



New Value, Real Value

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Business Environment Recognition

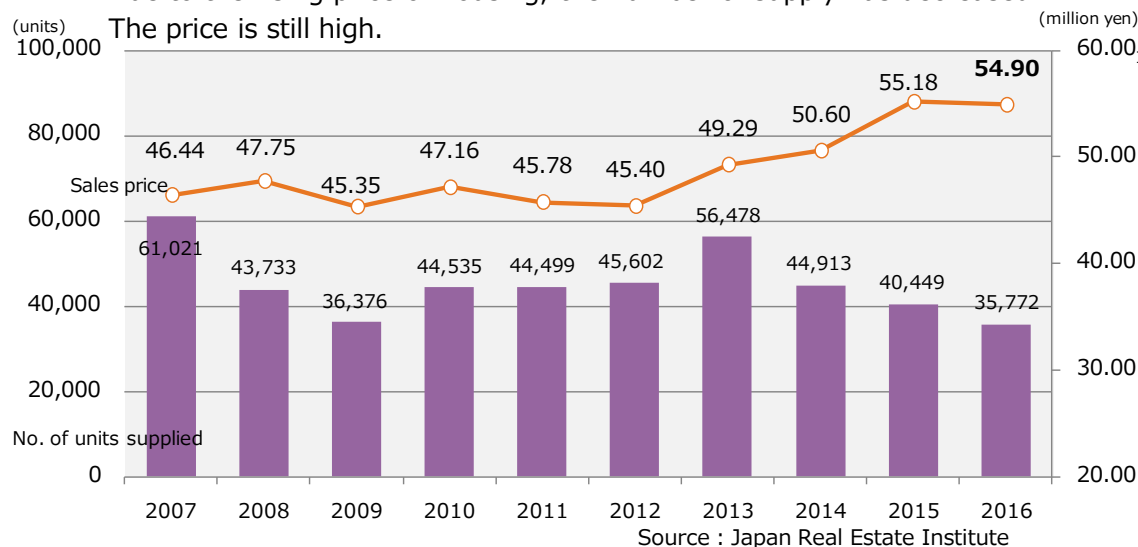
- Housing demand remains steady, while people seems to buy used condominiums instead of new built ones because of the rising price of new condominium.

The prices and the inventories are facing the phase of adjustment, thus the falling price of construction cost will support it.

Newly Built Condominiums and Housing Prices (Tokyo Metropolitan Area)

Due to the rising price of housing, the number of supply has decreased.

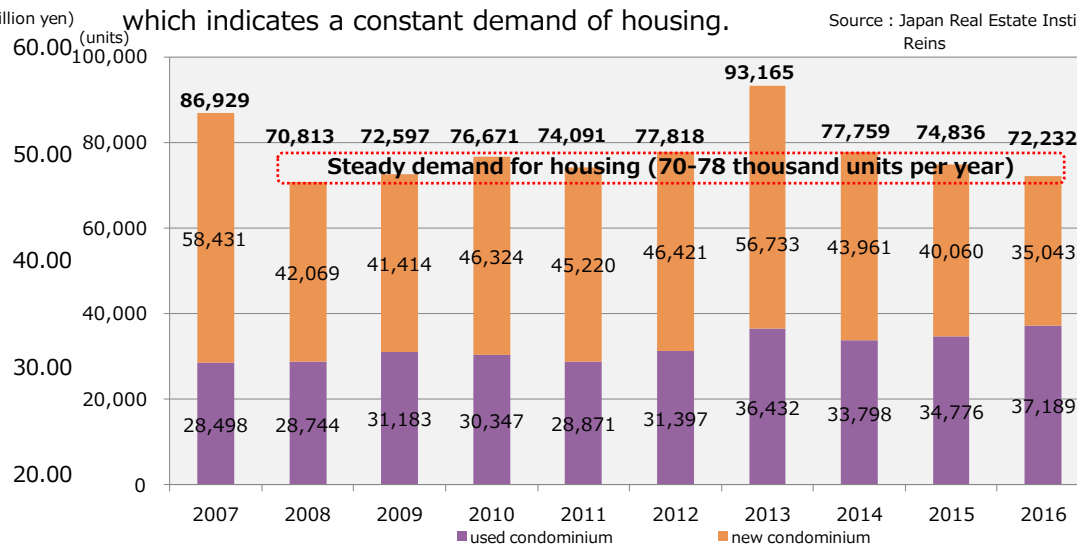
The price is still high.



The Number of Contracts (New Built and Used Condominium) (Tokyo Metropolitan Area)

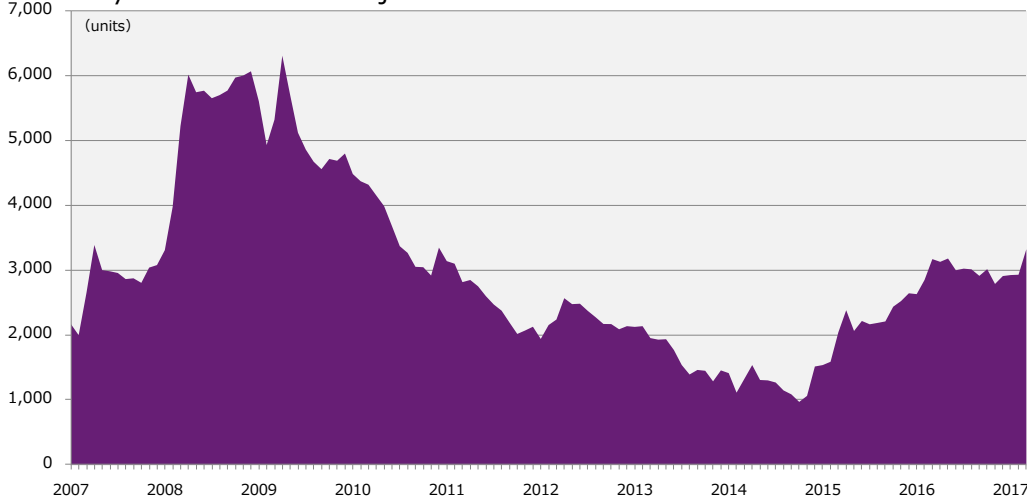
The total number of new built and used condominium is around 70,000 units which indicates a constant demand of housing.

Source : Japan Real Estate Institute Reins



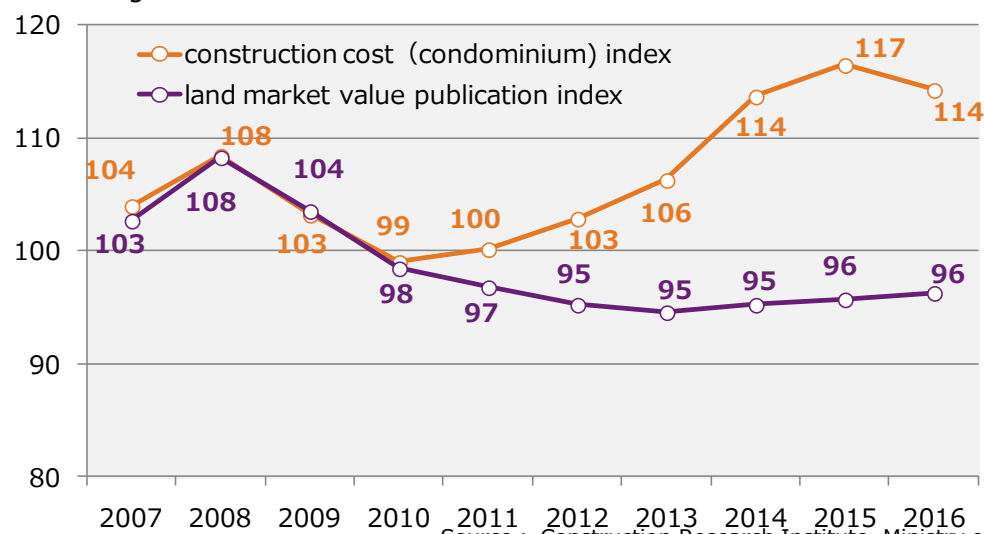
Completed Housing Inventories (Tokyo Metropolitan Area)

The number of completed inventories has been increasing since 2014 and currently in the middle of adjustment.



