



We will achieve remarkable growth through focus on our value creation while fully leveraging the Nomura Real Estate Group's competitive strengths and business resources.

Eiji Kutsukake

President and Representative Director,
Group CEO

Our desire of “New Value, Real Value”

Building a better tomorrow by enriching people’s lives and how they spend their time

Our Group Vision “New Value, Real Value”

I will explain our Group Vision that we crafted in 2016 to provide a more clear understanding of the Nomura Real Estate Group.

We cherish this Vision and always keep it in mind in everything we do in undertaking our business activities. This Vision of “New Value, Real Value” is also our promise to customers and society that “through our real estate development and real estate-related services we will create secure, safe, and comfortable urban development and enrich the lives and times of people living in these communities to create an even better tomorrow well into the future.”

We use this Vision as the basis for all our activities and aim for sustainable value enhancement. We have cherished the people who live and spend time in the communities.

Rather than merely developing high-quality towns and properties, we, as a group, also deeply consider the ways customers can nurture their time and experiences after completion. We also think about ways to create enriched communities where people can live and work securely, safely, and comfortably for a long term.

We strive to consistently offer new value through real estate development and real estate-related services that enrich people’s lives and time. The Vision represents this desire. We must always pursue the Vision even in the current environment with drastic changes. The Vision is concrete, and let us adapt changes and create new value.

Our Group Vision “New Value, Real Value”

New Value, Real Value

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.

The Group’s strengths

Competitiveness and business resources cultivated throughout our history

[P4-7 \[The Nomura Real Estate Group’s history of challenge\]](#)

[P22-23 \[Sources of corporate value\]](#)

The Group’s four strengths

The Group traces its origins back to 1957 when the real estate business division of Nomura Securities was spun off during Japan’s period of rapid economic growth. Along with leasing and managing the company’s retail outlets and buildings, the Group started out by commencing large-scale residential development aimed at alleviating the chronic housing shortage, an urgent social issue at that time. Since its inception, the Group has continued to grow by addressing social issues through “real estate development” and “real estate-related services.”

As a key characteristic, the Group achieved growth driven by our unique business model. This model focuses on real estate development and real estate-related services. The Development Sector develops such areas as housing and offices based on the market-in approach and sells them to raise capital turnover and reinvest for growth. The Service & Management Sector provides services as property and facility management and property brokerage to further enhance customer satisfaction and then continuing our involvement even after we sell the developed real estate. We have attained consistent growth by differentiating ourselves from industry competitors that have adopted a strategy of focusing on the leasing business by holding assets.

The Group's strengths

- Development capabilities based on market-in approach
- Development and expertise of various types of assets
- Commitment to the quality of products and services
- Group synergy

We entered the field of real estate securitization in the early stage where we have recorded significant growth in real estate fund management businesses such as Real Estate Investment Trusts (REITs). Throughout our history, we have built a distinctive corporate group that undertakes value creation by combining “development and service management” excessively without depending on holding assets.

We used to face major upheavals in the Japanese economy and the real estate market which derailed our business plans. Even during such challenging times, we never abandoned our market-in approach of meeting the needs of customers. We also upheld our commitment to quality in

products and services.

During Japan’s economic downturn in the 1990s after the collapse of the economic bubble, we concentrated management resources on the housing sales business, for which there was a strong demand in society and has high capital efficiency. During these tough times, we adhered to the market-in approach and commitment to quality and built an “integrated development, sales, and management system” that still earns high acclaim. We also created PROUD, that is still highly evaluated today. We were a forerunner of formulating housing brand strategy. Following our public listing in 2006, we expanded business and emphasized our “market-in approach” and “commitment to quality.” This allowed us to develop and expand our portfolio of competitive products in various asset classes such as PMO (offices) and Landport (logistics facilities) in the property for sales business.

Consistently meeting the needs of society and customers by developing high-quality real estate and providing real estate-related services and realizing profits is the hallmark of our business that we have honed throughout our history.

We have defined the Group’s four strengths as “Development capabilities based on market-in approach,” “Commitment to the quality of products and services,” “Development and expertise of various types of assets,” and “Group synergy.” These are the major driving forces for realizing “New Value, Real Value.”

The impact of COVID-19 is set to dramatically reshape society and the ways of living. We must now consider our customers’ wants and needs using our market-in approach and further demonstrate our commitment to quality. We are confident to continue providing products and services that are popular with our customers amid new lifestyles and work styles we call “post COVID-19 social environment.”

