Review of Operations
Segments at a Glance

Residential Development Business

The mainstay Residential Development Business segment implemented strategies to boost the value of the PROUD brand while striving to further strengthen site selection, product planning, and sales capabilities by leveraging the strengths of its integrated development, sales, and management system. In fiscal 2012, the segment booked sales of PROUD Funabashi, PROUD Komaba, PROUD SEASON Hibarigaoka Garden Terrace and other properties. Furthermore, the segment reported steady sales of the newly launched OHANA brand, with sales of 275 condominium units booked at 2 properties: OHANA Yasaka-Hagiyma-Cho and OHANA Hiratsuka Momohama.

As a result, the combined number of condominiums and detached houses sold reached a record-high 5,749 units.

Leasing Business

The Leasing Business segment strove to improve utilization rates by expanding marketing activities closely tailored to tenant needs. As a result, the vacancy rate was 2.2% as of March 31, 2013, remaining at a low level.

Furthermore, the segment completed bono Sagamiono Shopping Center, a redevelopment project in the west block of Sagamiono Station, and LAZONA Kawasaki TOSHIBA Building, a large-scale office building with floor space of over 100,000 m².

Property development operations promoted the development business and product sales. In fiscal 2012, sales of two properties were booked, namely PMO Akihabara II and PMO Nihonbashi 2chome.

Investment Management Business

The Investment Management Business segment focused on the stable management of the various funds operated by the Nomura Real Estate Group. In listed REITs, the segment strove to maintain and improve the performance of properties held. In private funds, the segment focused on steadily executing exit strategies for projects arranged in the past.
Wholesale operations focused on building relationships with customers by providing CRE solutions that accurately respond to their needs. Retail operations strengthened marketing activities by utilizing Internet media while actively developing new branches closely tied to local communities. In fiscal 2012, six branches were opened, including Aobadai Center and Myogadani Center.

Fiscal 2012 topics
Building management operations focused on expanding various properties under management centered on office buildings, while actively working to receive orders for interior renovations from tenants and improve management quality.

Housing management operations worked to further improve customer satisfaction through enhancement of service lineups for tenanted areas and other measures.

As a result, the number of properties and buildings under management, which represent a steady source of earnings, steadily expanded in both the housing management and building management operations.

The fitness club business segment implemented various campaigns and events to recruit new members and improve members’ satisfaction. Furthermore, the segment worked to improve the quality of fitness clubs by revamping training equipment and other facilities by conducting renovation work at MEGALOS Tachikawa and other locations.
Residential Development Business

The Residential Development Business achieved record-high performance in condominium and detached housing unit sales, operating revenue and operating income in Fiscal 2012. Sales of our core brand, PROUD, were strong; however, growth in OHANA brand condominiums for suburban areas, detached housing and our redevelopment business also contributed to this segment’s impressive results. With our sights set firmly on becoming the No. 1 residential brand, we will strive to further increase customer satisfaction by taking full advantage of our integrated development, sales and management structure.

Seiichi Miyajima
Executive Officer
Responsible for Residential Development Business

QUESTION 01
Please tell us about your initiatives in fiscal 2012.

Our Residential Development Business has had a set sales goal of 5,000 condominium and detached housing units per year. In fiscal 2012, we surpassed this goal with a record-breaking 5,749 condominium and detached housing sales, and achieved operating revenue of ¥305.7 billion and an operating income of ¥32.9 billion, also records. I believe this stellar performance was due partly to our having acquired a significant number of prime properties by continuing to actively purchase land even after the Lehman Crisis, and in doing so acquiring many prime properties, as other companies held back. Another factor was that our core brand, PROUD, continued to do well, as did the OHANA brand of suburban condominium and the PROUD SEASON brand of detached housing. Combining properties developed by our redevelopment and rebuilding businesses also increased condominium and detached housing sales. Thanks to this performance, we climbed to the top of the 2012 unit rankings for private condominiums sold in major cities in Japan (according to research by Real Estate Economic Institute Co., Ltd.).

QUESTION 02
What impact have recent changes had on the business environment of the Residential Development Business?