Land and Construction Cost Index

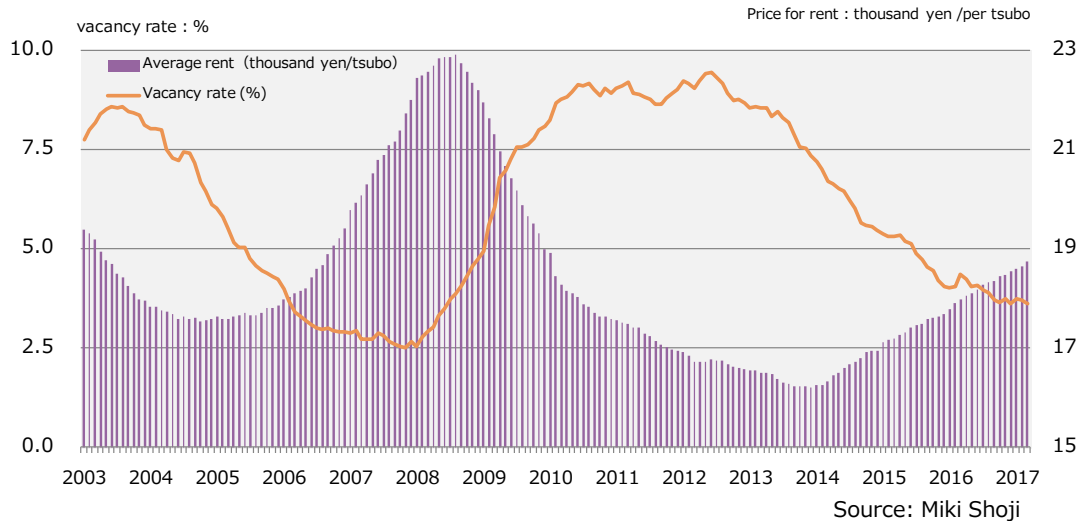
The rising of construction cost index had halted and in a slow downward trend.



- Office market is improving with the solid tenant demand and recovering vacancy rate and rent. The negative effect of a large supply of office is limited, because the supply of office buildings are about the same standard as the average in the past and the destruction of buildings with old seismic criterion is being assumed.

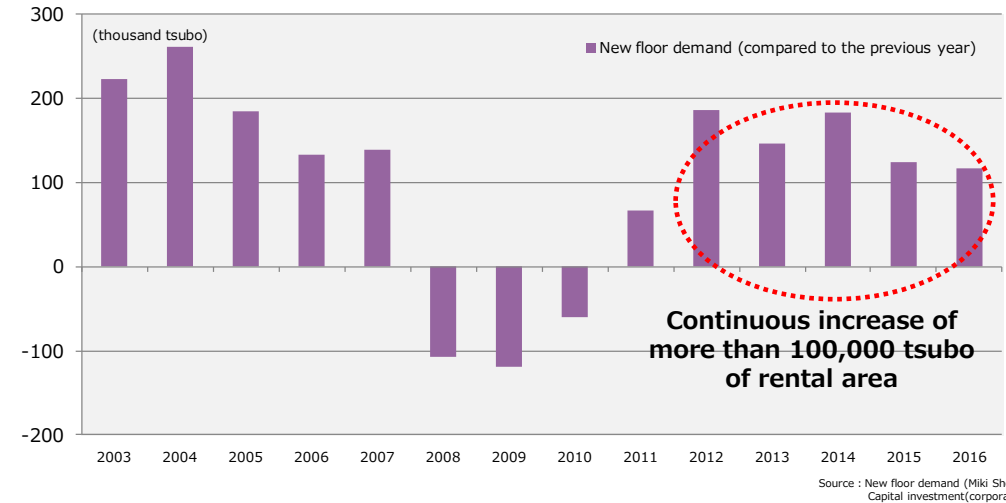
Vacancy Rate and Rent in Tokyo Central Five Wards.

Vacancy rate and rent are showing signs of recovery.



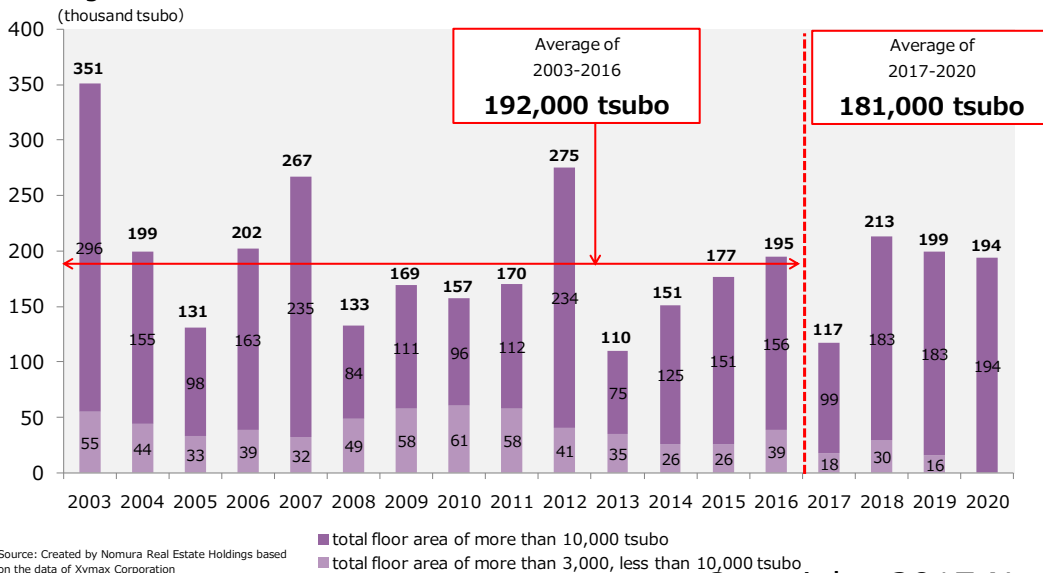
The Increase Trend of Office Rental Area in Tokyo Central Five Wards (New demand for office)

Due to the strong performance of private companies, the demand for rent is more than 100,000 tsubo a year since 2012.



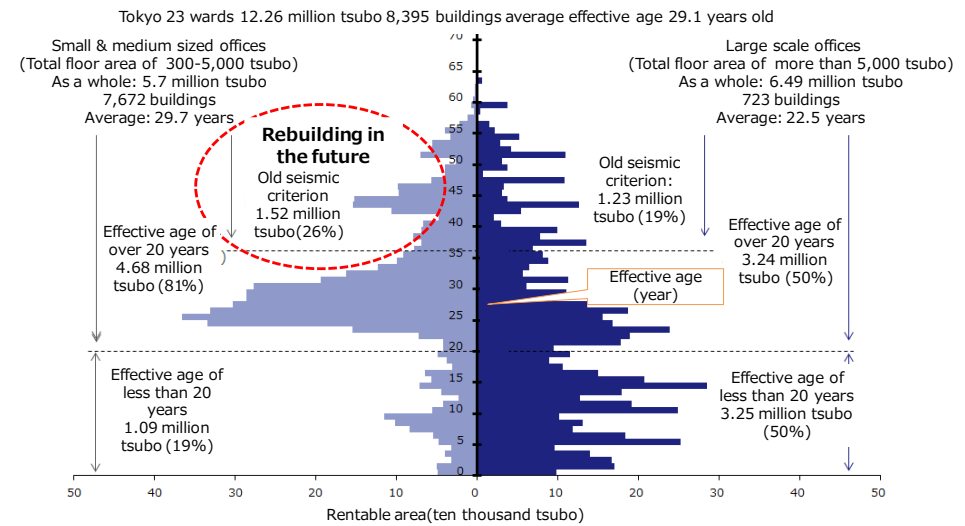
The Outlook of Office Supply in 23 Wards of Tokyo (based on Rental area)

While the number of office supply will increase in 2018-20, the supply of office Buildings are about the same standard.