Strong business resources that underpins our businesses

To the present, the Group has steadily built up its business resources that underpin our business. We are enhancing various types of strong business resources in both financial and non-financial aspects. These resources include 281 in-house first-class licensed architects who continuously take on the challenge of achieving high quality; brands within various asset types, such as PROUD and PMO, which are highly applauded by customers; and our property and facility management service that has been ranked No. 1 for customer satisfaction in condominium management for over 11 years. Another invaluable business resource is our broad customer base built up over long years. This includes approximately 130,000 members of the Nomura Real Estate Group Customer Club and over 220,000 users of the real estate information website (nomu.com).

Unless they are constantly upgraded, business resources cannot serve as a basis for meeting the expectations of society. For example, securing new human resources who will take a key role for the Group business in the future is difficult without parallel efforts to further promote diversity and bolster trainings for employees. Without being satisfied with the current business resources, we must keep trying to improve them.

Backcasting from the future

[P85 \[Awareness of the external environment \(opportunities and threats\)\]](#) →

[P80-81 \[Topic: Response to COVID-19\]](#) →

Approach to a changing environment

As for my background, I worked in the securities industry business for about 30 years. When I assumed the helm as the President of the Company, I was advised by numerous people that “the real estate business has a long timeline. This means you need to manage from a different perspective than in the securities business.” I agreed, but at the same time, I felt a concern that this is too conservative and could hinder us from rapid changes in society.

From the planning and concept stages to the actual provision of real estate to the public, our business requires a long lead time. For this reason, it is imperative that we always look forward and forecast future trends. In addition, in times or situations like today with the environment in a constant state of flux, we must simultaneously consider strategies such as where to concentrate our investments and what actions to take at present. Otherwise, the Group will face risks of being left behind by changes. Forecasting to predict the future based on current conditions and social changes and backcasting that guides strategies we must adopt now based on these predictions will both be crucial in the days ahead. In other words, in looking to the future real estate industry, we must further anticipate changes or ascertain needs to proactively spur change and deliver new value to customers.

The Group has a proven track record of successfully, understanding and responding flexibly to shifts in the environment. After the bursting of the economic bubble, we accelerated asset turnover to jump-start new business cycles that spawned opportunities for a fast business recovery and further growth. Moreover, following the global financial crisis, we executed an M&A deal that made NREG TOSHIBA BUILDING (currently Nomura Real Estate Building) a member of the Group, which added a stable leasing income structure to our business. We are enhancing a strong financial base through various initiatives in times of major changes. We are confident that we are firmly positioned to connect the current major changes to our next profit opportunities.

Important opportunities and threats that we must recognize

The long-term shrinking of Japan’s population poses a major threat to the housing sales business. Diverse household composition, people’s values, lifestyles, and work styles occur as a result of these changes. Thinking about what steps we should take now to address them, we will be able to provide products and services that anticipate these changes and create opportunities from threats.

Overseas markets also offer tremendous opportunities. In rapidly growing ASEAN cities, people are now seeking quality in addition to quantity for housing and urban development. I regard this trend as a major opportunity for us. This means the know-how we have cultivated in Japan has started to be accepted by those who are seeking more-secure, safer, and environment-friendly homes, and convenient and comfortable offices.

The recent spread of COVID-19 has drastically upended social conditions and the business environment. COVID-19 is exposing people to extremely difficult circumstances in their daily lives in addition to creating great economic risk. In view of this situation, the Group places top priority on the safety and security of executives, employees, and people involved in our business. As prime examples, we launched various measures such as working from home and promoting teleworking to ensure everyone can work energetically in good physical and mental health and perform their jobs as smoothly as possible in this difficult environment.

During these times, we must of course thoroughly implement all immediate measures and agilely perceive any possible changes in the situation. The possibilities we envision for the future are diverse. These include rapid transformations in the ways people live and work, the advance of teleworking, the evolution of ICT, and the progression of DX. Under these conditions, we must decide what action the Group should take. The thinking embodied in Our Group Vision “New Value, Real Value” will serve as a cornerstone for these decisions. We need to ask ourselves what exactly are the enriched lives and times that people will demand in the future. We must make our best efforts with anticipating these future demands.