I saw the scheduled consumption tax hike in Japan as a major risk that could catalyze a change in the sales environment. Actually, at the beginning of fall 2012, many potential buyers were adopting a wait-and-see attitude on purchases because the government hadn’t decided on what, if any, forms of relief it would offer to offset the increase in consumption tax, and this resulted in a temporary drop in demand. Since the beginning of 2013, however, the launch of relief measures, such as extension of the framework for tax credits on housing loans, and growing anticipation of higher mortgage interest rates and property prices following the Abe administration’s announcement of its inflation target have more and more people thinking that now is a good time to buy.

Indeed, we are seeing an increase in the number of prospective homebuyers. Since the start of this year, for example, the number of visitors to showrooms is up around 20% year on year. I am confident going forward, therefore, that the sales market will remain healthy.
One of the goals of the Mid- to Long-term Business Plan is to “achieve steady growth as our core business.” Please explain your strategy here.

Quantitative growth and higher quality are the pillars of our strategy for achieving steady growth as a core business.

In terms of quantitative growth, our 3-year plan calls for the creation of a structure that can achieve a stable supply of 7,000 units in our Residential Development Business. We have already made a steady start toward establishing such a structure. In fiscal 2012, we acquired land for 7,500 units and signed contracts for 7,150 units. We will pursue quantitative growth by leveraging our unrivaled development know-how in the above-mentioned OHANA, redevelopment and rebuilding, and detached housing businesses and our strong sales capabilities.

Our quality enhancement strategy extends to product appeal, quality and customer service. With PROUD, we remain very particular about location, building and quality. With a structure that integrates development, sales and management, we can draw on customer needs identified by our frontline sales and management personnel to provide products sought by customers and increase satisfaction with those products. We will also strive to further increase brand value by satisfying existing owners. In addition, fiscal 2013 will see the launch of some advanced initiatives. One example is NEXT PASS 10, the industry’s first maintenance service that provides maintenance for private spaces in condominiums for 10 years after move-in.

SMART & GROWING is another example. This is an action plan for the acceleration of energy management and community building, areas that have seen heightened interest in the wake of the Great East Japan Earthquake. Along with the above, we will continue to pursue still other means of realizing quantitative growth and quality enhancement to achieve steady growth as a core business.

Major Projects Upcoming
It goes without saying that owners wish to preserve the convenience and comfort of their condominiums, and we are introducing various services that we hope will satisfy that desire.

The first is NEXT PASS 10, which will be offered to PROUD owners. After-sales service in Japan for private spaces in the past has typically involved the provision of repair and equipment warranty services for just two years after a resident moves into a new condominium. However, NEXT PASS 10 extends this period to 10 years for private areas, and provides equipment warranty extensions, emergency response and repair services, and long-term maintenance support for a fee. In fiscal 2012, we launched our Relocation Service, through which we rent and lease homes from individuals who are vacating due to transfer or other reasons. By renting such homes directly, we avoid concern associated with renting out vacant residences.

We have also formulated SMART & GROWING, the PROUD smart design environmental vision for next-generation condominiums. This represents the evolutionary development of the PROUD ECO Vision announced in 2010. Guided by the phrase Smart Design, we develop various environmental initiatives for future implementation as we create a new energy management framework and standardize equipment specifications for solar power generation, compact storage batteries and other equipment to provide a stronger environmental response. When one adds to this Growing Design for improved common area comfort, community building, and safe and secure living, it can be seen that we are creating an even higher level of PROUD brand value.

These actions are aimed at creating a Residential Value Chain that provides value over an extended lifecycle by strengthening relationships with customers. By providing solutions such as repairs, remodeling, moving, upgrading and leasing according to owner needs at the time, we build relationships with customers that last a lifetime.
Our redevelopment business requires informed consent from many different stakeholders. This demands proposal and solution capabilities as well as time, all of which test a developer’s abilities. It’s not unheard of for the entire process from development to opening to take 10 years. But I am proud to say that we boast one of the industry’s best track records in the redevelopment business. We have been involved in this business for more than 10 years and we are using the know-how we have built up in residential development to good effect.