Building Age Distribution in 23 Wards of Tokyo

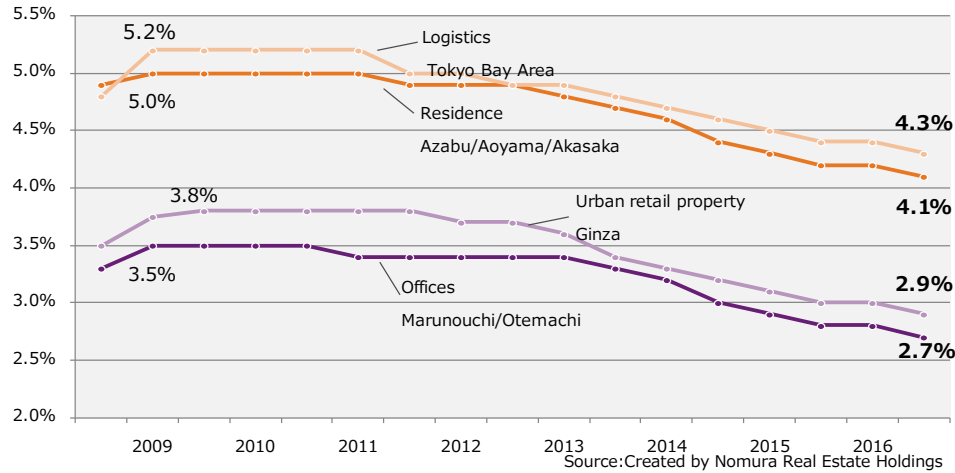
We predict the needs of rebuilding focusing small & medium buildings with old Seismic Criterion (1.52 million tsubo).



- CAP rate marked the lowest figure ever.
 The trading volume is decreasing following the rising price of real estate.
 On the other hand, the demand of real estate investment is still steady and the mid-to Long term REITS market is expected to expand.

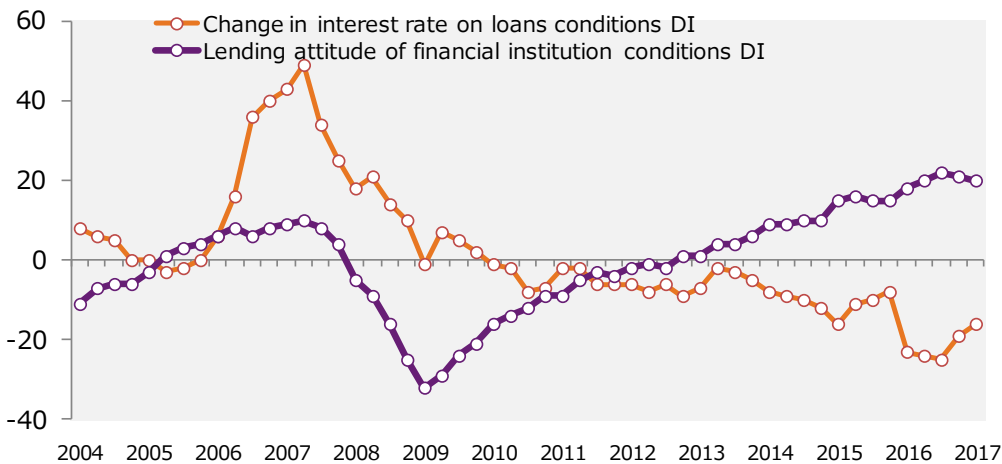
CAP Rate

CAP rate marked the lowest figure ever.



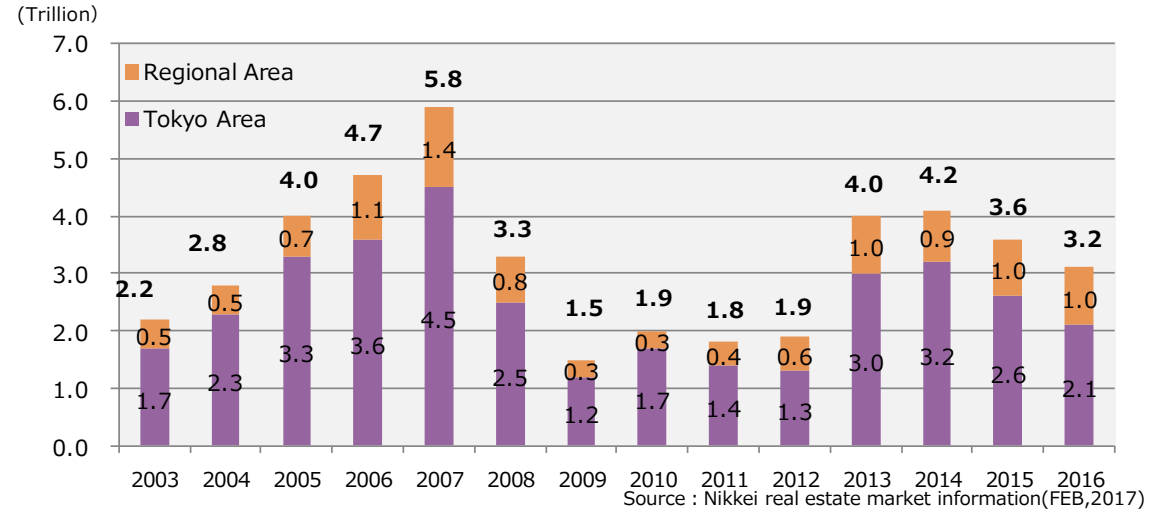
Lending Attitude of Financial Institution (The bank of Japan's diffusion index)

Lending attitude of Financial institution to real estate industry is solid.



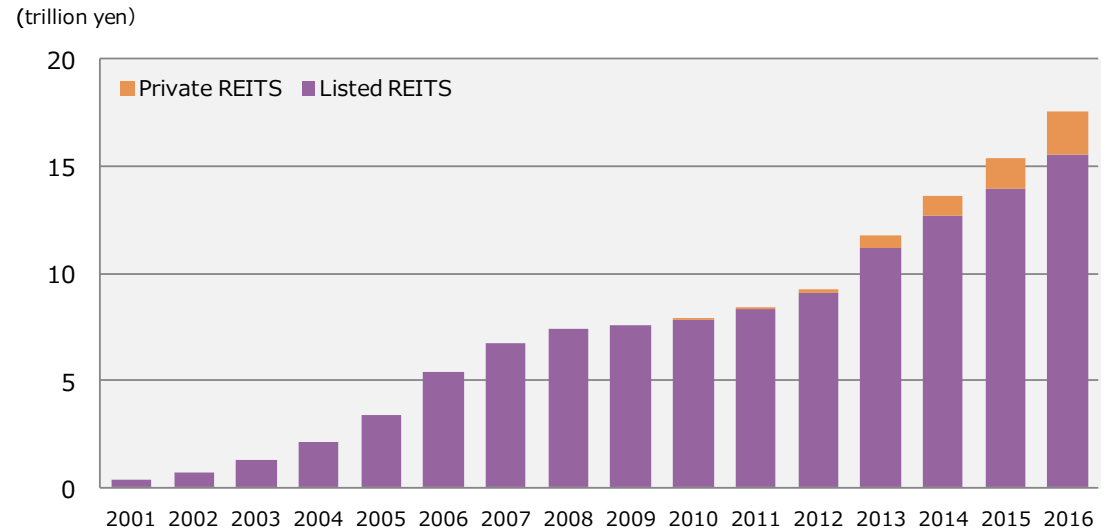
Trading in Real Estate

The trading price is falling due to the rising price of real estate.



Expansion of the REITS Market (Listed REITS · Private REITS)

Japan's real estate investment market is continuing to expand, driven by Listed REITS.