Mid- to Long-term Business Plan and responses to social issues

Value creation by the Group

P26-27 [Four value creation initiatives] → P70-81 [Sustainability] →

Four value creation initiatives

The four value creation initiatives under the Mid- to Long-term Business Plan clarify the value that the Group creates as we take advantage of opportunities and transform threats into opportunities.

We aim to generate both social and economic value by leveraging the strengths and business resources nurtured since our founding backed by the Group's unique business model. We will always consider and closely examine our short-term numerical targets and plans and be vigilant of the major shifts in the economic environment triggered by the spread of COVID-19. As we do so, we remain committed to realizing our aspired target over the long term.

A key issue will be responding to the diversification and sophistication of needs by developing distinctive assets and improving the quality of services in anticipation of future changes.

In overseas business, we will leverage our know-how and value creation cultivated in Japan and deploy them in the rapidly growing cities of Asia, where demand is now shifting from quantity to quality. Connecting this urban growth to the enhancement of our corporate value is an extremely important measure.

Four value creation initiatives

- Realization of enriched lifestyles and work styles
- Multifunctional urban development toward exceptional convenience, comfort, and safety
- Urban development and community building concerning the future of the global environment and local communities
- Global expansion of high-quality products and services

Initiatives toward social issues through value creation

Major risks that could undermine the sustainability of corporate activities include climate change such as global warming and the increase in and intensification of natural disasters as well as various social issues and changes such as human rights and labor issues. A vital mission of companies is to contribute to the attainment of the Sustainable Development Goals (SDGs) that address these social issues around the world. We believe we can take various actions unique to the Group, which has solved social issues through our businesses.

The Group's core business is real estate development and this means we must pay particular attention to environmental sustainability. Alongside reducing negative impacts on the environment, the importance of generating positive environmental impacts through real estate development and real estate-related services are essential.

We are also moving ahead to reduce CO₂ and to create and use renewable energy. To indicate these efforts, we have set a target for 2030 of achieving a 30% reduction in CO₂ emissions from real estate owned by the entire Group compared with the FY14/3 level. We will redouble these efforts and aim to acquire Science Based Targets (SBT)*¹ Initiative Certification that also commits to the environmental performance of real estate that we have sold. In tandem with setting strict environmental standards during developing properties, we make Group-wide efforts such as promoting various initiatives related to environmental, social and governance (ESG) matters for properties owned by REITs and funds in the Investment Management Business Unit. We also have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)*² in September 2020.

In 2019, we signed the United Nations Global Compact. Utilizing these opportunities, we intend to play an even greater role in human rights and labor issues. Promoting closer communication with each stakeholder, including application of the Group's CSR Procurement Guidelines, and focusing on coexistence and co-creation with the trust of stakeholders, are above all essential to the sustainability of the Group. Regarding this point, we must pay particularly close attention and respond to issues pertaining to foreign technical intern trainees and the problems of local residents related to timber procurement.

The Group's value creation is evolving and expanding into large-scale urban development and area management

*See P72 about SBI*¹ and TCFD*².

Looking at the future real estate business, I believe we will increasingly need to anticipate changes or create changes on our own by grasping needs to provide new value to customers.



CEO message

such as urban-type compact towns and the Shibaura 1-chome District Project. Our value creation aims to enhance the value of the town continuously working in unison with the local community. We will achieve the vision by enhancing function of the town through creating safe and secure urban development and by the ongoing participation in town management fostering the community. Through the realization of the four value creation initiatives, we will make Group-wide efforts to address the demands of society, work together to solve social issues, and ensure this leads to further business growth. In doing so, to address social issues, the Group has formulated the four key themes of “Safety/Security,” “Environment,” “Community,” and “Health and Well-being” and established even more specific material issues for social issues and set goals linked to business activities.

We intend to firmly recognize social issues from a long-term perspective that looks beyond 2030, the target year for attaining the SDGs, and plan to present an ultra-long-term vision for the ways the Group can make contributions.

Our unique business model

Generating social and economic value through collaboration between two sectors

[P24-25 \[Business model\]](#) → [P38-41 \[Interview with the CFO\]](#) →

Two business sectors that create social value

Real estate is used over a long period of time and serves as the foundation of people’s lives. On the other hand, the preferences of people who live, work, and gather using the real estate change time to time. We must develop high-quality real estate as well as keep providing real estate-related services that address these changes. This will ensure that the Group consistently creates social value and attracts customers.