Our basic role in the redevelopment business is to promote the creation of urban areas as a developer. A large number of our projects are near train stations, so they become community symbols. Indeed, the redevelopment business can upgrade the functions of a community and breathe new life into it. We provide wide-ranging business expertise related to housing, office buildings, commercial facilities and other properties to support the types of redevelopment projects that reinvigorate communities. Given its considerable social significance, this is a business area in which we fulfill our mission as a developer.

The redevelopment business is also very important for our growth. With the increasing difficulty in acquiring the sites we need, this business has a very important role to play in securing a stable medium- to long-term stock of sites to create the stable supply structure I mentioned earlier. This is why we will channel a number of resources into the redevelopment business, with the aim of achieving greater growth.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Total units to be sold</th>
<th>Our share</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROUD TOWER Otsu</td>
<td>Otsu-shi, Shiga</td>
<td>161</td>
<td>128</td>
<td>FY14/3</td>
</tr>
<tr>
<td>THE SENDAI TOWER Ichibancho Residence</td>
<td>Aoba-ku, Sendai-shi</td>
<td>118</td>
<td>59</td>
<td>FY14/3</td>
</tr>
<tr>
<td>PROUD TOWER Oizumigakuen</td>
<td>Nerima-ku, Tokyo</td>
<td>165</td>
<td>165</td>
<td>FY15/3</td>
</tr>
<tr>
<td>PROUD TOWER Musashikosugi</td>
<td>Nakahara-ku, Kawasaki-shi</td>
<td>433</td>
<td>303</td>
<td>FY15/3</td>
</tr>
<tr>
<td>CAPITAL GATE PLACE</td>
<td>Chuo-ku, Tokyo</td>
<td>495</td>
<td>247</td>
<td>FY16/3</td>
</tr>
<tr>
<td>Tomihisa Cross Comfort Tower</td>
<td>Shinjuku-ku, Tokyo</td>
<td>993</td>
<td>407</td>
<td>FY16/3</td>
</tr>
<tr>
<td>Tachikawa Sta. North Gate Redevelopment Project</td>
<td>Tachikawa-shi, Tokyo</td>
<td>292</td>
<td>292</td>
<td>FY17/3</td>
</tr>
<tr>
<td>Fuchu Sta. South Gate Redevelopment Project</td>
<td>Fuchu-ku, Tokyo</td>
<td>130</td>
<td>130</td>
<td>FY17/3</td>
</tr>
<tr>
<td>Keikyu Kamata Sta. West Gate Redevelopment Project</td>
<td>Ota-ku, Tokyo</td>
<td>160</td>
<td>160</td>
<td>FY17/3</td>
</tr>
</tbody>
</table>
In fiscal 2012, both office leasing and commercial facility leasing performed steadily, with both maintaining low vacancy rates. During this time, we worked to develop a broad range of businesses. In the office business, we promoted the Premium Midsize Office (PMO) business, and we also completed the LAZONA Kawasaki TOSHIBA Building. In commercial facilities, we successfully opened the bono Sagamiono Shopping Center and launched a GEMS urban-type commercial facility.

Tadashi Nakajima
Executive Officer
Responsible for Leasing Business

QUESTION 01
Please tell us about your Leasing Business initiatives in fiscal 2012.

The major highlights of the past year were completion of the LAZONA Kawasaki TOSHIBA Building, the opening of the bono Sagamiono Shopping Center, and the accelerated development of our office building PMO business.

The LAZONA Kawasaki TOSHIBA Building is a flagship project in our cooperation with the Toshiba Group. It is a large-scale office building with a floor space exceeding 100,000 m². For this reason we see the LAZONA Kawasaki TOSHIBA Building as one of our core assets. The Toshiba Group will lease the entire building as the base for its Smart Community business. However, because approximately 59,400 m² of floor space will become vacant at our Hamamatsucho building as a result of this move, one of our major tasks in fiscal 2013 will be to fill this space as soon as possible.