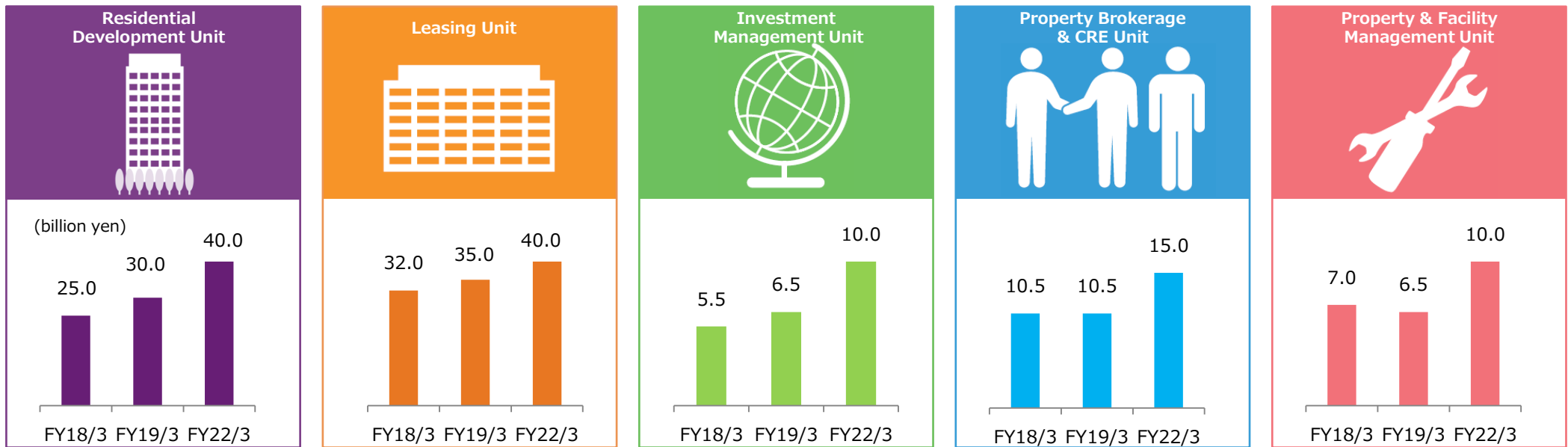


Progress of Mid- to Long-term Business Plan

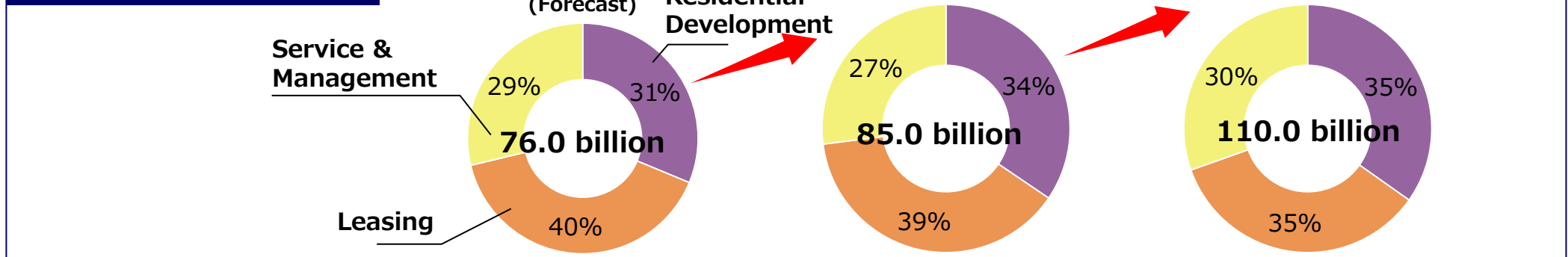
Long-Term Revenue Goals

- Realize sustainable revenue growth while maintaining a financial soundness of shareholder's equity ratio at the 30 % level, greater than 5% ROA and 10% ROE level of asset efficiency and capital efficiency.
- We intend to build a business portfolio well-balanced among the Residential Development Unit, the Leasing Unit and the Service & Management Sector, aiming at achieving operating profit of 85.0 billion yen in the phase 1, and 110.0 billion yen in the phase 2.
- Real estate stock business in the Service & Management Sector leads the revenue growth.

Operating Profit



Business Portfolio

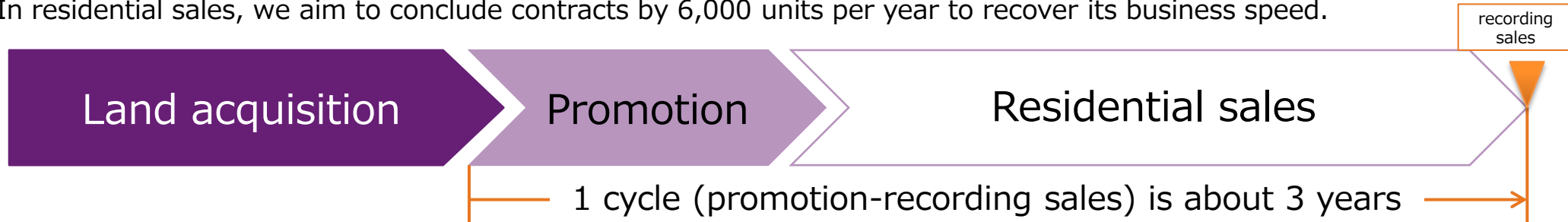


- Aiming for medium- to long-term growth, **we are steadily expanding existing businesses and sowing seeds of growth for new businesses.**
- In Residential Development, we will secure business volume for FY20/3 onward while **recovering our business speed.**

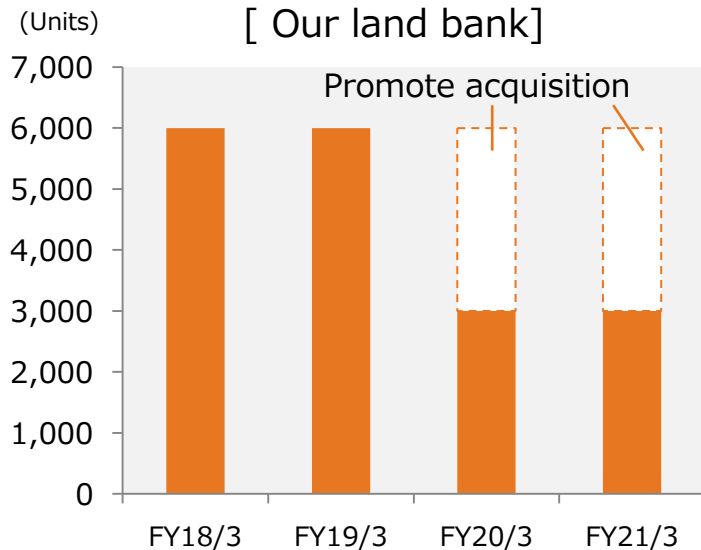
	Item	Status	Future issues/strategies
Residential Development	Existing areas →P9,10	Lower profitability due to high market fluctuation. No. 1 results in residential redevelopment.	Recover business speed. Boost marketing research skills. Expand redevelopment stock/plans for future growth.
	New areas (Regional core cities)	Secured business opportunities at 4 cities (Toyama, Niigata, Shizuoka, Okayama).	Expand business area and build business promotion strategy through alliance for continuous growth .
	New areas (overseas) →P11	New Acquisition in China/Southeast Asia. Satisfactory Sale of project in HCMC, Vietnam.	Build alliances with local high-quality partners. Expand targeted countries and business enhancing investment ratio.
	Residential stock business	Launch of renovation business. Entry into home/living assistance business. (Established First Living Assistance)	Early contribution to revenues from stock business. Contribution to group revenues by strengthening of customer relations.
Leasing	Growth of leasing revenues →P10, 12	Focus on the Tokyo metropolitan area (mixed-use redevelopment etc.). 600 bn yen in funds to invest up by phase 3.	Promote acquisition targeting for investment plan of 900 bn yen.
	Growth of sales revenues →P13	Utilizing group synergy to provide leasing value chain, etc., property stock for sale expanded to approx. 250 bn yen.	Maintain acquisition and sales of 100 bn yen for each fiscal year.
	New areas (overseas) →P11	Considering specifically on new properties in Southeast Asia.	Focus on cities with higher priority. Look to expand acquirable assets.
	Entry into new sectors	Secured projects in the hotel business.	Produce product and brand aimed at continual business expansion.