With the market-in approach, we will continue urban development through the Development Sector, which develops distinctive real estate through its “commitment to quality,” and the Service & Management Sector, which provides services such as investment management, property brokerage, and property and facility management. This is our unique business model that the Group has refined for over 60 years. With this model, we continue providing value by flexibly responding changes in the social environment.

Creating economic value that exceeds the capital cost

Companies need to raise funds through a variety means and deploy these funds efficiently to generate economic value that exceeds the capital cost. The Group creates value and provides shareholder returns through a business



The Group creates value and provides shareholder returns through a business model that combines development profits in the Development Sector with capital efficiency and stable fee revenue in the Service & Management Sector.

model that combines development profits in the Development Sector with capital efficiency and stable fee revenue in the Service & Management Sector.

By appropriately allocating resources to these two sectors, we will continue to achieve ROE exceeding the capital cost, balance growth investment with high returns to shareholders, and always maximize both social and economic value.

As targets of our Mid- to Long-term Business Plan, our target for the total return ratio is approximately 40–50% for Phase 1 and ROA of over 5% and ROE of over 10% for Phase 2 and onward. We are making our utmost efforts to achieve these targets.

Promotion foundation for sustainability

Initiatives for human resources and management structure

[P55-69 \[Corporate governance, risk management, internal controls, compliance/information disclosure\]](#) →

[P76-79 \[Human resources\]](#) →

We have positioned “human resources” and “management structure (corporate governance, compliance, risk management)” as the foundation for promoting initiatives for sustainability that supports the continuity of our corporate activities and are accelerating specific initiatives.

Corporate governance

The Group aims for a monitoring-oriented supervisory system and has made efforts to continuously evolve its corporate governance. As part of these efforts, the Group transitioned to a company with an Audit & Supervisory Committee in 2015 and established an Advisory Committee Relating to Nominations and Compensation the following year. External directors of the Company have experience in management, a high knowledge of global business, as well as extensive expertise in legal affairs and accounting. Board Members with such a wealth of knowledge have deep discussions in a wide range of fields.

Turning to our compensation system for directors, in 2018 we introduced a share-based compensation system that evaluates mid- to long-term performance and measures as we make ongoing efforts to devise ways to maintain a long-term perspective and avoid a short-term orientation. In 2019, we also incorporated initiatives for environmental and social issues into the performance evaluation of executives. In doing so, we have also clarified that the Group must fulfill our role in undertaking business activities. This is also management’s commitment to promoting businesses with an awareness of sustainability.

An assessment of the effectiveness of the Board of Directors, which was implemented for the fifth time, advised further enhancing strategic discussions and building an even more efficient group governance system. We have already launched efforts to address these issues.

Strengthening risk management

With regard to risk management, understanding the Company's risk tolerance limit and thoroughly controlling risks within this range will reduce the risk of loss of corporate value and lead to an improvement in it. In keeping with this idea, the overall risk management body has been shifted from the Risk Management Committee to the Management Committee directly under the control of the Board of Directors to raise the positioning. In parallel, we encompass redefining risk categories and setting up defense lines. We also recognize that there are areas requiring further improvement, such as devising more effective control methods. We will continue to promote ongoing initiatives in risk management.

The importance of human resources as our foundation

Strengthening human resources as our foundation is also indispensable for improving corporate value. The Group recognizes that employees are our most valuable and indispensable business resources and thus places great importance on the management of these human resources. We are implementing various measures toward realizing "wellness management" whereby all executives and employees can work energetically in good physical and mental health to enable sustainable growth of the Company.

We also believe there is ample room for improvement in encouraging the active roles of employees. This includes promoting the participation of women and responding for flexible work styles such as teleworking. We will continue to take our initiatives and creative efforts that enable our diverse human resources to maximize their abilities and work with satisfaction.

For stakeholders

To realize Our Group Vision "New Value, Real Value"

The Group has achieved growth through a distinctive business model that provides high-quality real estate development and real estate-related services. Looking ahead, we will realize remarkable growth through our ongoing focus on value creation while fully leveraging our competitive strengths and business resources.

Our Group Vision "New Value, Real Value" will remain solid even in the present drastic changes in economic conditions and the social environment arising from COVID-19. This will continue to be our philosophy and discipline as our key to further growth.

I sincerely appreciate our shareholders, investors, and other stakeholders for their ongoing support and I hope you to look forward to our sustainable growth.



Eiji Kutsukake

President and Representative Director,
Group CEO