The bono Sagamiono Shopping Center is a large commercial facility that connects directly with Sagamiono Station, a terminal station on the Odakyu Line. Opened on March 15, 2013, it has made a strong start as a community-centered shopping center, attracting more than 300,000 shoppers in its first 3 days of operation. For us, it represents our first involvement with a large-scale shopping center and harnesses the collective strengths of a host of Nomura Real Estate Group companies, including Nomura Real Estate Development, Geo-Akamatsu Co., Ltd., Nomura Building Management Co., Ltd., Nomura Living Support Co., Ltd., and MEGALOS Co., Ltd. The successful completion of this shopping center is a significant first step that will serve as a springboard for future efforts.

In our PMO business, we acquired sites for the development of four buildings in fiscal 2012. Our PMO business answers the needs of companies that want about 330 m² of floor space on the same floor, and this “product” has earned high praise from tenants and building owners. Coupled with greater recognition in the market, this has all the signs of becoming a high-growth business. Capitalizing on this momentum, we will accelerate the pace of business development with the target of developing six buildings per year going forward.
QUESTION 02
What is your outlook for the market environment?

Positive signs are slowly emerging in the office building market after a period of sluggishness. The vacancy rate is improving following the end of a cycle of many new office buildings being supplied. Under these market conditions, we are maintaining a low vacancy rate of 2.2%. In terms of office rents, negotiations to lower office rents with tenants that have continued since the Lehman Crisis are being handled without too much impact. Indeed, the majority of our tenants that we were in discussions with agreed to renew their contracts without downward rent revisions in fiscal 2012, suggesting rents are bottoming out. Looking ahead, if Abenomics produces a clear recovery in corporate earnings, demand from companies for more office floor space should increase, which in turn could very well push rents up.

QUESTION 03
What is your growth strategy?

In fiscal 2013, our office building, commercial facility and logistics facility businesses will acquire and develop sites focusing on their areas of specialization.

As a long-term target, our PMO business aims to develop up to 50 buildings, to make PMO into a core brand alongside PROUD in the future. Since the Great East Japan Earthquake in particular, many building owners have been considering how to deal with aging buildings out of concerns about their seismic resistance. We will acquire these sorts of buildings and develop them under the PMO brand. In addition, we are looking at ways to provide our PMO expertise by offering a suite of services from rebuilding to building management, as well as joint businesses with building owners.

In the commercial facility business, we plan to utilize the expertise we amassed from the bono Sagamiono Shopping Center among large-scale redevelopment projects that are centered on our strong suit of housing to develop more large-scale shopping centers.

We intend to develop 3 to 4 GEMS facilities per year going forward. We launched the GEMS brand as an urban-type commercial facility focused on sites in front of train stations. Having already acquired sites for our next developments, we have made a steady start toward expanding the scale of this business. In addition, we are planning to develop a commercial facility which UNIQLO will lease on a site only a 3-minute walk from the JR Kichijoji Station. We aim to expand these urban-type commercial facilities going forward.

In terms of logistics facilities, to date, we have developed and managed a total of 6 facilities with approximately 330,000 m2 of space under the Land Port brand. As a result, we have amassed more expertise in this area than peer companies. We plan to actively develop more logistics facilities to meet fast-growing distribution needs accompanying burgeoning Internet shopping. We hope to develop 2 to 3 facilities per year.
We have been developing the PMO brand in midsize office buildings since starting this business in 2008 with the PMO Nihonbashi Honcho building. The brand was launched to respond to customer demand for midsize office buildings with quality equivalent to that of a large-scale office building. By accurately responding to market needs, PMO has carved out a certain position in the market.

Going forward, we will redouble efforts to develop the PMO business to grow this brand into a cornerstone of the Company. Besides quantitative expansion, we will also work to enhance quality. Regarding the latter, we will provide new value in terms of services that support tenants’ corporate activities, going beyond physical aspects such as building location, size and quality.

One example of this approach is the opening of N-FORT in the PMO Nihonbashi Muromachi building for meeting corporate business continuity planning (BCP), welfare and other needs that have increased in the wake of the Great East Japan Earthquake. N-FORT can be used as a common space by companies that are tenants in PMO buildings. It has presentation rooms, meeting rooms and other spaces, as well as a service desk for our various tenants. However, it also has a storehouse for emergency supplies and can be used as an emergency response base. We are confident that the provision of this sort of new value in our PMO business, value will translate into higher tenant satisfaction and increased brand value. In terms of quantitative expansion, we plan to branch out from the three central city wards where the PMO business is concentrated to the Shibuya and Shinjuku areas. We aim to develop around six buildings a year.