Progress (1) (Residential Development)

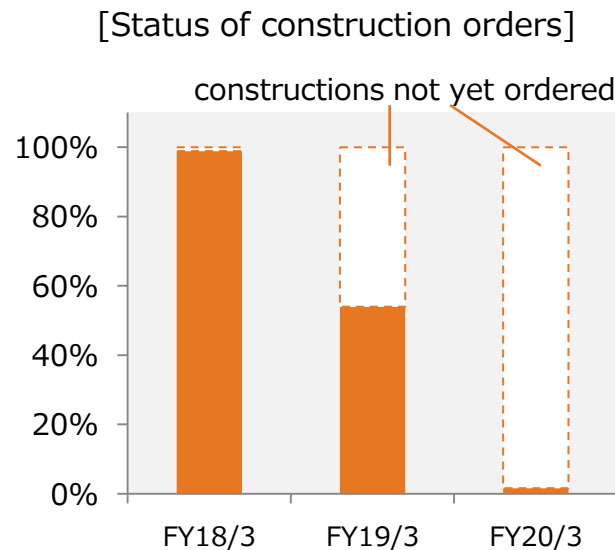
- In terms of land acquisition, carefully select land in order to secure business volume from FY20/3 onward.
- Promotion is conducted aiming at enhancement of product and cost saving.
- In residential sales, we aim to conclude contracts by 6,000 units per year to recover its business speed.



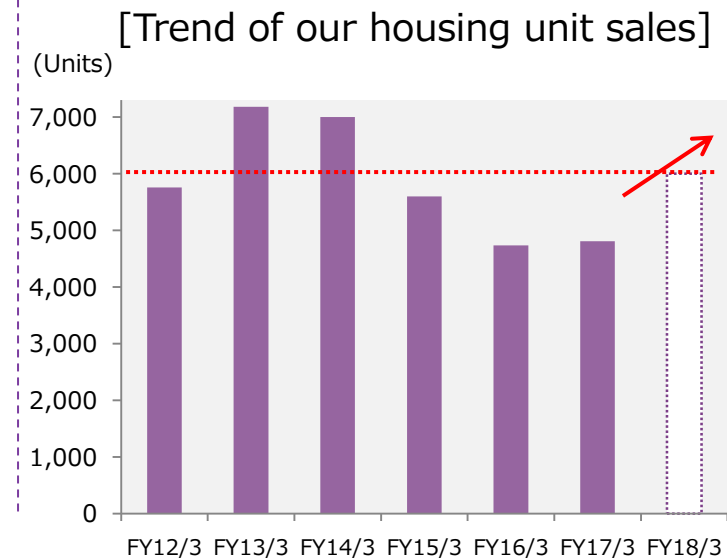
- Secured stocks of 6,000 units to be posted by FY19/3.
- Carefully select land to be posted for FY20/3 onward based on area strategy while considering market trends.



- Construction ordered for properties of FY18/3.
- Cope with both enhancement of products and reduce in cost price for constructions not yet ordered in FY19/3 onward.
- Enhance integrated production, sales and management structure in order to develop products tailored to customer needs.



- Conclude contracts for 6,000 unit/year to recover its business speed.
- Enhance market research skills such as grasp of market trends of new built and used housings/ condominiums as well as demand forecast.
- Promote cost optimization in accordance with improvement of business process.



- We obtain hard-to-get mixed-use redevelopment projects around stations and other high-demand areas.
- We are **the industry leader*₁ (approx. 30% share)** in current residential redevelopment projects in Greater Tokyo.

Term to be posted		Phase 1 FY17/3~FY19/3	Phase 2 FY20/3~FY22/3	Phase 3 FY23/3~FY25/3
Residential	Stock * ₂	Approx.1,200 units	Approx.1,700 units	Approx.1,700 units
	Planning * ₂	- units	Approx.1,900 units	Approx 5,100 units
Offices		64,492m ²	Approx.24,000m ²	Approx.220,000m ² * ₃

Rebuilding and Redevelopment Projects

Residential



PROUD TOWER Tachikawa
Total : 292 units
Term to be posted :FY17/3



Musashi-Koganei Station South Second Block Redevelopment Project
Our Share : 620 units
Total Retail Floor Area : about 12,000m²
Planned to be completed : FY21/3



Okayama Station-Front Redevelopment
Total:230 units
Term to be posted:FY25/3

Offices



Yokohama Nomura Building
Rentable Area : 56,017m²
completed: Jan 2017



Toranomon Station-Front Redevelopment
Rentable Area : Approx.12,000m²
(office·retail)
Planned to be completed:FY21/3



Shibaura 1chome Rebuilding
Total floor area : Approx.550,000m² (1st·2nd term)
Planned to be completed:Mar 2025 (1st term)

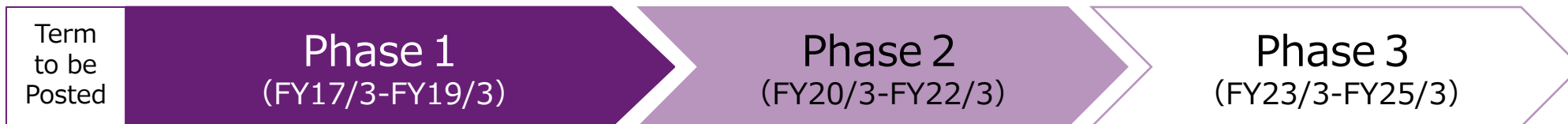
*1 Source:Nomura Real Estate Holdings,Inc.

*2 Stock:Time schedules are authorized. Planning:Time schedules are yet to be authorized.

*3 Rentable area of Nishi-Shinjuku 3chome West Redevelopment is not included since it's undetermined as of now.

The 2nd term completion of Shibaura 1chome Rebuilding is not included.

- **300.0 bn yen investment until phase 3 planned for overseas business.** Focus on high-growth Southeast Asia etc.
- In addition to housing sales business in Vietnam and China, **We are planning new leasing business projects.**



Overseas projects policy

Target Area

Take advantage of our engineering capabilities and experiences .
(Management of quality and construction)



Southeast Asia-focused high-grow emerging countries
Accommodate the demand for quality from quantity.

Approach to expand business

Build alliance with local partners in high performance.
Participate in business with low investment.



Expand overseas business (mixed-use redevelopment, leasing business)

Ho Chi Minh City, Vietnam



Total number of units : Approx.2,300 units
Our share : 12.25% Term to be posted : FY2021/3

Shenyang, China



Total number of units : Approx. 4,100 units
Our share : 11.25% Term to be posted: FY2020/3

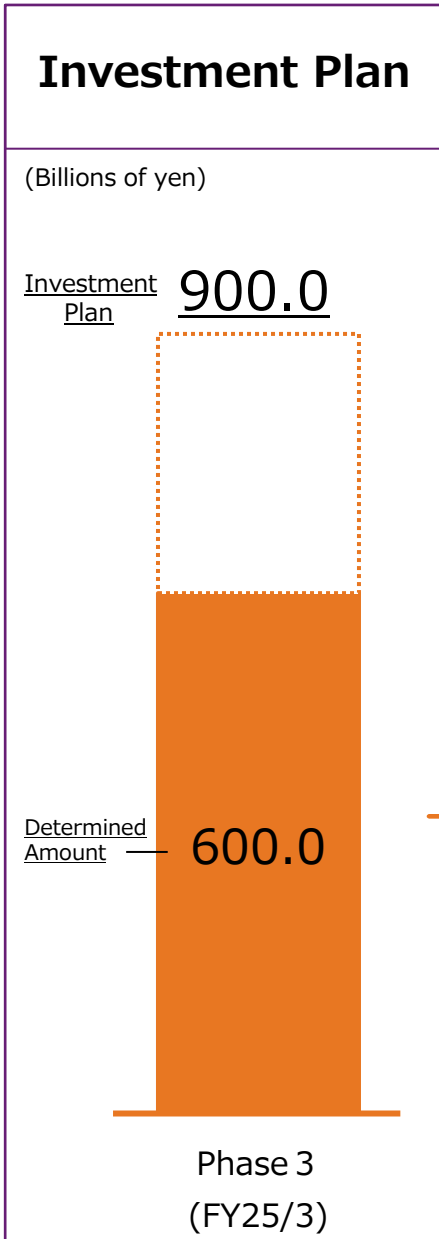
Sales status in HCMC, Vietnam

297 units reserved of the 309 supplied in 1st period.
270 units (sales to customer portion) sold instantly.



