmental subcommittee led by the officers responsible for quality management and architectural design. This subcommittee is reviewing other measures such as environmental management systems and medium- to long-term reduction plans for energy consumption and CO2 emissions. As we carry out these efforts, we will employ a PDCA (Plan-Do-Check-Act) cycle, requiring us to first assess our position as a company, set our goals, review results and factors, and then set new goals. This will serve our efforts as we work to bring our CSR and ESG initiatives to a new level.

Increased Value for Stakeholders and Ensuring Group Growth

Connecting with stakeholders is very important for companies to achieve sustainable growth. Since we are a real estate business, we are responsible for urban planning and service management, and our stakeholders cover an extremely wide range of supporting industries. For that reason, we are constantly making efforts to continue creating new value alongside a wide range of stakeholders. In capital markets, investments emphasizing ESG are getting popular, meaning that it is important to promote our investment activities through ESG initiatives and proper disclosure. I would like to both contribute to society through active efforts in our business practices toward CSR and ESG and respond to the needs of investors, shareholders, and other stakeholders.

Going forward, we will continue to take on new challenges and changes in order to gain the trust and meet the expectations of our stakeholders going forward as a highly unique and attractive corporate group.

■ Promise with Stakeholders

Customers and Local Communities

Provide safe, comfortable, and high-quality products and services to customers and residents who live, work, and gather in the cities that we build

Shareholders and Investors

Raise corporate value and achieve sustainable growth for the benefit of shareholders and investors who provide capital to the Group

Suppliers and Business Partners

Acquire know-how and cooperation from suppliers and business partners as we develop cities and conduct business

Employees

Create work environments where employees can work in good health with a sense of purpose and meaning, so that human capital can grow as the foundation of our business and each employee can demonstrate high performance, create new value, and challenge themselves

Society

Fulfill our social responsibilities by addressing social issues and solving problems through our business activities