### PMO Business Development

We aim to establish a unique presence in the market with the PMO brand.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Leased floor area</th>
<th>Completion</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMO Nihonbashi Honcho</td>
<td>Nihonbashi Honcho, Chuo-ku</td>
<td>2,450 m²</td>
<td>2008/6</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Hatchobori</td>
<td>Hatchobori, Chuo-ku</td>
<td>2,074 m²</td>
<td>2009/5</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Iwamotocho</td>
<td>Iwamotocho, Chiyoda-ku</td>
<td>1,041 m²</td>
<td>2009/5</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Higashi-Nihonbashi</td>
<td>Higashi-Nihonbashi, Chuo-ku</td>
<td>1,859 m²</td>
<td>2009/10</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Akihabara</td>
<td>Iwamotocho, Chiyoda-ku</td>
<td>3,037 m²</td>
<td>2010/1</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Nihonbashi Odenmacho</td>
<td>Nihonbashi Odenmacho, Chuo-ku</td>
<td>2,054 m²</td>
<td>2010/3</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Hatchobori II</td>
<td>Hatchobori, Chuo-ku</td>
<td>3,174 m²</td>
<td>2010/6</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Akihabara II</td>
<td>Higashi-kanda, Chiyoda-ku</td>
<td>2,700 m²</td>
<td>2011/1</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Nihonbashi 2chome</td>
<td>Nihonbashi, Chuo-ku</td>
<td>1,341 m²</td>
<td>2011/7</td>
<td>Sold</td>
</tr>
<tr>
<td>PMO Yaesu-dori</td>
<td>Hatchobori, Chuo-ku</td>
<td>5,003 m²</td>
<td>2013/5</td>
<td>In operation</td>
</tr>
<tr>
<td>PMO Nihonbashi Muromachi</td>
<td>Nihonbashi Muromachi, Chuo-ku</td>
<td>3,857 m²*</td>
<td>2013/1</td>
<td>In operation</td>
</tr>
<tr>
<td>PMO Tamachi</td>
<td>Shiba, Minato-ku</td>
<td>About 4,000 m²</td>
<td>2014/1 (planned)</td>
<td>In construction</td>
</tr>
<tr>
<td>PMO Kanda-Tsukasacho</td>
<td>Kanda-Tsukasacho, Chiyoda-ku</td>
<td>About 3,400 m²</td>
<td>2013/9 (planned)</td>
<td>In construction</td>
</tr>
<tr>
<td>PMO Ginza 8chome</td>
<td>Ginza, Chuo-ku</td>
<td>About 2,000 m²</td>
<td>2014/3 (planned)</td>
<td>In construction</td>
</tr>
<tr>
<td>PMO Nihonbashi Kayabacho</td>
<td>Nihombashi Kayabacho, Chuo-ku</td>
<td>About 3,400 m²</td>
<td>2014/8 (planned)</td>
<td>In construction</td>
</tr>
<tr>
<td>PMO Shibakoen</td>
<td>Shibakoen, Minato-ku</td>
<td>About 2,600 m²</td>
<td>2014/7 (planned)</td>
<td>In construction</td>
</tr>
<tr>
<td>PMO Shibadaimon</td>
<td>Shibadaimon, Minato-ku</td>
<td>About 1,700 m²</td>
<td>2014/12 (planned)</td>
<td>In planning</td>
</tr>
<tr>
<td>PMO Nihonbashi Edo-dori</td>
<td>Nihonbashi Kodenmacho, Chuo-ku</td>
<td>About 1,300 m²*</td>
<td>2015/10 (planned)</td>
<td>In planning</td>
</tr>
</tbody>
</table>