Progress (4) (Investment Plan in Leasing Unit)

- **600.0 bn yen investment up until phase 3 was secured.** Focus is on multi-use redevelopment projects in the Tokyo metropolitan area. We continuously focus on acquiring investment targets.



Phase 1 (FY17/3-FY19/3)

Major Investments/Leased Floor Area	
Yokohama Nomura Building	56,017㎡
Nomura Fudosan Sendai Aoba-dori Building	8,475㎡
NOF Nihonbashi Honcho Building	19,157㎡
NOF Tameike Building	4,715㎡
NOF Minami-Shinjuku Building	2,464㎡



Yokohama Nomura Building



Nomura Fudosan Sendai Aoba-dori Building

Phase 2 (FY20/3-FY22/3)

Major Investments/Leased Floor Area	
Toranomon Station-Front Redevelopment	Approx. 12,000㎡
Musashi-Koganei station 2nd District Redevelopment	Approx. 12,000㎡



Toranomon Station-Front Redevelopment



Musashi-Koganei station 2nd District Redevelopment

Phase 3 (FY23/3-FY25/3)

Major Investments/Leased Floor Area	
Soto-Kanda 1chome Redevelopment	Approx. 31,000㎡
Iidabashi Station Central Redevelopment	Approx. 20,000㎡
Nishi-Azabu 3chome Redevelopment	TBD
Nishi-Shinjuku 3chome West Redevelopment	Approx. 21,000㎡
Shibaura 1chome Rebulding	Approx.*1 550,000㎡ (Total floor area)



Shibaura 1chome Rebulding



Nishi-Shinjuku 3chome West Redevelopment

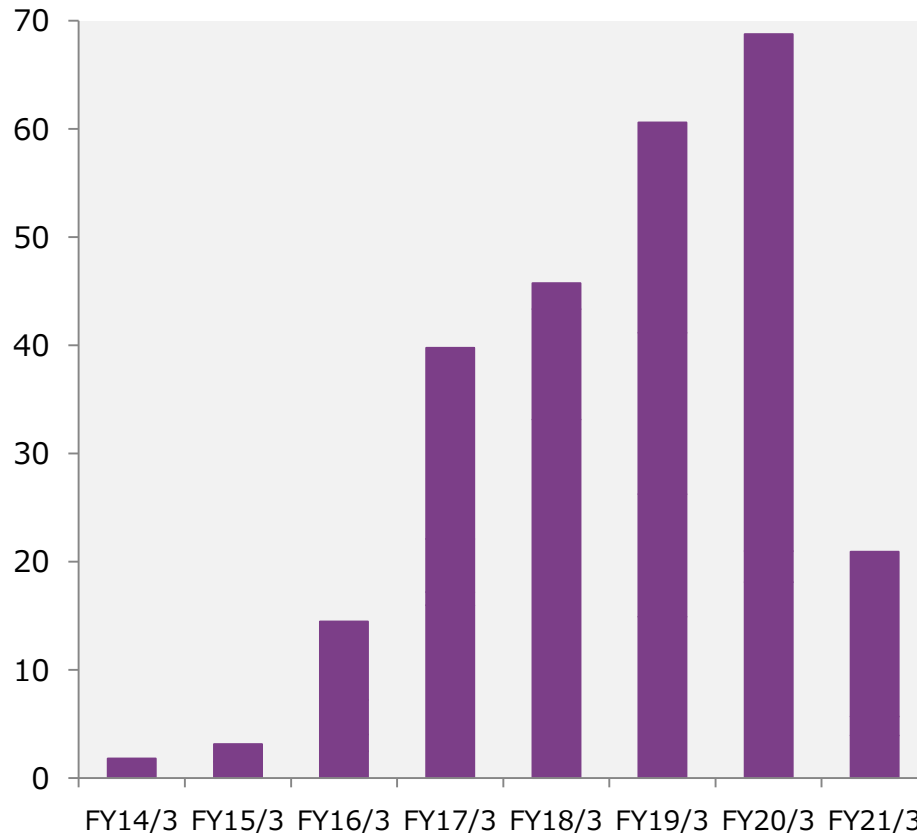
*Completed properties in the 2nd term are included
 *All projects are in planning stage and are subject to change.

- We acquire properties using the Group's synergy to provide leasing value chain and CRE proposals. **In FY17/3 we secured 19 properties at total investment of approx. 92.0 bn yen. Our project stock expanded to approx. 250.0 bn yen.**
- In the Mid-to Long-term, **we aim to promote acquisitions and sales at about 100 billion/FY** to secure stable sales revenues.

Stocks of Property Development business (estimated total investment : approx. 250.0 bn yen)

- Estimated NOI yield for all project stock is at 5% level.

Balance of stocks in accordance with the term of completion(classified by completion period) *2



Acquisition & Sales in FY17/3

- In FY17/3 we secured 19 properties at total investment of approx. 92.0 bn yen. As for sales, we posted 9 properties at operating income of approx. 35.3 bn yen.

Office(PMO etc.)

Acquisition (Planned aggregate investment)	3 projects (About 27.5 billion*)
Sale (Sale value)	1 project (5.1 billion)

Residential (PF etc.)

Acquisition (Planned aggregate investment)	7 projects (About 13.5 billion)
Sale (Sale value)	5 projects (4.9 billion)

Retail facilities (GEMS etc.)

Acquisition (Planned aggregate investment)	4 projects (About 6.5 billion)
Sale (Sale value)	1 project (5.1 billion)

Logistics facilities (Landport etc.)

Acquisition (Planned aggregate investment)	5 projects (About 44.0 billion*)
Sale (Sale value)	2 projects (20.2 billion)

*1: Estimated total investment is the estimated total project cost at time of acquisition. The amount is 137.3 bn yen as of FY 16/3 on balance sheet.

*2: Completion period is estimated at the current stage and is not certain.