* our share (2013/7)
We are developing GEMS urban-type commercial facilities based on the concept of providing facilities that adults can use regularly with ease and where they can enjoy quality food, time and space. GEMS Shibuya, our first GEMS property, which is located in front of the new south exit of the JR Shibuya Station, held its grand opening in October 2012. To fully cater to the needs of office workers in the vicinity of the facility, we hand-picked tenant stores, including inviting stores new to Shibuya, rather than the normal chain stores found in many buildings. However, our involvement doesn’t stop at simply leasing the facility to tenants. We also work with tenants on everything from operating the entire facility and attracting customers to implementing measures to raise sales. Our aim is to enhance the facility as a whole. We believe that enhancing the operational capabilities and increasing the satisfaction of the customers who patronize the stores in this way will lead to stable earnings for the facility.

With our logistics facilities, which we are developing under the Land Port brand, we are distinguishing ourselves from warehouses. The rapid growth of Internet shopping in recent years has created demand for highly functional facilities that can deliver products speedily to consumers. Land Port answers these needs. Since 2007, we have developed six facilities to date under this brand. Our strength in this field lies in our ability to plan facilities that accurately reflect tenant needs, drawing on the relationships we already have with quality tenants from development and management activities thus far. We believe that we can leverage this advantage to further differentiate our facilities from those of others.

In April 2013, we established a division focused on these facilities to expand the scale of our business further.
In fiscal 2012, this segment recorded lower operating revenue and earnings amid a sluggish market environment. Nevertheless, we laid the stepping stones to our next stage of growth. Assets under management topped ¥1 trillion, making us one of the largest real estate investment management companies in Japan. In this capacity, we will push ahead with a major organizational overhaul to build an efficient business structure that will enable us to demonstrate an even better level of performance.

Yasuaki Fukui
Executive Officer
Responsible for Investment Management Business

QUESTION 01
Please summarize fiscal 2012 and give us your outlook.

In fiscal 2012, we put a priority on maintaining and improving the performance of owned properties rather than expanding scale at listed REITs. In private equity funds, we focused on executing exit strategies for projects formed in the past. As a result, we were unable to increase assets under management. Even in this environment, however, we put in place the structures for our next stage of growth and pushed ahead with initiatives to develop new products. In terms of the former, we analyzed our past investment management results and used this as the basis for a rigorous debate about what we should do to deliver better performance. We subsequently initiated efforts to create an organization that can manage investments more efficiently by reforming our business structure.

From the standpoint of product development, the mood in the market was utterly transformed at the end of 2012 by the impact of the so-called “Abenomics.” Suddenly, we were in an environment in which we could make some aggressive moves for growth. These included listing Nomura Real Estate Master Fund, Inc. in June 2013. I believe we are now well positioned to spring ahead with our next stage of growth without missing the opportunity to capitalize on this upbeat market mood.

QUESTION 02
What is your basic concept for the next stage of growth?

Essentially, for an investment management company to achieve better performance, it needs the ability to research investees and the timing of investments. In addition, to fulfill its responsibilities to investors, it is important to clarify how its investment...
Nomura Real Estate Master Fund Basic Philosophy

**Investment Philosophy**

*Focused on consumer demand stability*

**Investment Strategy**

A balanced portfolio that produces stable income returns

- Concentrate investment on greater Tokyo (target portfolio share of 80% or more in principle; acquisition price basis) focused on a sizeable population that can support consumer demand
- Balanced investment in logistics facilities and retail properties
- Development and management capabilities for supporting external growth and stable operations

**Portfolio building**

- Logistics facilities
- Retail properties

**Nomura Real Estate Group Value Chain**

- Planning, development and operational capabilities in logistics facilities and retail properties
- Management support from the Nomura Real Estate Group
- Investment management track record in private funds and J-REITs
- Promotion of external growth via Sponsor’s pipeline

performance will be evaluated. If we fail to have a philosophy or house opinion on this research and evaluation method, we cannot hope to prevail as an investment management company in an increasingly global market. That’s why we have established a research office to support the formulation of investment strategy. And that’s also why we have established an investment performance office with the aim of strengthening our investment performance evaluation and other functions. In the future, by putting in place an organizational structure that can facilitate the formation of a house opinion, we hope to make the decision-making process more visible.