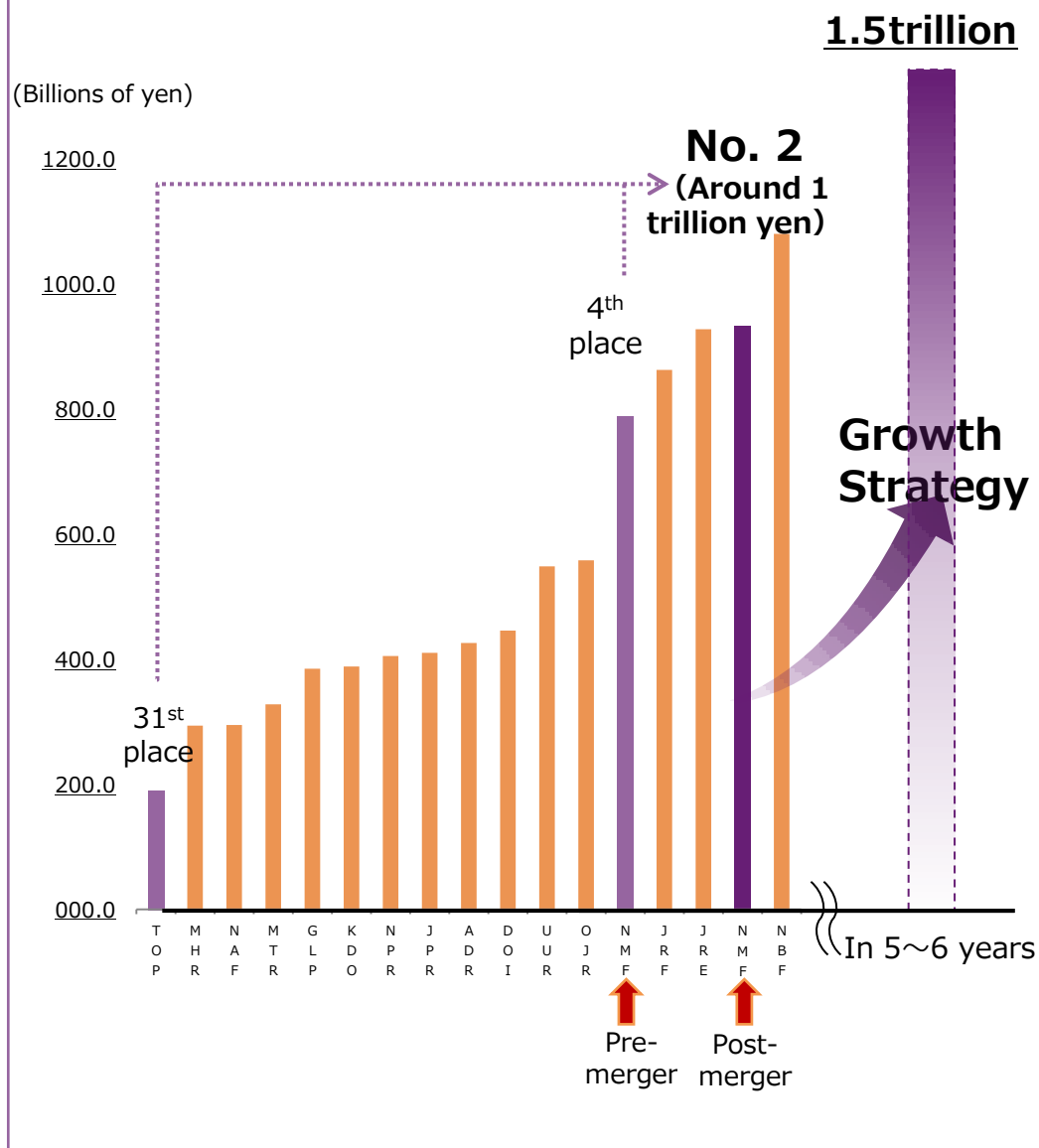
- Each unit achieved the business growth with faster speed than our expectation. We aim to **accelerate expansion of market share and new business initiatives as pillars to support the Group's growth, and achieve earnings that exceed forecasts.**

	Item	Status	Future issues/strategies
Investment Management	Listed REIT (NMF) →P15	One of Japan's largest REITs with 1 trillion yen in assets due to merger with TOP REIT.	Grow assets to 1.5 trillion yen in 5-6 years' time by achieving external growth based on leasing value chain.
	Private REIT (NPR)	Ongoing capital increase backed by strong demand for funds. Asset growth to 180 billion yen.	Accelerate growth to 200 bn yen in assets and secure superior investors.
	Private funds Stock funds	Promoted health care funds. Built steady track record in J-REITs.	Develop new private fund products aiming at making it as the 3rd core revenue stream and expand J-REIT AUM.
Property Brokerage & CRE	Retail business →P16	Expanded to 73 sites as doubling revenue over 5 years through development of diverse services.	Build structure with 100 sites and 1,000 sales staff by FY22/3 to expand market share.
	Wholesale business →P16	Implemented restructuring of distributed organizations in the group. Expanded into Fukuoka and Kyoto as new areas.	Improve productivity through effects of restructuring.
Property & Facility Management	Expansion of stock of properties under management	Growth due to increase in properties supplied by the Company.	Secure personnel with aim of expanding operations. Improve productivity through work-style reform.
	Business base expansion Evolution of service menus	Growth due to expansion of orders for large-scale condominium repair work.	Expand PPP/PFI businesses. Expand energy management business.
	Fitness club business	Reduced withdrawal rate through enhanced customer satisfaction and improved profitability.	Expand member numbers steadily. Boost new club openings.
	Senior business →P17	Announced OUKAS elderly housing brand. Planning to open our first project OUKAS Funabashi in October, 2017. Business and capital tie-ups with nursing care providers.	Establish business model which plays an important role of "Urban-type Compact Town". Achieve supply of 5,000 units in 40 buildings over 10 years.

Progress (1) (Steady growth of REIT)

- Expanded to one of the largest REITs in Japan with the asset size of about 1 trillion yen due to the merger of TOP REIT.
- Aiming at expanding to the asset size of 1.5 trillion in 5 to 6 years by realizing the external growth of core Leasing Value Chain.

Growth Strategy of NMF



Growth utilizing Leasing Value Chain

Properties acquired through transaction of Leasing Value Chain



Landport Kashiwa-Shonan I

Landport Kashiwa-Shonan II



Nomura Fudosan Kichijoji Building ※1

PROUD FLAT Kinshicho

PROUD FLAT Omori III

Acquired:
Total of
5 properties
27.6billion yen

Properties sold through transaction of Leasing Value Chain



NOF Nihonbashi-Honcho Building

NOF Tameike Building

NOF Minami-shinjuku Building

Ito-Yokado Higashi Narashino

Sold:
Total of
6 properties
33.1billion yen

Land
Mitsubishi Motors Shibuya
Mitsubishi Motors Suginami

※1 49.0% of quasi co-owner's stake

- Expanded to 73 sites as **doubling revenue over 5 years** through development of diverse services. By FY22/3, we will build a structure with 100 sites and 1,000 sales staff to expand our market share.
- In the wholesale business, **we implemented group-wide restructuring and expanded into Fukuoka and Kyoto as new areas. We achieved twofold revenue growth over 5 years.** We will increase profits by improving productivity through the effects of restructuring.

Retail business

- Expansion of property brokers branches (FY12/3: 43 branches → FY17/3: 73 branches)

Expand at pace of 6 branches/year with aim of 100-branch structure

Challenge for new ICT

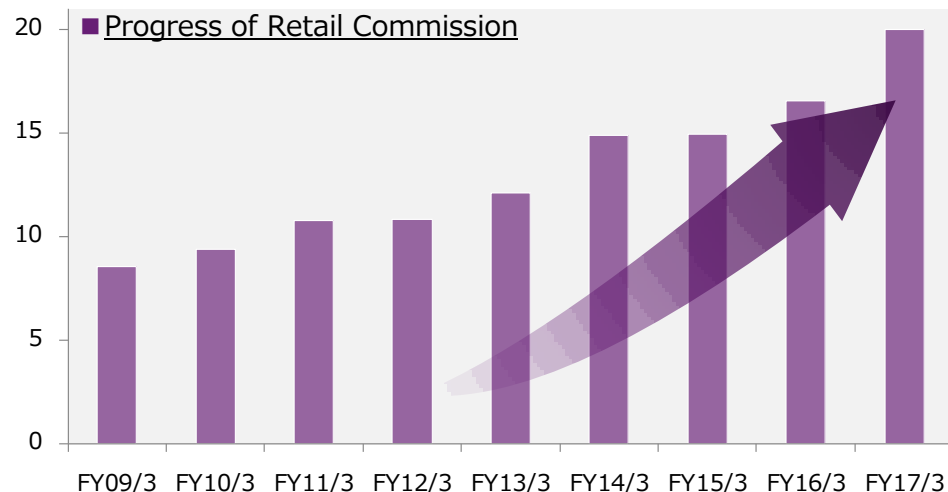
- Sumai-no AI answer

住まいの **AI ANSWER**

- Installation of 3 D walk-through movie



(Billions of yen)



Expansion of service menu

- Home Staging



Home Staging

- Repair work guarantee

Repair work guarantee



Wholesale business

- Group-wide restructuring in wholesale business

Former organization

Nomura Real Estate Development Corporate Real Estate Service Division
Nomura Real Estate Urban Net Asset Sales Division

- Each company expanded customer base and sought business opportunities separately
- Some customer overlap / information kept by each company