**QUESTION 03**

Please tell us more about the Nomura Real Estate Master Fund.

The Nomura Real Estate Group actively invests in logistics and commercial facilities as real estate businesses with growth potential. These properties can be expected to deliver stable returns as investment management targets. This was the reason we pushed ahead with preparations to establish the Nomura Real Estate Master Fund to manage logistics and commercial facilities, ultimately achieving a public listing as our third REIT in June 2013. This REIT had an anticipated initial portfolio of 54 properties at its initial public offering (IPO). With the aggregate purchase price for these properties estimated at approximately ¥227.0 billion, it was one of the largest IPOs in J-REIT history. Investors were clearly impressed, with subscriptions exceeding estimates. Looking ahead, we will continue to harness the collective strengths of the Nomura Real Estate Group to develop various real estate investment management products and in doing so answer investor needs of the times.
The property brokerage operations posted record highs in terms of total transaction value and the number of transactions in fiscal 2012. One of our main initiatives was to expand our area network in retail operations at Nomura Real Estate Urban Net Co., Ltd. In wholesale operations, meanwhile, we worked hard on consulting activities and solutions proposals for companies and investors.

Seishi Miyajima
Executive Officer
Responsible for Property Brokerage & CRE Business

QUESTION 01
What initiatives did you implement in retail and wholesale operations in fiscal 2012?

In retail operations, we redoubled our efforts to expand our branch network. During fiscal 2012, we opened 6 branches, bringing our branch network to 48, and we also made progress in our search for more potential sites. The feature of branch development at Nomura Real Estate Urban Net is that the company is pouring its energy into creating an area network based in central Tokyo with the aim of expanding high-value transactions. Furthermore, in order to increase personnel both in terms of quantity and quality, we continued to actively employee mid-career professionals as well as university graduates, and at the same time revamped our training system. Indeed, we worked at establishing a unique program for the upgrading of employee skills, and as part of this opened the Nomura Dynamo College (NODYC) as a permanent training center in April 2013.

In our wholesale operations, we provide consulting services, and propose and execute solutions for increasing value by effectively utilizing corporate real estate (CRE). We are also engaged in real estate brokering between corporate customers such as for funds and developers. These operations boast high productivity, as we finally see the results of our efforts to develop human resources and bolster our organization.

QUESTION 02
What is your business strategy going forward?

I believe that our retail operations can expand business opportunities as the stock of quality housing builds. Moreover, as companies in the industry as a whole battle to establish a dominant presence, competition among major players is expected to intensify. With this understanding, in order to emerge as a winner in the market, I believe that enhancing our information and area networks as well as securing and developing human resources will be essential.

In terms of human resources, we will continue proactive recruitment and enhance training and development programs that lead to increased levels of customer satisfaction. In the future, we aim to have a 1,000-strong sales force, approximately double the current size. In terms of the information network, Nomura Real Estate Urban Net’s nomu.com was launched ahead of other companies as a real estate information site and has garnered strong market support. We continue to see nomu.com...
as the fulcrum of our information network. We intend, therefore, to continue increasing and enhancing the available content and investing in the system to keep ahead of rivals. With our branch network, our plan is to nearly double our current network to 100 branches, centered on the areas where PROUD and other Nomura Real Estate Development properties are concentrated, and the central Tokyo area where many high-value properties are located.

In our wholesale operations, meanwhile, we believe that we can grow further based on firm demand for effective utilization of real estate in the corporate sector and an expected increase in demand from professional real estate investors. Essential to medium- to long-term growth in this field will be having employees that have the skills to deal with the target customers and refining their ability to make and execute proposals as a group of professionals. At present, we are lacking in these two areas in comparison to the number of target customers, so we will push on with the building of this sales force. In the wholesale market, there is no obvious major frontrunner. This means that it is possible to emerge as the number-one brand by leveraging the functions of the Nomura Real Estate Group and strengthening information sharing with the Nomura Securities Group to engage in activities that increase investor satisfaction and enhance corporate value through the CRE strategy.

**Wholesale Operations**

- Strengthening of customer relationships from a long-term perspective and abilities to identify needs
- Business recommendations (development, asset management, property management) applying the capabilities of Group companies
- Strengthening of ties to the Nomura Group
In fiscal 2012, this segment posted higher operating revenue mainly on account of higher management revenues, reflecting the increase in managed properties. I believe that the high marks we have earned for various initiatives will also propel our business forward. These include Nomura Building Management Co., Ltd. obtaining ISO 20000 certification, and Nomura Living Support Co., Ltd. topping customer satisfaction ratings for four consecutive years.

Toshiaki Seki
Executive Officer
Responsible for Property & Facility Management Business

**QUESTION 01**
Please tell us some of the highlights of fiscal 2012.

This segment was newly established following an overhaul of management classifications when we formulated our Mid- to Long-Term Business Plan. Our strength lies in the management of a wide range of properties, extending from office buildings and condominiums to logistics centers, data centers, universities, and public facilities. Leveraging this strength, we posted higher operating revenue in fiscal 2012 as we increased both the number of buildings and condominiums under management. Nomura Building Management is involved in the management of many data centers as well as office buildings. In fiscal 2012, it became the first company in the building management industry in Japan to obtain ISO 20000 certification, the international standard for service management.

Looking ahead by widely utilizing the high-quality management standards prescribed by ISO 20000, Nomura Building Management is aiming to enhance its ability to provide high-quality management services. Nomura Living Support, meanwhile, secured the No. 1 ranking* in customer satisfaction for the fourth year running in a survey of tenant satisfaction. Nomura Living Support has also won plaudits for its Living Q Call service, a call-out service for private areas which it rolled out three years ago. Following the Great East Japan Earthquake, Nomura Living Support anticipated changes in the safety and security awareness of residents and responded by supporting community-building efforts as a means of lessening the impact of disasters. I believe that this proactive initiative has helped to boost the level of satisfaction. Nomura Living Support has also produced a guidebook to help foster an environment of self and mutual support in times of trouble, which has been proposed for condominium associations contracted for management. In this way, we are enhancing our ability to make and create measures that put customer satisfaction front and center.

*Survey by Attractors Lab Co., Ltd., a real estate marketing company

**Buildings under Management**
(Number of transactions)

**Condominiums under Management**
(Units)
QUESTION 02
What is your growth strategy going forward?

We view Nomura Living Support’s Living Q Call as an important service platform in the context of our growth strategy in the Property & Facility Management Business in an era of declining births and a growing population of elderly. We plan to introduce Living Q Call at all properties that Nomura Real Estate develops. By providing this sort of highly satisfying service, we will maintain the relationship of trust we currently have with customers into the future, and this will be the foundation of a residential value chain.

The continuous increase in properties under management is leading to new business opportunities as well. With condominiums, large-scale repair work is required every 12 years. Office buildings must be repaired once every 10 or so years. We intend to work hard to win contracts for this type of work. Furthermore, we see the provision of total solutions proposals for office buildings as a growth engine. This includes proposals to building owners for improvements such as remodeling to increase the occupancy rate and facility upgrades to comply with the revised Japanese Energy Conservation Law, as well as work associated with tenant layout changes and when tenants move in and out of buildings.

Creating synergies between Nomura Building Management and Nomura Living Support is also an important theme for our growth strategy. Standardizing systems should benefit our earnings, and sharing each company’s know-how in the fields in which they excel should translate into a better ability to make proposals and back them up. In short, it should strengthen the collective capabilities of the entire Group.

About Living Q Call

Living Q Call responds to the increasing demand from condominium residents for services for private areas. It has been introduced for all condominium units sold by Nomura Real Estate Development and managed by Nomura Living Support.

With Living Q Call, we offer an emergency on-call service through which dedicated service staff respond quickly to requests for everything from changing burned out light bulbs to fixing waste disposers and other equipment that has broken down. In addition, it provides consultation regarding PC use and other matters, and housekeeping-related services as well as a housing service, which introduces home repair and remodeling vendors, house cleaning and other services.

Going forward, we aim to increase the range of services provided by Living Q Call as we work to increase customer satisfaction and build relationships of trust.