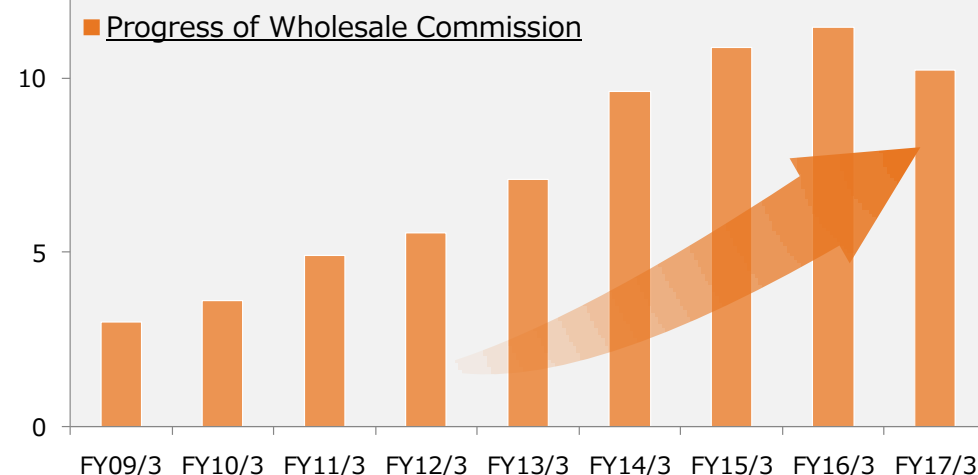
New organization

Nomura Real Estate Development

Corporate Real Estate Service Division: staff of 265 (as of December 31, 2016)

- Share accumulated information and know-how with each other
- Achieve opportunities for prompt matching of customer needs

(Billions of yen)



- We announced **OUKAS**, our new brand of elderly housing. We plan to open OUKAS Funabashi in October as our first project. We will establish our distinctive business model through capital and business alliance with nursing home provider and our fitness business while enhancing its development as it plays the crucial role of "Urban-type Compact Town".

Housing sales

Elderly housing with supportive services

Nursing home

PROUD



Build relationships with nursing care business

Nomura Real Estate Group's elderly housing

• In elderly housing, we aim to supply **5,000 units in 40 buildings in 10 years' time.**



A Home for Celebrating Life
 "Tomorrow Healthier than Today"

Features of OUKAS

"Town planning" that enables any generation to walk and be active

"Health maintenance and promotion" to deliver physical and mental health

Business tie-ups with nursing care providers

• Implement operational and capital tie-ups with providers with know-how in the nursing care business to strengthen elderly housing business

Sousei Jigyoudan Co, Ltd.

Capital : 90 million yen
 Number of employees : 845 (as of 3/2017)
 Number of beds: approx. 5,000 beds
 (including group companies)

Joint investment
 (Our controlling share: 49%)

JAPAN LIFE DESIGN CORPORATION
 Operating elderly housing with nursing care (3 facilities)



Good time home Chofu

Access: 9 minute walk from Chofu Station (Keio line)
 Open : October, 2004
 Total rooms : 72 rooms



Good time home Fudomae

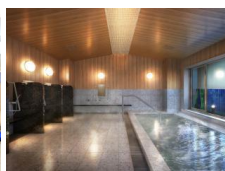
Access: 5 minute walk from Fudo-mae Station (Tokyu Meguro line)
 Open : December, 2006
 Total rooms : 61 rooms



Good time home Tamagawa

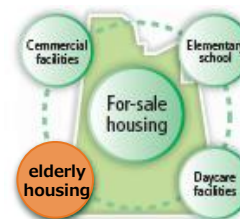
Access: 6 minute walk from Rokugoudote Station (Keihin Kyuko line)
 Open : September, 2009
 Total rooms : 41 rooms

1st Project (OUKAS Funabashi)



Location: Funabashishi, Chiba
 Access: 15 minute walk from Funabashi Station (JR Sobu line)
 Opening year : October, 2017
 Total units : 125 units

2nd Project (Hiyoshi)



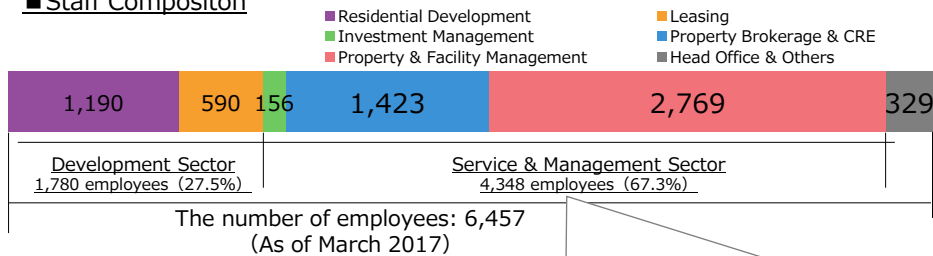
Location : Minowacho2chome, Kohokuku Yokohama-shi
 Total units : housing(1,300units), retail facility, elementary school etc.

- We actively promoted diversity management and human resources development as we regard human resources as an essential foundation for the progress of business strategies.
- We actively hire externals due to the expansion of company’s business performance. We hire employees who can be effective immediately and contribute to the company’s growth.

Human Resource Management

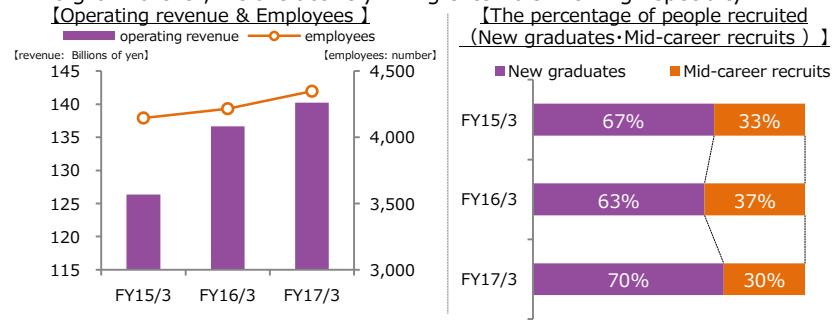
- Strengthening human resource in Service & Management Sector which is a growing area.
- Improving the quality in human resource, we promote the acquisition of qualifications for business.

■ Staff Composition



Strengthening Human Resource in Service & Management Sector

- Along with the expansion of business, we are strengthening human resource as we regard that is an important factor.
- To grow further, we are actively hiring externals with high specialty.



■ Promoting the acquisition of qualifications for business expansion

- Number of qualified employees (As of November 2016)

First-class architect	305	First-Class building operation and management engineer	396
Real estate appraisal	21	Legal licensed condominium manager	144
Urban renewal coordinator	47	ARES Certified Master	404
Interior coordinator	76	Health Fitness Programmer	25

※The number of mid-career recruits in Nomura Real Estate Development are calculated by proportion of the units (as of FY17/3).
 ※Unit allocation changes of the group companies is reflected to operating revenue of Service & Management Sector.

Initiatives for Diversity Management and Reforming Work Style

- In June 2013, Nomura Real Estate Development established the Diversity Promotion Committee. The committee carries out wide ranging reviews with the goal of maximizing our workforce skills.
- From April 2017, the entire Nomura Real Estate Group established the Reforming Work Style Committee and will formulate an action plan.

Specific Examples of Personnel System Changes(excerpt)

- Contract workers can basically conclude indefinite employment contracts and the system used for promotions based on skill improvement was made clearer.
- Introduced a reduced working hours program for nursing care, extended the duration of nursing care leave and introduced a program where employees can take nursing care leave in separate installments
- Reconsideration of treatment at the time an employee selects re-employment.

Initiatives for Employee-Friendly Workplace and Improving Working Conditions

- Number of Employees Taking Parental Leave:139
The rate of return:91.3%
- Introduced birthday leave and “refresh” leave to encourage employees to take paid leave.
- Designated “no overtime” days.

Diversity Management



Winner of New Diversity Management Selection 100
 (Selected by the Ministry of Economy, Trade and Industry)

Supporting Childcare



Received Kurumin Certification
 (Selected by the ministry of Health, Labour and Welfare)

Setting up Workplace for Women



Received Eruboshi Certification
 (Selected by the ministry of Health, Labour and Welfare)

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